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UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND

NORTHERN DIVISION

JUDITH SAMS,
2242 Monocacy Road
Baltimore, Baltimore County, MD 21221,
individually and on behalf of a class of
similarly situated persons,
Plaintiff,

v.

ENTRUST ARIZONA, LLC n/k/a/
VANTAGE RETIREMENT PLANS, LLC,
20860 N. Tatum Blvd., Suite 240
Phoenix, AZ 85050; JUAN PABLO
DAHDAH, 20860 N. Tatum Blvd., Suite 240,
Phoenix, AZ 85050;
THE ENTRUST GROUP, INC., and
ENTRUST ADMINISTRATION, INC.,
555 12th Street, Suite 1250
Oakland, CA 94607;
HUGH BROMMA,

Case No.: 1:13-CV-01311-ELH

SECOND AMENDED CLASS-ACTION COMPLAINT

JURY TRIAL DEMANDED

555 12th Street, Suite 1250 ,Oakland, CA 94607; FIRST TRUST COMPANY OF ONAGA, 214 W. 9th Street Onaga, KS 66521; and MECHANICS BANK, 725 Alfred Nobel Drive, Hercules, CA 94547;

Defendants.

Plaintiff JUDITH SAMS ("Plaintiff" or "SAMS"), individually and on behalf of a class of similarly situated entities and/or persons, respectively, brings this action, by and through her undersigned counsel, and alleges as follows:

I. INTRODUCTION

1. Plaintiff and the Class Members were victims of a fraudulent investment scheme which was made possible, facilitated and concealed through what we now know were "*phantom"* (something that is not real and exists only in a person's mind) *Self-Directed Individual Retirement Accounts* ("SDIRAs") administered by Defendants ENTRUST ARIZONA, LLC n/k/a/ VANTAGE RETIREMENT PLANS, LLC, THE ENTRUST GROUP, INC., and ENTRUST ADMINISTRATION, INC., ("ENTRUST SDIRAs"). Fraudsters have stolen millions of dollars from unsuspecting elderly retirees and other inexperienced, unsophisticated investors like Plaintiff JUDITH SAMS ("SAMS") through similar schemes with ENTRUST SDIRAs. SDIRAs are a unique form of IRA that permits investments in alternative assets such as gold, promissory notes, real estate and private businesses, unlike a traditional IRA. SDIRAs have been heavily advertised by the industry as an attractive investment alternative for stock-market-weary investors who have watched their retirement savings rapidly lose value with the stock market.

2. When SAMS transferred her retirement monies to her ENTRUST SDIRA, SAMS thought she was investing in real estate investments managed by Mike Watson ("Watson"), of Provo, Utah. Watson was, in reality, a "Fraud Promoter," a phrase used by the SEC to describe individuals who devise and orchestrate Ponzi schemes to defraud innocent investors.

3. Watson required that SAMS invest her retirement monies through an ENTRUST SDIRA. When SAMS completed her SDIRA application with The Entrust Group, Inc. ("TEG"), her SDIRA account was immediately transferred to ENTRUST ARIZONA, LLC n/k/a/ VANTAGE RETIREMENT PLANS, LLC ("ENTRUST ARIZONA")-where Watson's other victims' SDIRAs were also held.

4. In March of 2011, The Securities and Exchange Commission ("SEC") filed a civil action in Utah against Mike Watson Capital, LLC, and Michael P. Watson among others. The suit alleged that the Defendants violated the SEC anti-fraud and securities offering registration provisions, that Watson violated the broker-dealer registration provisions of the federal securities laws, and that Watson's operations and shell companies were, in fact, a Ponzi scheme. Watson eventually settled with the SEC and filed for bankruptcy in January of 2012, leaving Watson's victims, including Plaintiff and the other Class Members, wondering what happened to their investment monies.

