

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION**

**OHIO NATIONAL LIFE ASSURANCE )  
CORPORATION, )**

**Plaintiff, )**

**v. )**

**DOUGLAS W. DAVIS, individually and as Trustee )  
of the SHIRLEE DAVIS IRREVOCABLE LIFE )  
INSURANCE TRUST, THEODORE R. FLOYD )  
IRREVOCABLE LIFE INSURANCE TRUST, )  
ROBERT S. HARRIS IRREVOCABLE LIFE )  
INSURANCE TRUST, MARY ANN HARRIS )  
IRREVOCABLE LIFE INSURANCE TRUST, and )  
CHARLES M. BONAPARTE, SR. IRREVOCABLE )  
LIFE INSURANCE TRUST; MAVASH MORADY; )  
CHRISTIANA BANK & TRUST COMPANY, as )  
Successor Trustee of the SHIRLEE DAVIS )  
IRREVOCABLE LIFE INSURANCE TRUST; )  
STEVEN EGBERT, as Successor Trustee of the )  
CHARLES M. BONAPARTE, SR. IRREVOCABLE )  
LIFE INSURANCE TRUST; SHIRLEE DAVIS; )  
PAUL MORADY; THOMAS M. TICE; and )  
THEODORE R. FLOYD, )**

**Defendants. )**

**No. 10-cv-2386**

**Judge Virginia M. Kendall**

**AMENDED COMPLAINT  
FOR DECLARATORY JUDGMENT, DAMAGES, AND EQUITABLE RELIEF**

Plaintiff, OHIO NATIONAL LIFE ASSURANCE CORPORATION (“Ohio National”),  
by its attorneys, Michael J. Smith and Warren von Schleicher of Smith, von Schleicher &  
Associates, submits its Amended Complaint for Declaratory Judgment, Damages, and Equitable  
Relief:

**THE PARTIES**

1. Plaintiff, Ohio National, is a corporation duly organized and existing under the  
laws of the State of Ohio with its principal place of business in Cincinnati, Ohio. Ohio National

is a citizen of the State of Ohio. Ohio National is duly authorized to issue life insurance policies in the State of Illinois.

2. Defendant, Douglas W. Davis (“Douglas Davis”), individually and as Trustee, is an attorney practicing law and residing in Malibu, California and is a citizen of the State of California. Davis is and was the named “Insurance Trustee” of the Shirlee Davis Irrevocable Trust, was the named Trustee of the Shirlee Davis Irrevocable Trust, was the named Trustee of the Charles M. Bonaparte, Sr. Irrevocable Trust, and is and was the named Trustee of the Theodore R. Floyd Irrevocable Trust, the Mary Ann Harris Irrevocable Trust, and the Robert S. Harris Irrevocable Trust.

3. Defendant, Mavash Morady (“Mavash Morady”), resides in California and is a citizen of the State of California. Mavash Morady is an independent insurance producer with and an owner of American Pacific General Agency Inc. and APG Insurance Services (collectively, “APG”) in Westlake Village, California.

4. Defendant, Paul Morady (“Paul Morady”), resides in California and is a citizen of the State of California. Paul Morady is an owner and managing director of APG, and an owner and CEO of Camden Capital Holdings, Inc., in Westlake Village, California. Paul Morady is the owner and president of Camden Investment Holdings, Inc., a California corporation that currently is in suspended status. Paul Morady was the owner and president of Security Pacific Premium Financing, Inc., an Illinois corporation that was involuntarily dissolved in 2008.

5. Defendant, Shirlee Davis (“Shirlee Davis”), resides in Chicago, Illinois and is a citizen of the State of Illinois. Shirlee Davis is the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6824925 (“Shirlee Davis Policy”), issued on May 24, 2007 by Ohio National in the amount of \$1,000,000. Shirlee Davis also is the named insured

under a life insurance policy issued by The Lincoln National Life Insurance Company (“Shirlee Davis LNLIC Policy”) on or about the spring of 2007 in the amount of \$750,000.

6. Defendant, Theodore R. Floyd (“Theodore Floyd”), resides in Chicago, Illinois and is a citizen of the State of Illinois. Floyd was the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6824720 (“Floyd Policy”), issued on June 20, 2007 by Ohio National in the amount of \$400,000. Floyd also is the named insured under a life insurance policy issued in or around June 2007 by AXA Equitable Life Insurance Company, Policy No. 157208142 (“Floyd AXA Equitable Policy”) in the amount of \$600,000.

7. Defendant, Christiana Bank & Trust Company (“Christiana Bank”), as Successor Trustee of the Shirlee Davis Irrevocable Life Insurance Trust, is a Delaware corporation with its principal place of business in Wilmington, Delaware. Christiana Bank is a citizen of the State of Delaware.

8. Defendant, Steven Egbert, as Successor Trustee of the Charles M. Bonaparte, Sr. Irrevocable Life Insurance Trust, resides in San Clemente, California and is a citizen of the State of California.

9. Defendant, Thomas M. Tice, has claimed to be the Successor Trustee of the Robert S. Harris Irrevocable Trust and the “Mary Ann Harris Family Irrevocable Trust.” Thomas M. Tice resides in California and is a citizen of the State of California.

#### **JURISDICTION AND VENUE**

10. The Court has subject matter jurisdiction pursuant to 28 U.S.C. §1332 based on diversity of citizenship. The amount in controversy exceeds \$75,000 exclusive of interest and costs. Venue is proper in the Northern District of Illinois pursuant to 28 U.S.C. §1391.

### **NATURE OF THE STOLI SCHEME**

11. Ohio National brings this action for declaratory judgment, equitable relief, and damages as a result of a Stranger Originated Life Insurance (“STOLI”) scheme perpetrated by Defendants Douglas Davis, Mavash Morady, and Paul Morady, with the knowledge and assistance of Shirlee Davis and Theodore Floyd. The perpetrators of this STOLI scheme procured life insurance policies for an illicit reason—the financial benefit of strangers-investors who lack insurable interests in the lives of the insureds—instead of for legitimate insurance reasons. Douglas Davis, Mavash Morady, and Paul Morady, acting as STOLI promoters, lured senior citizens to sign life insurance applications by promising to pay them money once the policies were issued, or by promising them “free” insurance. Douglas Davis, Mavash Morady, and Paul Morady procured the policies by using the identities of Illinois senior citizens as “straw men” in order to acquire financial interests in and control over the policies for their own financial gain, to sell the beneficial interests in the policies to STOLI investors at a profit, and to conceal their STOLI scheme.

12. Through fraud, bribery, and misrepresentation, Douglas Davis, Mavash Morady, and Paul Morady procured or caused to be procured nine life insurance policies with a combined face value of \$5,200,000, including two policies on the life of Charles M. Bonaparte Sr. totaling \$950,000, two policies on the life of Theodore R. Floyd totaling \$1,000,000, two policies on the life of Shirlee Davis totaling \$1,750,000, two policies on the life of Mary Ann Harris totaling \$1,000,000, and one policy on the life of Robert S. Harris totaling \$500,000. Mavash Morady was the insurance producer for all nine policies. Five of the policies were issued by Ohio National with a combined face value of \$2,800,000. The five Ohio National policies were not

procured in good faith, but were procured solely as vehicles for wagering on human life by STOLI promoters and STOLI investors who lack any insurable interest.

13. To conceal the true purpose of the policies as STOLI investments, Douglas Davis, Mavash Morady, and Paul Morady caused to be created a series of multi-layered trusts, to make it appear that the policies were procured for legitimate insurance needs. Rather than name themselves or other STOLI investors as the owners and beneficiaries of the policies, which would arouse suspicion, Douglas Davis, Mavash Morady, and Paul Morady formed irrevocable trusts to be named as the owners and beneficiaries of the policies, and they sold beneficial interests in the trusts to STOLI investors. Douglas Davis, Mavash Morady, and Paul Morady used the irrevocable trusts as shams to procure, acquire, and control for their own financial gain the ownership and beneficial interests in the policies. The policies lacked insurable interests from inception. Douglas Davis, Mavash Morady, Paul Morady, and the irrevocable trusts they created, never had insurable interests in the lives of the insureds.

14. In 2007, Douglas Davis, Paul Morady, and/or persons acting as their agents and under their direction and control, traveled to church meetings in and around Chicago, Illinois and, through deceptive statements and manipulative conduct including the payment of money and promise of “free insurance” for seniors, solicited and induced elderly citizens of Illinois (i) to sign insurance applications nominally applying for life insurance policies from Ohio National with values ranging from \$400,000 to \$1,000,000 despite their knowledge that the these senior citizens did not want this insurance, could not afford and had no intention of paying premiums for this insurance, and these senior citizens had no choice in naming who would be the owners and beneficiaries of the policies, (ii) to sign a series of irrevocable trust documents naming Douglas Davis as trustee, and (iii) to sign irrevocable beneficial interest assignments assigning

the beneficial interests in the trusts to Paul Morady (through his now defunct company Camden Investment Holdings, Inc.) and to STOLI investors, including Steven Egbert. On the insurance applications, Douglas Davis, Paul Morady, Mavash Morady, and/or persons acting as their agents and under their direction and control, designated the trusts as the owners and beneficiaries of the policies.

15. Douglas Davis is not a licensed insurance agent, is not authorized to market or sell Ohio National life insurance policies, and is not authorized by Ohio National to prepare or accept applications for life insurance coverage.

16. Mavash Morady signed the insurance applications and intentionally misrepresented that the proposed insureds were personally known to her, that she personally saw the proposed insureds and examined their financial records, and that each proposed insured had a net worth of approximately one million dollars or greater. Mavash Morady made these false statements to Ohio National in order to induce Ohio National to issue the policies, which Douglas Davis, Paul Morady, and Mavash Morady used for their own financial benefit as personal investments and for resale to STOLI investors. Through her false and deceptive statements and omissions, Mavash Morady fraudulently obtained commissions from Ohio National for the sale of the policies totaling \$118,849.40.

17. Ohio National never would have issued the policies if it had known that (i) the insureds were induced and deceived into applying for the policies, (ii) the information in the insurance applications was intentionally and knowingly falsified with the intent to fraudulently induce Ohio National to issue the policies, (iii) the policies were procured solely for the financial benefit of Douglas Davis, Paul Morady, Mavash Morady, and STOLI investors, (iv) Douglas Davis, Paul Morady, and Mavash Morady used the irrevocable trusts to acquire and control the

policies and to conceal their fraudulent STOLI scheme, (v) the irrevocable trusts never had an insurable interest in the lives of the insureds, and (vi) Mavash Morady obtained or was in the process of obtaining numerous high value life insurance policies from other insurers on the same senior citizens.

18. Ohio National, therefore, seeks a declaration that the policies were procured without an insurable interest and that the policies are void from their inception, that the policies were procured through fraudulent material misstatements on which Ohio National reasonably relied to its detriment, and damages sustained by Ohio National as a result of the STOLI scheme, including punitive damages, against Douglas Davis, Paul Morady, and Mavash Morady, and against their co-conspirators, Shirlee Davis and Theodore Floyd.

### **FACTUAL ALLEGATIONS**

#### **The Charles Bonaparte Policy**

19. Charles M. Bonaparte, Sr. (“Charles Bonaparte”) resides in Calumet City, Illinois and is a citizen of the State of Illinois. Charles Bonaparte is the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6824986 (“Bonaparte Policy”), issued on June 26, 2007 by Ohio National in the amount of \$400,000. Charles Bonaparte also is the named insured under a life insurance policy issued in 2007 by AXA Equitable Life Insurance Company in the amount of \$550,000 (“Bonaparte AXA Equitable Policy”). Mavash Morady was the insurance producer of both the Bonaparte Policy and the Bonaparte AXA Equitable Policy.

20. On or about April 26, 2007, Charles Bonaparte, then age 74 years, learned of an “insurance program” through a presentation given to the elders at his church, Prayer Tower Church of God and Christ in Chicago, Illinois. After the presentation, Douglas Davis contacted Charles Bonaparte and told him that if he signed applications for life insurance, including

applications for life insurance with Ohio National and AXA Equitable, and the policies were issued, Douglas Davis would pay him \$40,000. Douglas Davis told Charles Bonaparte that he would not have to pay any premiums, that the only benefit to Charles Bonaparte was the cash inducement, and that the life insurance policies would be sold to investors.

21. Davis used the lure of a \$40,000 payment to induce Charles Bonaparte to enroll in a STOLI “insurance program” by signing the Application and a series of trust documents, in order for Douglas Davis, Paul Morady, and Mavash Morady to fraudulently obtain and exercise control over the Bonaparte Policy, for Douglas Davis’s, Paul Morady’s, and Mavash Morady’s personal financial gain.

22. On April 26, 2007, Charles Bonaparte signed a life insurance Application applying for \$400,000 in life insurance coverage from Ohio National. The Application designated the owner and beneficiary of the Policy as “Charles M. Bonaparte Sr. Irrevocable Life Insurance Trust Douglas W. Davis – Trustee” (hereafter, “Bonaparte Irrevocable Trust”). Charles Bonaparte did not designate, and had no say in designating, the Bonaparte Irrevocable Trust as the owner and beneficiary of the Bonaparte Policy. Douglas Davis, Paul Morady, and/or Mavash Morady designated the Bonaparte Irrevocable Trust as the owner and beneficiary of the Bonaparte Policy.

23. On April 27, 2007, Charles Bonaparte signed the Bonaparte Irrevocable Trust. On May 1, 2007, Douglas Davis signed the Bonaparte Irrevocable Trust as Trustee. The Bonaparte Irrevocable Trust falsely recited that one of its purposes was “to financially provide for my [Charles Bonaparte’s] descendants, to the extent provided for under the terms of the agreement;...”



24. Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused the Bonaparte Irrevocable Trust to be prepared (i) in order to acquire and/or control, through fraud and misrepresentation, a \$400,000 interest in the life of Charles Bonaparte through the Bonaparte Policy and a \$550,000 interest in the life of Charles Bonaparte through the Bonaparte AXA Equitable Policy, (ii) to conceal their STOLI scheme and fraudulent activities by making it appear that the Bonaparte Irrevocable Trust had an insurable interest in the life of Charles Bonaparte, and (iii) to obtain Trustee fees and commissions for the sale of the Bonaparte Policy and Bonaparte AXA Equitable Policy. Douglas Davis, Paul Morady, Mavash Morady, and the Bonaparte Irrevocable Trust never had an insurable interest in the life of Charles Bonaparte. From its inception, the Bonaparte Policy lacked an insurable interest.

25. The Bonaparte Irrevocable Trust names “Douglas W. Davis” as Trustee and names the Irrevocable Trust’s beneficiary as “Charles M. Bonaparte Sr. Living Trust.” The Bonaparte Trust states, in Article I:

I [Charles Bonaparte] have been fully advised and understand and declare that this trust is and shall be irrevocable and I hereby expressly acknowledge that I shall have no right, title or interest in or power, privilege or incident of ownership in regard to any of the property in this trust and no right or power, whether alone or in conjunction with others, in whatever capacity, to alter, amend, modify revoke [sic] or terminate this trust, or any of the terms of this agreement, in whole in part, or to designate the persons who shall possess or enjoy the trust property, or the income therefrom. By this instrument I intend to and do hereby relinquish absolutely and forever all possession or enjoyment of, or right to the income from, the trust property, whether directly, indirectly, or constructively, and every interest of any nature, present or future, in the trust property.

Charles Bonaparte, however, did not know or understand the purpose of the Bonaparte Irrevocable Trust. Charles Bonaparte did not request that the Bonaparte Irrevocable Trust be designated as the Policy’s owner or beneficiary. Charles Bonaparte signed the Ohio National

Application and Bonaparte Irrevocable Trust solely to obtain cash payment from Douglas Davis, Paul Morady, and/or Mavash Morady for enrolling in their STOLI “insurance program.” Charles Bonaparte testified at his deposition: “Let me make this clear. I did not apply for the insurance per se. I – What I did was, as an incentive for me to receive compensation because they wanted to insure me because of my good health *to receive benefits for themselves*. I didn’t apply for the insurance. A program was presented to us, and I enrolled in the program.” (Emphasis added).

26. The Bonaparte Irrevocable Trust states that the Trustee, Douglas Davis, has “the right and power, in his sole and absolute discretion” to “enter into and perform agreements between the trust and Security Pacific Premium Financing, Inc., an Illinois licensed premium finance company ... related to the funding of premium payments with respect to any insurance policies on my [Charles Bonaparte’s] life owned by the trust and the pledge and assignment of such policies and other assets of the Trust as collateral for such funding ....”

27. The Bonaparte Irrevocable Trust states that the Trustee, Douglas Davis, has “in the exercise of his sole and absolute discretion all rights, powers and authority over and with respect to any life insurance policy held hereunder and with respect to any life insurance proceed held hereunder.” The Bonaparte Irrevocable Trust states that the Trustee has the powers and authority to “pay premiums,” to “make payments of proceeds of any life insurance policies directly to the Lender or its assigns for payment of all amounts due or obligations owing under the Agreements,” and “to exercise with respect to said insurance policies held hereunder from time to time all options, rights, elections and privileges exercisable with respect to said policies, including but not limited to the right to demand and collect from the company or companies issuing said policies all such proceeds as shall be payable to this trust, the Trustee;....”

28. On or about May 1, 2007, Douglas Davis submitted Charles Bonaparte's insurance Application to Mavash Morady, an independent insurance producer in California, with the intent and agreement that Mavash Morady sign and certify the information on the Application and submit the Application to Ohio National. Mavash Morady signed the certification section of the Application, stating "I hereby certify I have truly and accurately recorded on this application the information supplied by the Applicant and/or Proposed Insured."

29. On the Application, Mavash Morady knowingly and intentionally misrepresented to Ohio National that (i) Charles Bonaparte was "well-known" to her, (ii) Mavash Morady personally saw Charles Bonaparte, (iii) Charles Bonaparte's net worth was \$1,200,000, and (iv) the source of Mavash Morady's knowledge of this financial information was Charles Bonaparte's financial records. Each of these misrepresentations was false and was known by Mavash Morady and Douglas Davis to be false. Charles Bonaparte was not well known to Mavash Morady. Mavash Morady never personally saw or met Charles Bonaparte. Mavash Morady knew that Charles Bonaparte did not have a net worth of \$1,200,000. Mavash Morady did not review any financial records of Charles Bonaparte indicating a net worth of \$1,200,000. Mavash Morady and Douglas Davis fabricated \$1,200,000 as Charles Bonaparte's net worth. Mavash Morady made these false statements and misrepresentations knowingly, with the knowledge and assistance of Douglas Davis and Paul Morady, with the intent to deceive and induce Ohio National to issue a life insurance policy insuring the life of Charles Bonaparte in the amount of \$400,000, in furtherance of the STOLI scheme.

30. On the Application, Mavash Morady misrepresented to Ohio National that the primary purpose of the sale of the Charles Bonaparte Policy was "Personal," "Estate Protection," "Life/DI," "Mortgage," and "Other Personal." On the Application, in response to the question

“Are you aware of any information not disclosed in the Application which might affect the underwriting of the risk? If ‘Yes,’ explain in Remarks section,” Mavash Morady answered “No.” Mavash Morady’s misrepresentations on the Application were false and were known by her to be false. Mavash Morady knew, but intentionally failed to disclose to Ohio National, that (i) Douglas Davis, Paul Morady, and Mavash Morady induced Charles Bonaparte, through the promise of money, to sign the Application for \$400,000 in life insurance from Ohio National and a series of trust documents, (ii) Douglas Davis, Paul Morady, and Mavash Morady prepared or caused to be prepared the Bonaparte Irrevocable Trust in order to acquire and/or control, through fraud and misrepresentation, a \$400,000 financial interest in the life of Charles Bonaparte, (iii) Charles Bonaparte never requested that the Bonaparte Irrevocable Trust be designated as the owner or beneficiary of the Bonaparte Policy, and (iv) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Bonaparte Irrevocable Trust to conceal their fraudulent activities by making it appear that the Bonaparte Irrevocable Trust had an insurable interest in the life of Charles Bonaparte, when in fact the Bonaparte Irrevocable Trust never had an insurable interest in the life of Charles Bonaparte.

31. On or about May 1, 2007, Mavash Morady submitted the Application, signed by Mavash Morady and Charles Bonaparte, to Ohio National. In reasonable reliance on the representations made in the Application, on June 26, 2007, Ohio National issued the Charles Bonaparte Policy in the amount of \$400,000, with an annual premium of \$16,040, naming as the Policy’s owner and beneficiary the Bonaparte Irrevocable Trust, Douglas W. Davis Trustee. On July 5, 2007, Douglas Davis and Mavash Morady acknowledged in writing that they received the Bonaparte Policy.