5. Anyone who purchased an ENTRUST SDIRA during the Class Period, including Plaintiff and the Class Members, thought that they were purchasing ENTRUST SDIRA custodial, administrative, banking and record keeping services from compliant, astute SDIRA experts, administrators, banks, and experienced non-depository trust companies. What Plaintiff and the Class Members actually purchased were illusory, non-compliant SDIRA custodial, banking and trustee services for ENTRUST SDIRAs that were illegal and void *ab initio.* All of these ENTRUST SDIRAs were void because the SDIRAs assets were never held or managed by a legally authorized SDIRA custodian ("Custodian" services or "Trustee/Custodian" services) and the "named" ENTRUST SDIRA custodian (who was identified to the Plaintiff and Class Members in the custodial contract documents) contractually delegated all of their custodial responsibilities to entities that were not legally qualified or approved as Custodians.

6. Through a "back door" deal between each of the "named" ENTRUST custodians, including Defendants FIRST TRUST COMPANY OF ONAGA ("ONAGA"), and MECHANICS BANK ("MECHANICS") (collectively referred to as "Bank Defendants"), who were identified in the ENTRUST SDIRA custodial contracts and by TEG, ENTRUST ADMINISTRATION, INC. ("ENTRUST ADMIN") and ENTRUST ARIZONA in their communications with ENTRUST clients as the "named" ENTRUST custodian, illegally delegated all of their custodial responsibilities back to entities that were not legally

qualified or approved to serve as a SDIRA custodian.

7. What would motivate all of these Defendants to make such a foolish and precarious business decision since they certainly knew the laws regulating SDIRA custodians and the qualifications and approvals necessary to comply with same? By the same token, why would all of these Defendants jeopardize the life savings of thousands of their customers? The simple truth-greed.

8. BROMMA, TEG, ENTRUST ADMIN, DAHDAH and ENTRUST ARIZONA ("ENTRUST Defendants") wanted not only the ENTRUST SDIRA "administrative" and "recordkeeping" fees-they wanted most or all of the SDIRA custodial fees as well. So the ENTRUST Defendants told their customers (including Plaintiff and the Class Members) that a legally authorized Custodian (like a bank or trust company) was handling their SDIRAs while at the same time they were cutting a deal behind their customers' backs that illegally gave ENTRUST all custodial duties (and the custodial fees, of course).

9. These back door deals between the ENTRUST Defendants and the Bank Defendants was done without the knowledge or consent of Plaintiff and the Class Members (or regulators for that matter), and was directly contrary to the explicit contractual terms of ALL of the ENTRUST SDIRAs agreements that identified the "named" ENTRUST Custodian. As will be explained further below, the "named" custodian in all of these ENTRUST SDIRA contracts and documents was simply a phantom ("Phantom ENTRUST SDIRA Custodian"). The Phantom ENTRUST SDIRA Custodians never intended to perform the duties of the SDIRA custodian and never did. As a result, **NONE** of the ENTRUST SDIRAs of the Plaintiff and Class Members met the legal requirements necessary to qualify as a SDIRA thus rendering each and every one of these ENTRUST SDIRAs void *ab initio*; something all of these Defendants knew, but the Plaintiff and Class Members did not- until now.

10. In addition, Plaintiff and the Class Members were charged and paid excessive and/or hidden fees to all of the Defendants over many years for the administration of their

ENTRUST SDIRAs never knowing that their ENTRUST SDIRAs were non-compliant, void, and illegal because there was no legally approved or authorized ENTRUST SDIRA Custodian holding the ENTRUST SDIRA assets or administering the ENTRUST SDIRAs, among other issues.