32. On or about July 17, 2007, Douglas Davis paid the first annual premium for the Bonaparte Policy to Ohio National in the amount of \$16,404.00 by wire transfer from an account registered to his mother's, Shirlee Davis's, home address in Chicago. On information and belief, the money to pay the first annual premium was authorized and supplied by Paul Morady, through a company owned and controlled by Paul Morady.

33. On or about July 17, 2007, Douglas Davis faxed to Charles Bonaparte a series of documents for execution by Charles Bonaparte, with instructions to return the executed documents by overnight delivery to Paul Morady's company, Camden Investments. Among the documents was an "Irrevocable Transfer of Beneficial Interest in Trust," naming the Bonaparte Living Trust as Assignor and Camden Investments as Assignee, which was designed to assign the beneficial interest in the Bonaparte Policy to Camden Investments (and thus to Paul Morady's control) for payment of \$8,000. Douglas Davis, Paul Morady, and/or Mavash Morady concealed the assignment of the beneficial interest in the Bonaparte Policy by using the Bonaparte Living Trust as the conduit to effectuate the assignment. The Bonaparte Living Trust was the beneficiary of the Bonaparte Irrevocable Trust, which, in turn, was the beneficiary of the Bonaparte Policy.

34. On or about July 17, 2007, Charles Bonaparte signed the "Irrevocable Transfer of Beneficial Interest in Trust" and sent the executed document to Paul Morady at Camden Investments. Charles Bonaparte, however, did not understand the purpose of the "Irrevocable Transfer of Beneficial Interest in Trust." Charles Bonaparte signed the "Irrevocable Transfer of Beneficial Interest in Trust" solely to obtain cash payment from Douglas Davis, Paul Morady, and/or Mavash Morady for enrolling in their STOLI "insurance program."

35. In furtherance of the fraudulent insurance scheme, Douglas Davis and Paul Morady offered to sell and/or sold financial interests in or control over the Bonaparte Policy to stranger-investors, for Douglas Davis's, Paul Morady's, and Mavash Morady's financial gain.

36. On or about December 12, 2007, Douglas Davis sent to Charles Bonaparte a series of documents for execution by Charles Bonaparte, with instructions to return the executed documents by overnight delivery to Douglas Davis. Among the documents was an "Irrevocable Beneficial Interest Assignment" naming the Bonaparte Living Trust as Assignor and Steven Egbert as Assignee, which was designed to assign the beneficial interest in the Bonaparte Policy and the Bonaparte AXA Equitable Policy to defendant Steven Egbert. Douglas Davis, Paul Morady, and/or Mavash Morady concealed the assignment of the beneficial interest in the Bonaparte Policy and the Bonaparte AXA Equitable Policy by using the Bonaparte Living Trust as the conduit to effectuate the assignment. The first page of the "Irrevocable Beneficial Interest Assignment" recited that the assignment was made "for valid consideration" but did not state the monetary amount of the consideration.

37. On December 13, 2007, Douglas Davis appointed Steven Egbert of Newport Beach, California as Successor Trustee of the Bonaparte Irrevocable Trust.

38. On or about December 20, 2007, Charles Bonaparte signed the "Irrevocable Beneficial Interest Assignment" and sent the executed document to Douglas Davis. Charles Bonaparte, however, did not understand the purpose of the "Irrevocable Beneficial Interest Assignment." Charles Bonaparte signed the "Irrevocable Beneficial Interest Assignment" solely to obtain cash payment from Douglas Davis, Paul Morady, and/or Mavash Morady for enrolling in their STOLI "insurance program."

39. In or about December 2007, after receiving the executed “Irrevocable Beneficial Interest Assignment,” Douglas Davis or someone acting under his direction and control falsified the “Irrevocable Beneficial Interest Assignment” signed by Charles Bonaparte by removing the first page of the document (which identified the consideration as “for valid consideration”) and replacing it with a new first page that identified the consideration for the assignment as “\$69,521.00,” without Charles Bonaparte’s knowledge or consent. In this way, Douglas Davis concealed from Charles Bonaparte the amount of money paid by Steven Egbert to acquire the beneficial interest in the Bonaparte Policy and the Bonaparte AXA Equitable Policy.

40. In or around early 2008, Douglas Davis or Paul Morady, or an entity under their direction and control, electronically transferred between \$4,000 and \$6,000 into Charles Bonaparte’s personal bank account, as Charles Bonaparte’s payment for participating in their STOLI “insurance program” with respect to the \$400,000 Bonaparte Policy. Douglas Davis or Paul Morady, or an entity under their direction and control, electronically transferred approximately \$14,000 into Charles Bonaparte’s personal bank account, as Charles Bonaparte’s payment for participating in their STOLI “insurance program” with respect to the \$550,000 Bonaparte AXA Equitable Policy.

41. Since August 7, 2008, Steven Egbert or his defunct company called “Steven Egbert Inc.” has paid the premiums for the Bonaparte Policy.

42. On or about December 8, 2008, Steven Egbert requested that Ohio National change its records to reflect that Steven Egbert, as Successor Trustee, was the new owner and beneficiary of the Charles Bonaparte Policy.

43. Charles Bonaparte has not paid, and never agreed to pay, any premiums for the Bonaparte Policy. Douglas Davis and Steven Egbert paid the premiums for the Bonaparte Policy.

44. The Bonaparte Policy was procured by or at the behest of Douglas Davis, Paul Morady, and/or persons acting under their direction and control, using Charles Bonaparte's name and identity and multi-layered trusts to conceal the true nature of the transaction as a wagering contract, under a pre-arranged scheme and agreement to transfer the beneficial interest in the Policy to Douglas Davis, Paul Morady or a company owned and controlled by him, and to STOLI investors.

#### **The Theodore Floyd Policy**

45. Defendant Theodore Floyd was the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6824720 ("Floyd Policy"), issued on June 20, 2007 by Ohio National in the amount of \$400,000. The Floyd Policy has lapsed for failure to pay premiums. Theodore Floyd also is the named insured under a life insurance policy issued on or about May 2007 by AXA Equitable, Policy No. 157208142 ("Floyd AXA Equitable Policy"), in the amount of \$600,000.

46. On or about April 18, 2007, Theodore Floyd, then age 72 years, attended a dinner meeting at Fernwood United Methodist Church in Chicago, Illinois. The meeting included an insurance sales pitch given by Douglas Davis, Paul Morady and/or persons under their direction and control, who told Theodore Floyd that they would pay him \$50,000 if he signed an Ohio National Application and an AXA Equitable Application for life insurance and insurance policies were issued. Douglas Davis told Theodore Floyd that the life insurance policies would be free,



that Theodore Floyd would not have to pay any premiums, and that premiums would be paid by investors.

47. Douglas Davis used the lure of a \$50,000 payment to induce Theodore Floyd to enroll in a STOLI “insurance program” by signing the Applications and a series of trust documents, in order for Douglas Davis, Paul Morady, and Mavash Morady to fraudulently obtain and exercise control over life insurance policies from Ohio National and AXA Equitable insuring the life of Theodore Floyd, for Douglas Davis’s, Paul Morady’s, and Mavash Morady’s personal financial gain.

48. On April 18, 2007, Theodore Floyd signed two life insurance Applications: an Application for \$400,000 in life insurance coverage from Ohio National, and an Application for \$1,000,000 in life insurance coverage from AXA Equitable (which AXA Equitable issued for \$600,000 rather than the \$1,000,000 amount applied for). The Applications designated the owner and beneficiary of both Policies as “Theodore R. Floyd Irrevocable Life Insurance Trust dated 04/18/2007; Douglas W. Davis Trustee” (hereafter, “Floyd Irrevocable Trust”). Theodore Floyd did not designate, and had no say in designating, the Floyd Irrevocable Trust as the owner and beneficiary of the Floyd Policy and the Floyd AXA Equitable Policy. Douglas Davis, Paul Morady, and/or Mavash Morady designated the Floyd Irrevocable Trust as the owner and beneficiary of the Floyd Policy and the Floyd AXA Equitable Policy. Ohio National does not have a copy of the Floyd Irrevocable Trust, which is believed to be in Douglas Davis’s, Paul Morady’s, and Mavash Morady’s possession and control.

49. Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused the Floyd Irrevocable Trust to be prepared (i) in order to acquire and/or control, through fraud and misrepresentation, a \$400,000 interest in the life of Theodore Floyd through the Floyd Policy and

a \$600,000 interest in the life of Theodore Floyd through the Floyd AXA Equitable Policy, (ii) to conceal their STOLI scheme and fraudulent activities by making it appear that the Floyd Irrevocable Trust had an insurable interest in the life of Theodore Floyd, and (iii) to obtain Trustee fees and commissions for the sale of the Floyd Policy and Floyd AXA Equitable Policy. Douglas Davis, Paul Morady, Mavash Morady, and the Floyd Irrevocable Trust never had an insurable interest in the life of Theodore Floyd. From its inception, the Floyd Policy lacked an insurable interest.

50. The annual premium for the Floyd Policy was \$30,535.20, and the annual premium for the Floyd AXA Equitable Policy was \$31,246.84. Theodore Floyd could not afford and had no intention of paying any premiums for the Floyd Policy or the Floyd AXA Equitable Policy. Theodore Floyd testified that he never applied or intended to apply for the Floyd Policy or the Floyd AXA Equitable Policy. Theodore Floyd testified that he never authorized anyone including Douglas Davis and Mavash Morady to submit the Application to Ohio National for the Floyd Policy.

51. Theodore Floyd signed the Ohio National Application, the AXA Equitable Application, and the Floyd Irrevocable Trust solely to obtain cash payment from Douglas Davis, Paul Morady, and/or Mavash Morady for enrolling in and in furtherance of their STOLI scheme.

52. On or about April 18, 2007, Douglas Davis submitted Theodore Floyd's Ohio National insurance Application to Mavash Morady, with the intent and agreement that Mavash Morady sign and certify the information on the Application and submit the Application to Ohio National. Mavash Morady signed the certification section of the Application, stating "I hereby certify I have truly and accurately recorded on this application the information supplied by the Applicant and/or Proposed Insured."

53. On the Application, Mavash Morady, with the knowledge and cooperation of Theodore Floyd, knowingly and intentionally misrepresented to Ohio National that (i) Theodore Floyd was “known casually” to her, (ii) Mavash Morady personally saw Theodore Floyd, (iii) Theodore Floyd’s net worth was \$1,400,000 and his net annual income was \$81,000, and (iv) the source of Mavash Morady’s knowledge of this financial information was Theodore Floyd’s financial records. Each of these misrepresentations was false and was known by Mavash Morady, Douglas Davis, and Theodore Floyd to be false at the time they were made. Theodore Floyd was not casually known to Mavash Morady. Mavash Morady never personally saw or met Theodore Floyd. Mavash Morady knew that Theodore Floyd did not have a net worth of \$1,400,000 and a net annual income of \$81,000. Mavash Morady did not review any financial records of Theodore Floyd indicating a net worth of \$1,400,000 and a net annual income of \$81,000. Mavash Morady and Douglas Davis fabricated \$1,400,000 as Theodore Floyd’s net worth and fabricated \$81,000 as Theodore Floyd’s net annual income. Mavash Morady made these false statements and misrepresentations knowingly, with the knowledge and assistance of Douglas Davis, Theodore Floyd, and Paul Morady, and with the intent to deceive and induce Ohio National to issue a life insurance policy insuring the life of Theodore Floyd in the amount of \$400,000, in furtherance of Douglas Davis’s, Paul Morady’s, and Mavash Morady’s STOLI scheme.

54. On the Application, Mavash Morady represented to Ohio National that the primary purpose of the sale of the Floyd Policy was “Personal,” “Estate Protection,” “Family Income Protection,” “Mortgage,” and “Other Personal.” In response to the question “Are you aware of any information not disclosed in the Application which might affect the underwriting of the risk? If ‘Yes,’ explain in Remarks section,” Mavash Morady answered “No.” Mavash

Morady's representations on the Application were false and were known by Mavash Morady to be false at the time they were made. Mavash Morady knew, but intentionally failed to disclose to Ohio National, that (i) Douglas Davis, Paul Morady, and Mavash Morady induced Theodore Floyd, through the promise of money, to sign the Application for \$400,000 in life insurance from Ohio National, (ii) Douglas Davis, Paul Morady, and Mavash Morady prepared or caused to be prepared the Floyd Irrevocable Trust in order to acquire and/or control, through fraud and misrepresentation, a \$400,000 financial interest in the life of Theodore Floyd, (iii) Theodore Floyd never requested that the Floyd Irrevocable Trust be designated as the owner or beneficiary of the Floyd Policy, and (iv) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Floyd Irrevocable Trust to conceal their fraudulent activities by making it appear that the Floyd Irrevocable Trust had an insurable interest in the life of Theodore Floyd, when in fact the Floyd Irrevocable Trust never had an insurable interest in the life of Theodore Floyd.

55. On or about April 27 and 30, 2007, Mavash Morady submitted the Application, signed by Mavash Morady and Theodore Floyd, to Ohio National. In reasonable reliance on the representations made in the Application, on June 20, 2007, Ohio National issued the Floyd Policy in the amount of \$400,000, with an annual premium of \$30,535.20, naming as the Policy's owner and beneficiary the Floyd Irrevocable Trust, Douglas W. Davis Trustee. On June 26, 2007, Douglas Davis and Mavash Morady acknowledged in writing that they received the Floyd Policy.

56. On information and belief, on or about July 2007, Douglas Davis obtained from Theodore Floyd an executed "Irrevocable Transfer of Beneficial Interest in Trust," which was

designed to assign the beneficial interest in the Floyd Policy to Paul Morady through an entity owned and controlled by Paul Morady such as Camden Investments.

57. On or about July 6, 2007, Douglas Davis paid the first annual premium for the Floyd Policy to Ohio National in the amount of \$30,535.20 by wire transfer from an account registered to his mother's, Shirlee Davis's, home address in Chicago. On information and belief, the money to pay the first annual premium was authorized and supplied by Paul Morady, through a company owned and controlled by Paul Morady. Thereafter, premiums were paid approximately on a quarterly basis by Paul Morady or an entity owned and controlled by Paul Morady.

58. After the Floyd Policy and Floyd AXA Equitable Policy were issued, Douglas Davis or Paul Morady, or an entity under their control and at their direction, electronically transferred \$18,000 into Theodore Floyd's personal bank account, as Theodore Floyd's payment for agreeing to have his name and identity be used by Douglas Davis, Paul Morady, and Mavash Morady to obtain insurance coverage on his life in furtherance of their STOLI scheme.

59. Douglas Davis and Paul Morady, while paying the premiums for the Floyd Policy, attempted to sell beneficial interests in the Floyd Policy to stranger-investors, for Douglas Davis's, Paul Morady's, and Mavash Morady's financial gain. On December 14, 2009, Ohio National received a request from an entity called NAF Funding in New York, NY claiming, "We represent the owner and insured of this policy [the Floyd Policy] and we are requesting a policy illustration to the below specifications: Current illustration running to maturity with a level premium to maturity and a level death benefit to maturity with a cash surrender value at maturity between \$1 — \$1,000 or as close as possible." Thereafter, the Floyd Policy lapsed for non-payment of premiums and is no longer in force.

60. Theodore Floyd never paid, and never agreed to pay, any premiums for the Floyd Policy. Douglas Davis and Paul Morady, or entities owned and controlled by Paul Morady, paid the premiums for the Floyd Policy.

61. The Floyd Policy was procured by or at the behest of Douglas Davis, Paul Morady, and/or persons acting under their direction and control, using Theodore Floyd's name and identity and multi-layered trusts to conceal the true nature of the transaction as a wagering contract, under a pre-arranged scheme to transfer the beneficial interest in the Policy to Douglas Davis, Paul Morady or a company owned and controlled by him, and to STOLI investors.

### **The Robert Harris Policy**

62. Robert S. Harris ("Robert Harris") resides in Country Club Hills, Illinois and is a citizen of the State of Illinois. Robert Harris is the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6843154 ("Robert Harris Policy"), issued on February 12, 2008 by Ohio National in the amount of \$500,000.

63. In or about October 2007, Robert Harris, then age 70 years, attended a church dinner meeting in the Chicago, Illinois area. The meeting included an insurance sales pitch given by Douglas Davis, Paul Morady, and/or persons acting as their agents under their direction and control, who told Robert Harris that they were offering free life insurance for senior citizens, and that Robert Harris would not have to pay any premiums. They used the lure of free insurance for senior citizens to induce Robert Harris to enroll in a STOLI scheme by signing an Application and a series of trust documents, in order for Douglas Davis, Paul Morady, and Mavash Morady to fraudulently obtain and exercise control over the Robert Harris Policy, for Douglas Davis's, Paul Morady's, and Mavash Morady's personal financial gain.

64. On information and belief, on or about October 17, 2007, Douglas Davis created a document titled "Robert Harris Irrevocable Trust" naming "Douglas W. Davis" as Trustee (hereafter, "Robert Harris Irrevocable Trust"). Ohio National does not have a copy of the Robert Harris Irrevocable Trust, which is believed to be in Douglas Davis's, Paul Morady's, and Mavash Morady's possession and control. Robert Harris does not recall ever signing the Robert Harris Irrevocable Trust, and does not know that the Robert Harris Irrevocable Trust even exists.

65. Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused the Robert Harris Irrevocable Trust to be prepared (i) in order to acquire and/or control, through fraud and misrepresentation, a \$500,000 interest in the life of Robert Harris through the Robert Harris Policy, (ii) to conceal their STOLI scheme and fraudulent activities by making it appear that the Robert Harris Irrevocable Trust had an insurable interest in the life of Robert Harris, and (iii) to obtain Trustee fees and commissions for the sale of the Robert Harris Policy. Douglas Davis, Paul Morady, Mavash Morady, and the Robert Harris Irrevocable Trust never had an insurable interest in the life of Robert Harris. From its inception, the Robert Harris Policy lacked an insurable interest.

66. On October 18, 2007, Robert Harris signed a life insurance Application applying for \$500,000 in life insurance coverage from Ohio National. The Application designated the owner and beneficiary of the Policy as "Robert Harris Irrevocable Trust," "Douglas W. Davis" as Trustee. On information and belief, Robert Harris did not designate, and had no say in designating, the Robert Harris Irrevocable Trust as the owner and beneficiary of the Robert Harris Policy. On information and belief, Douglas Davis, Paul Morady, and/or Mavash Morady designated the Robert Harris Irrevocable Trust as the owner and beneficiary of the Robert Harris Policy.

67. On or about October 18, 2007, Robert Harris's insurance Application was obtained through Douglas Davis by Mavash Morady, an independent insurance producer in California, with the intent and agreement that Mavash Morady sign and falsely certify the information on the Application and submit the Application to Ohio National. Mavash Morady signed the certification section of the Application, stating "I hereby certify I have truly and accurately recorded on this application the information supplied by the Applicant and/or Proposed Insured."

68. On the Application, Mavash Morady knowingly and intentionally misrepresented to Ohio National that (i) Robert Harris was "well-known" to her, (ii) Mavash Morady personally saw Robert Harris, and (iii) Robert Harris's net worth was \$1,100,000 and net annual income was \$64,000. Each of these misrepresentations was false and was known by Mavash Morady and Douglas Davis to be false at the time they were made. Robert Harris was not well-known to Mavash Morady. Mavash Morady never personally saw or met Robert Harris. Mavash Morady knew that Robert Harris did not have a net worth of \$1,100,000 and a net annual income of \$64,000. Mavash Morady and Douglas Davis fabricated \$1,100,000 as Robert Harris's net worth and fabricated \$64,000 as his annual income. Mavash Morady made these false statements and misrepresentations knowingly, with the knowledge and assistance of Douglas Davis and/or Paul Morady, and with the intent to deceive and induce Ohio National to issue a life insurance policy insuring the life of Robert Harris in the amount of \$500,000.