11. But the brazenness of all of the Defendants' fraudulent conduct does not end there. Although all of the Defendants will try to hide behind their baseless claim that they are and were only "passive" SDIRA administrators, custodians or trustees, their own conduct and contract defeat any claim of passivity or non-discretion as to the SDIRA assets. TEG, ENTRUST ADMIN, ENTRUST ARIZONA, and ONAGA, (MECHANICS contractually gave all rights to the investment and earnings from the SDIRA uninvested cash to the ENTRUST Defendants), gave themselves the contractual ability to engage in self-dealing in SDIRA cash assets by assuming investment discretion and control as to all ENTRUST SDIRA uninvested cash assets and the collective ENTRUST "trust pool." In addition, TEG, ENTRUST ADMIN, ENTRUST ARIZONA, and ONAGA, had the sole discretion to determine what, if anything, the ENTRUST SDIRA owners would receive from the profits/interest earned on their investment of their client's own SDIRA cash. To cover their tracks and further hide their self-dealing, none of the Defendants ever disclosed to Plaintiff and the Class Members how much additional fees they paid to TEG, ENTRUST ADMIN, ENTRUST ARIZONA, and ONAGA, from the profits on uninvested cash in all ENTRUST SDIRAs.

12. As a result of this and other fraudulent conduct delineated herein, Plaintiff brings this putative class action suit seeking redress on behalf of herself and other similarly situated victims of the Defendants.

II. JURISDICTION AND VENUE

13. The Court has subject matter jurisdiction over this matter under 28 U.S.C. §1332 (d) (2) and the Class Action Fairness Act. Plaintiff and certain Defendants are citizens of different states. The amount in controversy exceeds $5,000,000, exclusive of interest and

costs.

14. This Court has personal jurisdiction over the Defendants pursuant to 18 U.S.C. § 1965, the due process clause of the U.S. Constitution, and the Maryland long-arm statute, Md. Courts Jud. Pro. Code Ann. § 6-103 (b) (1)-(4), which allows courts to exercise jurisdiction over persons doing business in the state of Maryland. Venue in this district satisfies the requirements of 28 U.S.C. §1391 (b) (1)-(2) because the Plaintiff resides in this jurisdiction and some of the actions and events giving rise to the claims occurred in this District.

III. CLASS ACTION ALLEGATIONS

15. Plaintiff brings this action on as a class action pursuant to Rules 23(a) and (b) (3) of the Federal Rules of Civil Procedure on behalf of three classes:

a. The first (the "Watson Investment Class") is defined as all persons or entities who (from January 1, 2008 until the present, (the "Class Period")) invested in or held an investment, sold by Fraud Promoter Mike Watson or any Watson-controlled entities, through an ENTRUST SDIRA that per the SDIRA custodial agreement was administered by TEG, ENTRUST ADMIN and/or ENTRUST ARIZONA.

b. The second (the "Uninvested Cash Class") is defined as all persons or entities who were owners of an ENTRUST SDIRA, that during the Class Period, held uninvested cash and that per the SDIRA custodial agreement was administered by TEG, ENTRUST ADMIN and/or ENTRUST ARIZONA.

c. The third ("Phantom ENTRUST SDIRA Custodian") is defined as all persons or entities who were owners of an ENTRUST SDIRA, during the Class Period, that per the SDIRA custodial agreement was administered by TEG, ENTRUST ADMIN and/or ENTRUST ARIZONA and who paid SDIRA management, custodial, administrative, record-keeping or other fees to TEG, ENTRUST ADMIN, ONAGA, MECHANICS and/or ENTRUST ARIZONA.

16. Excluded from the Classes are: (a) Defendants; (b) any person who was an executive, officer, employee, and/or director of Defendants; any person whose spouse, child or parent was an executive, officer, employee, and/or director of Defendants; (c) any person, firm, trust, corporation, officer, director or any other individual or entity in which Defendants had a controlling interest or which is affiliated with any of the Defendants; (d) any independent contractor of any Defendants who participated in the sale of the investment vehicles outlined herein; (e) the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party; and (f) those persons who are named litigants or have opted into a class of persons in litigation against these Defendants for similar claims.

17. The Classes are each so numerous that joinder of all Class Members is impracticable. While the exact number of Class Members can only be determined by appropriate discovery, Plaintiff believes that the Uninvested Cash Class and the Phantom ENTRUST SDIRA Custodian Class totals over 2000 people.

18. Plaintiff's claims are typical of the claims of the other Members of each Class. Plaintiff and all Class Members sustained damages as a result of Defendants' unlawful course of conduct.