69. On the Application, Mavash Morady represented to Ohio National that the primary purpose of the sale of the Robert Harris Policy was "Personal," "Estate Protection," "Family Income Protection," "General Financial Needs," and "Other Personal." On the Application, in response to the question "Are you aware of any information not disclosed in the



Application which might affect the underwriting of the risk? If ‘Yes,’ explain in Remarks section,” Morady answered “No.” Mavash Morady’s representations on the Application were false and were known by Mavash Morady to be false. Mavash Morady knew, but intentionally failed to disclose to Ohio National, that (i) Douglas Davis, Paul Morady, and Mavash Morady induced Robert Harris, through the promise of free insurance for senior citizens, to sign the Application for \$500,000 in life insurance from Ohio National, (ii) Douglas Davis, Paul Morady, and Mavash Morady prepared or caused to be prepared the Robert Harris Irrevocable Trust in order to acquire and control, through fraud and misrepresentation, a \$500,000 financial interest in the life of Robert Harris, (iii) Robert Harris never requested that the Robert Harris Irrevocable Trust be designated as the owner or beneficiary of the Robert Harris Policy, and (iv) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Robert Harris Irrevocable Trust to conceal their fraudulent activities by making it appear that the Robert Harris Irrevocable Trust had an insurable interest in the life of Robert Harris, when in fact the Robert Harris Irrevocable Trust never had an insurable interest in the life of Robert Harris.

70. On or about October 23, 2007, Mavash Morady submitted the Application to Ohio National. In reasonable reliance on the representations made in the Application, Ohio National issued the Robert Harris Policy in the amount of \$500,000 with an effective date of February 23, 2008, with an annual premium of \$14,928.00, naming as the Policy’s owner and beneficiary the Robert Harris Irrevocable Trust, Douglas W. Davis Trustee.

71. On or about March 3, 2008, Paul Morady and Mavash Morady, through their company APG, paid the first annual premium for the Robert Harris Policy to Ohio National in the amount of \$14,928.00 by wire transfer from APG’s bank account in California.

72. In furtherance of the fraudulent insurance scheme, Douglas Davis and Paul Morady offered to sell and/or sold financial interests in and control over the Robert Harris Policy to stranger-investors, for Douglas Davis's, Paul Morady's, and Mavash Morady's financial gain.

73. On information and belief, on or about March 2008, Douglas Davis, Paul Morady, or persons acting under their direction and control, induced Robert Harris to execute a transfer or assignment of beneficial interest in the Robert Harris Policy to Paul Morady or a company owned and controlled by Paul Morady, and/or to a STOLI investor named Thomas M. Tice in El Cajon, California. Thomas M. Tice is president of Capital Administrative Services, Inc. and an officer of Capital Life Assets, Inc., which are companies that acquire beneficial interests in life insurance policies for their own investment portfolio and for subsequent resale.

74. Since the initial annual premium payment by Paul Morady's and Mavash Morady's company, APG, on March 3, 2008, Thomas M. Tice or his company, Capital Administrative Services, Inc., have been paying the premiums for the Robert Harris Policy.

75. On March 14, 2008 and March 31, 2008, Douglas Davis signed a "Resignation of Trustee" purporting to resign as Trustee of the Robert Harris Irrevocable Trust and purporting to appoint Thomas M. Tice as successor Trustee. However, Thomas M. Tice waited until May 10, 2010, after this lawsuit was filed, before he informed Ohio National that he claimed to be Trustee of the Robert Harris Irrevocable Trust. On May 10, 2010, Thomas M. Tice requested that Ohio National change the address of the owner of the Robert Harris Policy to "Thomas M. Tice, Trustee, Robert S. Harris Irrevocable Trust" in El Cajon, California.

76. Robert Harris has not paid, and never agreed to pay, any premiums for the Robert Harris Policy. Paul Morady, Mavash Morady, and Thomas M. Tice paid the premiums for the Robert Harris Policy.

77. The Robert Harris Policy was procured by or at the behest of Douglas Davis, Paul Morady, and/or persons acting under their direction and control, using Robert Harris's name and identity and multi-layered trusts to conceal the true nature of the transaction as a wagering contract, under a pre-arranged scheme and agreement to transfer the beneficial interest in the Policy to Douglas Davis, Paul Morady or a company owned and controlled by him, and to STOLI investors.

### **The Mary Harris Policy**

78. Mary Ann Harris ("Mary Harris") resides in Country Club Hills, Illinois and is a citizen of the State of Illinois. Mary Harris is the named insured under a Flexible Premium Universal Life Insurance Policy, Policy No. C6842991 ("Mary Harris Policy"), issued on December 17, 2007 by Ohio National in the amount of \$500,000. Mary Harris also is the named insured under a life insurance policy issued by ING ("Mary Harris ING Policy") in or about November 2007 in the amount of \$500,000. Mavash Morady was the insurance producer for the \$500,000 Mary Harris Policy and the \$500,000 Mary Harris ING Policy.

79. In or about October 2007, Mary Harris, then age 70 years, attended a church dinner meeting in the Chicago, Illinois area. The meeting included an insurance sales pitch given by Douglas Davis, Paul Morady, and/or persons acting as their agents under their direction and control, who told Mary Harris that they were offering free life insurance for senior citizens, and that Mary Harris would not have to pay any premiums. They used the lure of free insurance for senior citizens to induce Mary Harris to enroll in a STOLI scheme by signing an Application and a series of trust documents, in order for Douglas Davis, Paul Morady, and Mavash Morady to fraudulently obtain and exercise control over the Mary Harris Policy, for Douglas Davis's, Paul Morady's, and Mavash Morady's personal financial gain.

80. On October 17, 2007, Douglas Davis obtained Mary Harris's signature on a document titled "Mary Ann Harris Irrevocable Trust" naming "Douglas W. Davis" as Trustee and "Robert S. Harris, Settlor's husband" as beneficiary (hereafter, "Mary Harris Irrevocable Trust"). The Mary Harris Irrevocable Trust recites that its purposes are, *inter alia*, "to apply for and own one or more life insurance policies insuring the life of the Settlor" and "to enter into such financial arrangements and agreements as shall be directed in writing by the Beneficiary for the purpose of obtaining the funds needed to acquire or maintain the Policy in effect and to perform the Trust's obligations under such arrangements and agreements or [sic] the Policy,...."

81. The Mary Harris Irrevocable Trust states, "Douglas W. Davis, or any successor Trustee, shall receive as compensation for its services as Trustee such fees as are agreed between Settlor and the Trustee, without prejudice to any separate and indemnification agreement." The Mary Harris Irrevocable Trust further states:

The Settlor [Mary Harris] has been fully advised and understand and declares that the Trust created by this trust instrument (this "Agreement") is and shall be irrevocable, and the Settlor shall have no right, title or interest in, or power, privilege or incidents of ownership in or with regard to any of the property in this Trust and no right to alter, amend, modify, revoke or terminate this Trust or any of its provisions.

82. Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused the Mary Harris Irrevocable Trust to be prepared (i) in order to acquire and/or control, through fraud and misrepresentation, a \$500,000 interest in the life of Mary Harris through the Mary Harris Policy, (ii) to conceal their STOLI scheme and fraudulent activities by making it appear that the Mary Harris Irrevocable Trust had an insurable interest in the life of Mary Harris, and (iii) to obtain Trustee fees and commissions for the sale of the Mary Harris Policy. Douglas Davis, Paul Morady, Mavash Morady, and the Mary Harris Irrevocable Trust never had an insurable interest

in the life of Mary Harris. From its inception, the Mary Harris Policy lacked an insurable interest.

83. On October 18, 2007, Mary Harris signed a life insurance Application applying for \$500,000 in life insurance coverage from Ohio National. The Application designated the owner and beneficiary of the Policy as the “Mary Ann Harris Irrevocable Trust,” “Douglas W. Davis” as Trustee. On information and belief, Mary Harris did not designate, and had no say in designating, the Mary Harris Irrevocable Trust as the owner and beneficiary of the Mary Harris Policy. On information and belief, Douglas Davis, Paul Morady, and/or Mavash Morady designated the Mary Harris Irrevocable Trust as the owner and beneficiary of the Mary Harris Policy.

84. On or about October 18, 2007, Mary Harris’s insurance Application was obtained through Douglas Davis by Mavash Morady, an independent insurance producer in California, with the intent and agreement that Mavash Morady sign and falsely certify the information on the Application and submit the Application to Ohio National. Mavash Morady signed the certification section of the Application, stating “I hereby certify I have truly and accurately recorded on this application the information supplied by the Applicant and/or Proposed Insured.”

85. On the Application, Mavash Morady knowingly and intentionally misrepresented to Ohio National that (i) Mary Harris was “well-known” to her, (ii) Mavash Morady personally saw Mary Harris, and (iii) Mary Harris’s net worth was \$900,000 and net annual income was \$53,000. Each of these misrepresentations was false and was known by Mavash Morady and Douglas Davis to be false at the time they were made. Mary Harris was not well-known to Mavash Morady. Mavash Morady never personally saw or met Mary Harris. Mavash Morady knew that Mary Harris did not have a net worth of \$900,000 and a net annual income of \$53,000.

Mavash Morady and Douglas Davis fabricated \$900,000 as Mary Harris's net worth and fabricated \$53,000 as her net annual income. Mavash Morady made these false statements and misrepresentations knowingly, with the knowledge and assistance of Douglas Davis and/or Paul Morady, and with the intent to deceive and induce Ohio National to issue a life insurance policy insuring the life of Mary Harris in the amount of \$500,000.

86. On the Application, Mavash Morady represented to Ohio National that the primary purpose of the sale of the Mary Harris Policy was "Personal," "Family Income Protection," "General Financial Needs," and "Other Personal." On the Application, in response to the question "Are you aware of any information not disclosed in the Application which might affect the underwriting of the risk? If 'Yes,' explain in Remarks section," Mavash Morady answered "No." Mavash Morady's representations on the Application were false and were known by Mavash Morady to be false. Mavash Morady knew, but intentionally failed to disclose to Ohio National, that that (i) Douglas Davis, Paul Morady, and Mavash Morady induced Mary Harris, through the promise of free insurance for senior citizens, to sign the Application for \$500,000 in life insurance from Ohio National, (ii) Douglas Davis, Paul Morady, and Mavash Morady prepared or caused to be prepared the Mary Harris Irrevocable Trust in order to acquire and/or control, through fraud and misrepresentation, a \$500,000 financial interest in the life of Mary Harris, (iii) Mary Harris never requested that the Mary Harris Irrevocable Trust be designated as the owner or beneficiary of the Mary Harris Policy, and (iv) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Mary Harris Irrevocable Trust to conceal their fraudulent activities by making it appear that the Mary Harris Irrevocable Trust had an insurable interest in the life of Mary Harris, when in fact the Mary Harris Irrevocable Trust never had an insurable interest in the life of Mary Harris.

87. On or about October 24, 2007, Mavash Morady submitted the Application to Ohio National. In reasonable reliance on the representations made in the Application, on December 17, 2007, Ohio National issued the Mary Harris Policy in the amount of \$500,000, with an annual premium of \$14,388.00, naming as the Policy's owner and beneficiary the Mary Harris Irrevocable Trust, Douglas W. Davis Trustee. On March 28, 2008, Douglas Davis and Mavash Morady acknowledged in writing that they received the Mary Harris Policy.

88. On information and belief, on or about March 2008, Douglas Davis, Paul Morady, or persons acting under their direction and control, induced Mary Harris to execute a transfer or assignment of beneficial interest in the Mary Harris Policy to Paul Morady or a company owned and controlled by Paul Morady, and/or to a STOLI investor named Thomas M. Tice in El Cajon, California.

89. On information and belief, on or about March 2008, Douglas Davis signed a "Resignation of Trustee" purporting to resign as Trustee of the Mary Harris Irrevocable Trust and purporting to appoint Thomas M. Tice as successor Trustee. Thomas M. Tice concealed his purported appointment as successor Trustee until May 10, 2010, after this lawsuit was filed, when he informed Ohio National that he claimed to be Trustee of the Mary Harris Irrevocable Trust. On May 10, 2010, Thomas M. Tice requested that Ohio National change the address of the owner of the Mary Harris Policy to "Thomas M. Tice, Trustee, Mary Ann Harris Irrevocable Family Trust" in El Cajon, California.

90. On or about May 6, 2008, Thomas M. Tice, as president of Capital Administrative Services, Inc., paid the first quarterly premium for the Mary Harris Policy to Ohio National in the amount of \$3,597.00. Thereafter, Thomas M. Tice, as president of Capital Administrative Services, Inc., continued to pay quarterly premiums for the Mary Harris Policy.

91. Mary Harris has not paid, and never agreed to pay, any premiums for the Mary Harris Policy. Thomas M. Tice, as president of Capital Administrative Services, Inc., paid the premiums for the Mary Harris Policy.

92. Mary Harris never knowingly authorized anyone to procure the Mary Harris Policy naming the Mary Harris Irrevocable Trust as beneficiary.

93. The Mary Harris Policy was procured by or at the behest of Douglas Davis, Paul Morady, and/or persons acting under their direction and control, using Mary Harris's name and identity and multi-layered trusts to conceal the true nature of the transaction as a wagering contract, under a pre-arranged scheme and agreement to transfer the beneficial interest in the Policy to Douglas Davis, Paul Morady or a company owned and controlled by him, and to STOLI investors.

#### **The Shirlee Davis Policy**

94. Shirlee Davis is the named insured under the Shirlee Davis Policy in the amount of \$1,000,000 issued by Ohio National on June 26, 2007. Shirlee Davis also is the named insured under a life insurance policy issued by The Lincoln National Life Insurance Company ("Shirlee Davis LNLIC Policy") on or about the spring of 2007 in the amount of \$750,000. Mavash Morady was the insurance producer for the \$1,000,000 Shirlee Davis Policy and the \$750,000 Shirlee Davis LNLIC Policy.

95. On January 12, 2007, Douglas Davis induced Shirlee Davis to sign a document titled "Shirlee Davis Irrevocable Life Insurance Trust" ("Shirlee Davis Irrevocable Trust") designating Douglas Davis as both "Insurance Trustee" and "Trustee." On January 19, 2007, Douglas Davis signed the Shirlee Davis Irrevocable Trust as Insurance Trustee and Trustee.



96. Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused the Shirlee Davis Irrevocable Trust to be prepared (i) in order to acquire and/or control, through fraud and misrepresentation, a \$1,000,000 interest in the life of Shirlee Davis through the Shirlee Davis Policy, (ii) to conceal their STOLI scheme and fraudulent activities by making it appear that the Shirlee Davis Irrevocable Trust had an insurable interest in the life of Shirlee Davis and as the test case for their STOLI scheme, and (iii) to obtain Trustee fees and commissions for the sale of the Shirlee Davis Policy. Douglas Davis, Paul Morady, Mavash Morady, and the Shirlee Davis Irrevocable Trust never had an insurable interest in the life of Shirlee Davis. From its inception, the Shirlee Davis Policy lacked an insurable interest.

97. The Shirlee Davis Irrevocable Trust states, in Article I:

I [Shirlee Davis] have been fully advised and understand and declare that this trust is and shall be irrevocable and I hereby expressly acknowledge that I shall have no right, title or interest in or power, privilege or incident of ownership in regard to any of the property in this trust and no right or power, whether alone or in conjunction with others, in whatever capacity, to alter, amend, modify revoke [sic] or terminate this trust, or any of the terms of this agreement, in whole in part, or to designate the persons who shall possess or enjoy the trust property, or the income therefrom. By this instrument I intend to and do hereby relinquish absolutely and forever all possession or enjoyment of, or right to the income from, the trust property, whether directly, indirectly, or constructively, and every interest of any nature, present or future, in the trust property.

98. The Shirlee Davis Irrevocable Trust states that the Trustee, Douglas Davis, has “the right and power, in his sole and absolute discretion” to “enter into and perform agreements between the trust and Security Pacific Premium Financing, Inc., an Illinois licensed premium finance company ... related to the funding of premium payments with respect to any insurance policies on my [Shirlee Davis’s] life owned by the trust and the pledge and assignment of such policies and other assets of the Trust as collateral for such funding ....”

99. The Shirlee Davis Irrevocable Trust states that the Insurance Trustee, Douglas Davis, “shall have the sole and absolute authority on behalf of the trust ... to purchase life insurance payable to the trust on my life, to execute the Insurance Application Documents and to take such other actions in connection therewith as may be necessary to acquire and/or own such insurance.”

100. The Shirlee Davis Irrevocable Trust nominally names “George Davis” as beneficiary “until the Trustee or Trustees hereinafter named shall exercise a Limited Power of Appointment ... naming a different beneficiary or beneficiaries ....” The Shirlee Davis Irrevocable Trust further states that the Insurance Trustee, Douglas Davis, “in the exercise of his sole and absolute discretion ... shall have all rights and authority with respect to any insurance policy and/or the proceeds of any such insurance policy held hereunder....” The Shirlee Davis Irrevocable Trust states that the Insurance Trustee, Douglas Davis, has “all rights, powers and authority over and with respect to any life insurance policy held hereunder and with respect to any life insurance proceeds held hereunder,” including the power, right and authority to exercise “all options, rights, elections and privileges exercisable with respect to said policies.”

101. On or about April 23, 2007, a life insurance Application was signed by Shirlee Davis applying for \$1,000,000 in life insurance coverage from Ohio National, and designating the policy owner and beneficiary as “Shirlee Davis Irrevocable Life Insurance Trust; Douglas W. Davis – Trustee.” Shirlee Davis knew that she was applying for the Policy in name only, for the benefit of STOLI investors, and not for her personal insurance needs.

102. On or about April 23, 2007, Douglas Davis submitted Shirlee Davis’s insurance Application to Mavash Morady, an independent insurance producer in California, with the intent and agreement that Mavash Morady sign and certify the information on the Application and

submit the Application to Ohio National. Mavash Morady signed the certification section of the Application, stating “I hereby certify I have truly and accurately recorded on this application the information supplied by the Applicant and/or Proposed Insured.”

103. On the Application, Mavash Morady knowingly and intentionally misrepresented to Ohio National that (i) Shirlee Davis was “well-known” to her, (ii) Mavash Morady personally saw Shirlee Davis, (iii) Shirlee Davis’s net worth was \$1,210,000 and her net annual income was \$140,100, and (iv) the source of Mavash Morady’s knowledge of this financial information was Shirlee Davis’s financial records. Each of these misrepresentations was false and was known by Mavash Morady and Douglas Davis to be false at the time they were made. Shirlee Davis was not well known to Mavash Morady. Mavash Morady never personally saw or met Shirlee Davis. On information and belief, Mavash Morady knew that Shirlee Davis did not have a net worth of \$1,210,000 and a net annual income of \$140,100. Mavash Morady made these false statements and misrepresentations knowingly, with the knowledge and assistance of Douglas Davis, Shirlee Davis, and Paul Morady, with the intent to deceive and induce Ohio National to issue a life insurance policy insuring the life of Shirlee Davis in the amount of \$1,000,000.

104. On the Application, Mavash Morady represented to Ohio National that the primary purpose of the sale of the Shirlee Davis Policy was “Personal,” “Estate Protection,” “Family Income Protection,” “Mortgage,” “General Financial Needs,” and “Other Personal.” On the Application, in response to the question “Are you aware of any information not disclosed in the Application which might affect the underwriting of the risk? If ‘Yes,’ explain in Remarks section,” Mavash Morady answered “No.” Mavash Morady’s representations on the Application were false and were known by Mavash Morady to be false. Mavash Morady knew, but intentionally failed to disclose to Ohio National, that (i) Douglas Davis, Paul Morady, and

Mavash Morady induced Shirlee Davis to sign the Application for \$1,000,000 in life insurance from Ohio National for their STOLI scheme, (ii) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Shirlee Davis Irrevocable Trust in order to acquire and/or control, through fraud and misrepresentation, a \$1,000,000 financial interest in the life of Shirlee Davis for purposes of selling the beneficial interest in the Shirlee Davis Policy to STOLI investors, and (iii) Douglas Davis, Paul Morady, and/or Mavash Morady prepared or caused to be prepared the Shirlee Davis Irrevocable Trust, with Shirlee Davis's cooperation, to conceal their fraudulent activities by making it appear that the Shirlee Davis Irrevocable Trust had an insurable interest in the life of Shirlee Davis, when in fact the Shirlee Davis Irrevocable Trust never had an insurable interest in the life of Shirlee Davis.

105. On or about April 23, 2007, Mavash Morady submitted the Application to Ohio National. Mavash Morady also submitted to Ohio National a letter from Douglas Davis on letterhead bearing the name "The Davis Law Group," in which Douglas Davis intentionally misrepresented that Shirlee Davis has real estate in the amount of \$2,300,000.00, jewelry in the amount of \$300,000.00, stocks in the amount of \$150,000.00, and cash in the amount of \$50,000.00, with the knowledge and assistance of Shirlee Davis, and with the intent that Ohio National rely thereon in issuing the Shirlee Davis Policy.

106. In reasonable reliance on the representations made in the Application and letter from The Davis Law Group, on June 26, 2007, Ohio National issued the Shirlee Davis Policy in the amount of \$1,000,000, with an annual premium of \$36,696, naming as the Policy's owner and beneficiary the Shirlee Davis Irrevocable Trust, Douglas W. Davis Trustee. On June 2, 2007, Douglas Davis and Mavash Morady acknowledged in writing that they received the Shirlee Davis Policy.

107. On or about June 8, 2007, Douglas Davis paid the first annual premium for the Shirlee Davis Policy to Ohio National in the amount of \$36,696.00 by wire transfer from an account registered to his mother's, Shirlee Davis's, home address in Chicago. On information and belief, the money to pay the first annual premium was authorized and supplied by Paul Morady, through a company owned and controlled by Paul Morady.

108. On information and belief, on or about June 2007, Douglas Davis, Paul Morady, or persons acting under their direction and control, caused Shirlee Davis to execute a transfer or assignment of beneficial interest in the Shirlee Davis Policy to Camden Investment Holdings Inc., a company owned and controlled by Paul Morady.

109. In furtherance of the fraudulent insurance scheme, Douglas Davis and Paul Morady offered to sell and/or sold the beneficial interest in and control over the Shirlee Davis Policy to STOLI investors, for Douglas Davis's, Paul Morady's, and Mavash Morady's financial gain.

110. On September 28, 2007, Paul Morady signed a Purchase Agreement as CEO of Camden Investment Holdings Inc. in which he sold the beneficial interest in the Shirlee Davis Irrevocable Trust and Shirlee Davis Policy to the "John Thomas Bridge and Opportunity Fund" in Houston, Texas, with Christiana Bank as trustee, for Paul Morady's, Mavash Morady's, and Douglas Davis's financial gain.

111. On December 12, 2007, Douglas Davis signed a "Resignation of Trustee" resigning as trustee of the Shirlee Davis Irrevocable Trust and appointing Christiana Bank as successor trustee. By letter dated February 21, 2008, Christiana Bank requested that Ohio National change its records to reflect that Christiana Bank has been named successor trustee of

the Shirlee Davis Irrevocable Trust. After the first annual premium was paid, subsequent premiums were paid on a quarterly basis by Christiana Bank commencing April 17, 2008.

112. On November 4, 2009, Ohio National received a facsimile from Abacus Settlements, LLC referencing the Shirlee Davis Policy and stating, "Please find the Life Insurance Release Form authorizing Abacus Settlements LLC on behalf of Christiana Bank and Trust to obtain information on the above policy." The Life Insurance Release Form was signed by Christiana Bank as trustee of the Shirlee Davis Irrevocable Trust.

113. On January 8, 2010, Ohio National received a facsimile from Abacus Settlements, LLC forwarding a Customer Service Request, which requested that Ohio National change the owner of the Shirlee Davis Policy to "John Thomas Bridge & Opportunity Fund Trust."

114. Shirlee Davis allowed her name and identity to be used in the Application for the Shirlee Davis Policy and in the Application for the Shirlee Davis LNLIC Policy for purposes of furthering the STOLI scheme. Shirlee Davis knew that the two Policies were being taken out by Douglas Davis, Paul Morady, and/or Mavash Morady as STOLI policies.

115. On April 12, 2010, Shirlee Davis, at her home, intentionally misrepresented to Ohio National, both verbally and in writing, that her children are paying premiums for the Shirlee Davis Policy, and that the financial information in the Application stating her net worth and net annual income were accurate. Shirlee Davis's statements were false and misleading, and were known by Shirlee Davis to be false and misleading, with the intent to conceal and assist Douglas Davis's, Paul Morady's, and Mavash Morady's fraudulent STOLI scheme.

116. The Shirlee Davis Policy was procured by or at the behest of Douglas Davis, Paul Morady, and/or persons acting under their direction and control, using Shirlee Davis's name and identity and multi-layered trusts to conceal the true nature of the transaction as a wagering

contract, under a pre-arranged scheme and agreement to transfer the beneficial interest in the Policy to Douglas Davis, Paul Morady or a company owned and controlled by him, and to STOLI investors.

**COUNT I**  
**Declaratory Judgment—All Defendants**

117. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 of its Amended Complaint as if fully set forth in this paragraph.

118. Douglas Davis, Paul Morady, and Mavash Morady acquired and controlled a \$400,000 financial interest in the life of Charles Bonaparte pursuant to the Bonaparte Policy, a \$400,000 financial interest in the life of Theodore Floyd pursuant to the Floyd Policy, a \$500,000 financial interest in the life of Robert Harris pursuant to the Robert Harris Policy, a \$500,000 financial interest in the life of Mary Harris pursuant to the Mary Harris Policy, and a \$1,000,000 financial interest in the life of Shirlee Davis pursuant to the Shirlee Davis Policy (collectively, the “Policies”). Douglas Davis, Paul Morady, and Mavash Morady marketed and sold beneficial interests in the Policies to STOLI investors for Douglas Davis’s, Paul Morady’s, and Mavash Morady’s personal financial gain.

119. Douglas Davis, Paul Morady, and Mavash Morady procured the Policies or caused the Policies to be procured as pure wagers on the lives of Charles Bonaparte, Theodore Floyd, Robert Harris, Mary Harris, and Shirlee Davis, without having an insurable interest in the continuation of the life of each insured, for Douglas Davis’s, Paul Morady’s, and Mavash Morady’s financial gain. From inception, the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy lacked any insurable interest.

120. Ohio National would not have issued the Policies if it had known that (i) Douglas Davis, who is not an agent of Ohio National and is not a licensed insurance agent, marketed,

solicited, and accepted the Applications, (ii) the material statements and omissions in the Application, as set forth in paragraphs 11 through 116 of the Amended Complaint, were false, (iii) Douglas Davis, Paul Morady, and Mavash Morady induced the insureds to apply for the Policies in order for Douglas Davis, Paul Morady, and Mavash Morady to acquire a financial interest in and control over the Policies as a pure wager on the lives of the insureds, (iv) the insureds never agreed to pay, and did not have the financial resources to pay, premiums for the Policies, (v) the Trusts were shams used to conceal that the Policies lacked insurable interests, (vi) the Policies were procured as part of a STOLI scheme.

121. Ohio National requests a declaratory judgment finding that the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy are void for want of an insurable interest, and declaring that Ohio National is entitled to retain any premiums paid for the aforesaid Policies. Ohio National has deposited premiums received for the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy with the Court. Ohio National continues to issue premium due notices and retain custody of premiums until entry of the relief requested herein or further Order of the Court.

122. Ohio National requests that all defendants be enjoined from pledging, selling, transferring or assigning, directly or indirectly, any beneficial interest in the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy.

123. Ohio National requests that all defendants be ordered to provide an accounting of all financial transactions relating to the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy and the Irrevocable Trusts and beneficiaries of the Irrevocable Trusts and Living Trusts, including loans, investments, interest, payments made and payments received, and that any monies received in connection with the sale, assignment, or transfer, either



directly or indirectly, of any beneficial interests in the aforesaid Policies be placed in a constructive trust and deposited with the Court for distribution as the Court deems just and equitable.

**COUNT II**  
**Fraud—Douglas Davis and Mavash Morady**

124. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 and 118 through 120 of the Amended Complaint as if fully set forth in this paragraph.

125. As set forth above in paragraphs 11 through 116 of the Amended Complaint, Douglas Davis knowingly made false statements and omissions of material fact with the intent to induce Ohio National to rely on his false statements and omissions of material fact and to issue the Policies. As set forth above in paragraphs 1 through 116 of the Amended Complaint, Mavash Morady knowingly made false statements and omissions of material fact with the intent to induce Ohio National to rely on her false statements and omissions of material fact and to issue the Policies.

126. Ohio National, in issuing the Policies, relied upon the false statements and omissions of material fact made by Douglas Davis and Mavash Morady. As a result thereof, Ohio National has been damaged by issuing the Policies, by paying commissions for the sale of the Policies to Mavash Morady, and by incurring costs and attorneys' fees in this lawsuit as a result of Douglas Davis's and Mavash Morady's STOLI scheme.

127. Ohio National requests entry of judgment against Douglas Davis and Mavash Morady for compensatory damages, punitive damages, a declaration that the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy are void due to Douglas Davis's and Mavash Morady's fraudulent misrepresentations and for want of insurable interests,

and a declaration that Ohio National is entitled to any premium payments for the aforesaid Policies made to Ohio National or deposited with the Court.

128. Ohio National requests that Douglas Davis and Mavash Morady be ordered to provide an accounting of all financial transactions relating to the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy and the Irrevocable Trusts and beneficiaries of the Irrevocable Trusts, including loans, investments, interest, payments made and payments received, and that any monies received in connection with the sale, assignment, or transfer, either directly or indirectly, of any beneficial interests in the aforesaid Policies be paid to Ohio National as damages.

### **COUNT III**

#### **Illinois Consumer Fraud and Deceptive Business Practices Act – Douglas Davis**

129. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 and 118 through 120 of the Amended Complaint as if fully set forth in this paragraph.

130. As set forth above in paragraphs 11 through 116 of its Amended Complaint, Douglas Davis engaged in deceptive acts and practices by marketing and selling Ohio National Policies without an insurance license and without Ohio National's authorization, and by knowingly and intentionally making false statements and omissions of material fact to Charles Bonaparte, Theodore Floyd, Robert Harris, and Mary Harris, to induce Charles Bonaparte, Theodore Floyd, Robert Harris, and Mary Harris to sign the insurance Applications, Irrevocable Trust documents, and documents assigning the beneficial interests in the Policies, and by falsifying documents including the "Irrevocable Beneficial Interest Assignment" as alleged in paragraphs 38 and 39 of the Amended Complaint. Through deception and misrepresentation, Douglas Davis used the insureds' names and identities, and their signatures on the Applications

and Trust documents, in order to procure, and to induce Ohio National to issue, the Bonaparte Policy, the Floyd Policy, the Robert Harris Policy, and the Mary Harris Policy.

131. Douglas Davis's deceptive acts and practices occurred in the course of conduct involving the trade and commerce of insurance sales and substantially affected Illinois consumers and Illinois consumer protection concerns.

132. Ohio National, in issuing the Policies, relied upon the false statements and omissions of material fact made by Douglas Davis. Douglas Davis's deceptive acts and practices proximately caused damages to Ohio National in that (i) Douglas Davis damaged Ohio National by marketing, selling, and accepting applications for Ohio National life insurance policies without authorization from Ohio National and without a license, (ii) Ohio National would not have issued the Policies if Ohio National had known that Douglas Davis was obtaining the Policies as part of a STOLI scheme and that the Trusts were sham documents used to conceal the lack of an insurable interest, and (iii) Ohio National has incurred costs, fees and expenses of investigating Douglas Davis's STOLI scheme and in pursuing this lawsuit to void the Policies.

133. Ohio National requests entry of judgment against Douglas Davis for compensatory damages, treble damages, punitive damages, costs, attorneys' fees, and a declaration that the Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy are void for want of an insurable interest.

**COUNT IV**  
**Breach of Contract — Mavash Morady**

134. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 and 118 through 120 of the Amended Complaint as if fully set forth in this paragraph.

135. In 2006, Mavash Morady entered a written General Agent Contract with Ohio National, appointing Mavash Morady as a General Agent authorized to (i) solicit and complete life insurance applications issued by Ohio National, (ii) to submit life insurance applications to Ohio National, (iii) to effect delivery in person of life insurance policies issued by Ohio National, (iv) to obtain payment of the initial premium for the policies, and (v) to recommend, recruit, train, and properly supervise persons for appointment by Ohio National to serve as agents for the General Agent. The General Agent Contract states, "In all respects, the relationship of the General Agent to the Company [Ohio National] shall be that of an independent contractor and not an employee." The General Agent Contract is governed by the law of the State of Ohio. This Count for breach of contract arises under Ohio law.

136. The General Agent Contract provides, *inter alia*, as follows:

3.03 Company Rules. The General Agents shall observe and conform to such rules and regulation as the Company shall publish from time to time relating to its underwriting practices, the acceptance of risks, the delivery or policies or otherwise relating to the conduct of the Company's business.

\* \* \*

3.04 Laws and Regulations. The authority and duties of the General Agent shall remain subject at all times to compliance by the General Agent with all applicable federal, state and local laws and regulations including, without limitation, state licensing and insurance laws and regulations.

\* \* \*

4.02 Termination by Notice or Agreement. This Contract may be terminated by either party, with or without cause and with or without specifying reasons, upon giving 30 days advance written notice to the other party. This Contract may be terminated immediately by either party giving written notice to the other party in the event any of the following occurs:

- (a) a material breach of the terms of this Contract, including any unauthorized act undertaken by the General agent, or the General Agent's violation of the Company's published rules and regulation relating to the conduct of its business; or

- (b) any act of fraud or misconduct by one party damaging to the other party; or
- (c) any material violations of states insurance laws or regulation or of any other legal requirements bearing upon this Contract; or
- (d) the General Agents failure to pay a fine or to comply with any other disciplinary measures imposed by the Company in accordance with Section 3.06 above.

\* \* \*

4.05 When Compensation No Longer Payable. Notwithstanding Section 4.04 above or any other provision of this Contract, the General Agent shall have no right or entitlement to receive payment or continuing payment of any form of compensation from the Company if any one of the following occurs at any time:

- (a) if the General Agent engages in any act of fraud or misconduct damaging to the Company; or
- (b) if the General Agent fails to turn over any property or funds belonging to the Company or fails to make a final accounting as required by Section 4.03 of this Contract: or
- (c) if the General Agent engages in a course of conduct involving the replacement of insurance in this Company with new insurance in another company, whether or not there has been compliance with any applicable governmental regulations concerning replacements.

137. At all times relevant herein, Ohio National had in effect rules or regulations prohibiting general agents, including Mavash Morady, from participating in premium financing arrangements on life insurance policies by unrelated third parties without Ohio National's knowledge and consent.

138. The actions by Mavash Morady as alleged in paragraph 11 through 116 of the Amended Complaint were conducted while the General Agent Contract was in force and constitute a breach of the General Agent Contract. Ohio National has been damaged by Mavash Morady's breach of the General Agent Contract.

139. Ohio National requests entry of judgment in its favor and against Mavash Morady for all commissions received by her with respect to the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy, in an amount in excess of

\$118,849.40, plus interest, and compensation for any other damages sustained by Ohio National as a result of Mavash Morady's breach of contract. Further, Mavash Morady's wrongful conduct was perpetrated in bad faith and has caused Ohio National to incur legal fees to void the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy. Ohio National, therefore, seeks an award of legal costs and reasonable attorneys' fees against Mavash Morady pursuant to Ohio law.

**COUNT V**  
**Unjust Enrichment—Douglas Davis**

140. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 and 118 through 120 of the Amended Complaint as if fully set forth in this paragraph.

141. As set forth in paragraphs 11 through 116 of the Amended Complaint, Douglas Davis wrongfully procured the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy, for Douglas Davis's personal financial gain. Douglas Davis has been unjustly enriched by receiving Trustee fees, commissions, and payments for the transfer, sale, or assignment of beneficial interests in the Policies, either directly or through the Trusts. As a consequence and without justification, Douglas Davis has been unjustly enriched to Ohio National's detriment, in violation of fundamental principles of justice, equity, and good conscience.

142. Ohio National requests entry of judgment in its favor ordering that (i) Douglas Davis provide an accounting of all financial transactions relating to the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy and the Trusts, including loans, investments, interest, payments made and payments received, and all monies received by Douglas Davis individually and as Trustee, whether such monies are or were held by

him or by Shirlee Davis for the benefit of Douglas Davis, and (ii) Douglas Davis deposit with the Court all monies received by him in connection with the STOLI scheme, both individually and as Trustee, and all monies received by the Trusts during any period of time in which Davis served as Trustee, plus interest, and any other relief that the Court deems equitable and just, and (iii) a determination that all monies so deposited properly belong and is payable in justice, equity, and good conscience to Ohio National.

**COUNT VI**  
**Civil Conspiracy—Douglas Davis, Mavash Morady, Paul Morady,**  
**Shirlee Davis, and Theodore Floyd**

143. Ohio National incorporates herein by reference the allegations contained in paragraphs 1 through 116 and 118 through 120 of the Amended Complaint as if fully set forth in this paragraph.

144. Douglas Davis, Paul Morady, and Mavash Morady combined and agreed to perpetrate a STOLI scheme in concert with each other, in order to procure the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy, for their own financial benefit and the financial benefit of STOLI investors who lack insurable interests in the lives of the insureds. Douglas Davis, Mavash Morady, and Paul Morady procured or caused the Policies to be procured by using the identities of Charles Bonaparte, Theodore Floyd, Robert Harris, Mary Harris, and Shirlee Davis in order to acquire financial interests in and control over the Policies for their own financial gain, and to conceal their STOLI scheme through a series of multi-layered Trusts.

145. Douglas Davis, Paul Morady, Mavash Morady, and Theodore Floyd combined and agreed to perpetrate a STOLI scheme in concert with each other, for purposes of procuring the Floyd Policy. In exchange for a cash payment, Theodore Floyd allowed Douglas Davis, Paul

Morady, and Mavash Morady to use his name and identity to procure the Floyd Policy for the benefit of Douglas Davis, Paul Morady, and Mavash Morady, and for sale to STOLI investors.

146. Douglas Davis, Paul Morady, Mavash Morady, and Shirlee Davis combined and agreed to perpetrate a STOLI scheme in concert with each other, for purposes of procuring the Shirlee Davis Policy. Shirlee Davis allowed Douglas Davis, Paul Morady, and Mavash Morady to use her name and identity to procure the Shirlee Davis Policy for the benefit of Douglas Davis, Paul Morady, and Mavash Morady, and for sale to STOLI investors.

147. In furtherance of the civil conspiracy and agreement, Douglas Davis committed the overt tortious and unlawful acts set forth in paragraphs 11 through 116 of the Amended Complaint, Mavash Morady committed the overt tortious and unlawful acts set forth in paragraphs 11 through 116 of the Amended Complaint, Paul Morady committed the overt tortious and unlawful acts set forth in paragraphs 11 through 116 of the Amended Complaint, Theodore Floyd committed the overt tortious and unlawful acts set forth in paragraphs 45 through 61 of the Amended Complaint, and Shirlee Davis committed the overt tortious and unlawful acts set forth in paragraphs 32, 57, and 94 through 116 of the Amended Complaint.

148. Moreover, Douglas Davis and Paul Morady concealed and furthered their STOLI scheme by using the Trusts to create the false impression that the Trusts had insurable interests in the Policies, to conceal their scheme, and to covertly transfer beneficial interests in the Policies to STOLI investors. Douglas Davis caused to be assigned to Paul Morady, through his company Camden Investments, the beneficial interests in the Bonaparte Policy and the Shirlee Davis Policy, which they concealed by using the Bonaparte Irrevocable Trust and the Shirlee Davis Irrevocable Trust as the conduit for the assignment of the beneficial interests, and for sale to STOLI investors.



149. As a result of the civil conspiracy, Ohio National has been damaged, *inter alia*, as set forth in paragraphs 12, 13, 15, 16, 17, 120, 126, 132, and 141 of the Amended Complaint.

150. Ohio National requests entry of judgment against Douglas Davis, Shirlee Davis, Paul Morady, Mavash Morady, and Theodore Floyd for compensatory damages, punitive damages, a declaration that the Charles Bonaparte Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy are void, and a declaration that Ohio National is entitled to all premium payments made to Ohio National for the Policies.

151. Ohio National requests that Douglas Davis, Shirlee Davis, Paul Morady, Mavash Morady, and Theodore Floyd be ordered to provide an accounting of all financial transactions relating to the Bonaparte Policy, Floyd Policy, Robert Harris Policy, Mary Harris Policy, and Shirlee Davis Policy and the Irrevocable Trusts and beneficiaries of the Irrevocable Trusts and Living Trusts, including loans, investments, interest, payments made and payments received, and that any monies received in connection with the sale, assignment, or transfer, either directly or indirectly, of any beneficial interests in the aforesaid Policies be placed in a constructive trust and deposited with the Court for distribution as the Court deems just and equitable.

WHEREFORE, Plaintiff, OHIO NATIONAL LIFE ASSURANCE CORPORATION, respectfully requests entry of judgment in its favor.

Respectfully submitted,

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By: /s/ Warren von Schleicher  
Attorney for Plaintiff,  
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### CERTIFICATE OF SERVICE

I hereby certify that on December 15, 2010, I electronically filed the foregoing with the Clerk of the court using the CM/ECF system, which will send notification of such filing on the following:

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I further certify that a paper copy was sent via USPS Mail to the following individual:

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/s/ Warren von Schleicher

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