19. Plaintiff will fairly and adequately protect the interest of the Class Members and have retained counsel competent and experienced in class action litigation. Plaintiff has no interests that are contrary to or in conflict with those of the Class Members that Plaintiff seeks to represent.

20. A class action is superior to other methods for the fair and efficient adjudication of this controversy. The expense and burden of individual litigation make it virtually impossible for the Class Members individually to seek redress for the wrongful conduct alleged herein.

21. Common questions of law and fact exist as to all Class Members and predominate over any questions solely affecting individual Class Members. Among the

questions of law and fact common to the Class are:

a. Whether ENTRUST violated 26 C.F.R. 1.408-2 (e)(6), Internal Revenue Code § 4975 (e)(3)(A) and/or Advisory Opinion, 93-33A, Internal Revenue Code, December 16, 1993;

b. Whether ENTRUST made false and misleading representations to Plaintiff and the Class;

c. Whether ENTRUST breached its SDIRA contract with Plaintiff and Class Members;

d. Whether ENTRUST violated its duties and obligations as a Trustee and/or Custodian by exercising authority and discretion over account holders' cash;

e. Whether ENTRUST violated 18 U.S.C. § 1962c;

f. Whether MECHANICS made false and misleading representations to Plaintiff and the Class;

g. Whether ONAGA made false and misleading representations to Plaintiff and the Class;

h. Whether MECHANICS breached its SDIRA contract with Plaintiff and the Class Members;

i. Whether ONAGA breached its SDIRA contract with Plaintiff and the Class Members;

f. Whether Plaintiff and the Class Members have sustained damages as a result of the misconduct complained of herein, and, if so, the appropriate measure thereof.

g. Whether ENTRUST charged Plaintiff and the Class Members excessive fees;

h. Whether BROMMA made false and misleading representations to Plaintiff and the Class Members;

i. Whether DAHDAH made false and misleading representations to Plaintiff

and the Class Members;

j. Whether BROMMA violated 18 U.S.C. § 1962c;

k. Whether DAHDAH violated 18 U.S.C. § 1962c;

l. Whether MECHANICS violated 18 U.S.C. § 1962c;

m. Whether ONAGA violated 18 U.S.C. § 1962c;

22. Plaintiff knows of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action.

23. The names and addresses of ENTRUST's customers who purchased its services during the Class Period are obtainable from information in the possession of ENTRUST and/or its agents. Notice can be provided to such owners via first class mail or e-mail using techniques and a form of notice similar to those customarily used in class actions.

IV. THE PARTIES

24. Plaintiff JUDITH SAMS ("SAMS") is a resident of Baltimore, Maryland. SAMS invested approximately $199,000 through an ENTRUST SDIRA in Watson's fraudulent enterprise resulting in a total loss of her investment.

25. The ENTRUST Group ("TEG") is a Delaware corporation with its principal place of business in Oakland, California. TEG touts itself as the "world's premier provider of account administration services for self directed IRAS" and "the only self-directed IRA administrator that serves you right in your community."

26. From at least 2003 until December of 2011, TEG had a national network of affiliated companies that were franchisees or licensees of TEG. TEG, ENTRUST ADMINISTRATION, INC. ("ENTRUST ADMIN"), ENTRUST ARIZONA and all ENTRUST licensees/franchisees will be referred to collectively herein as "ENTRUST Entities."

27. "TEG operates a nationwide franchise of firms that provide Self-Directed Retirement Account Services under the name 'ENTRUST'." See *Entrust Administration Inc. v. Thomas Davise, et al,* Civil Action No. 5:06-cv-06427-JW (N.D. Ca.) (Dkt. No. 1),

¶3 ("*Davise* Complaint").

28. "TEG has been exploiting the ENTRUST mark as part of its national franchise operations. Today, TEG is involved with 28 franchisees nationwide that use the name 'Entrust'." *Davise* Complaint at ¶14.

29. ENTRUST ADMIN is a California corporation with its principal place of business in Oakland, California. ENTRUST ADMIN generated the ENTRUST SDIRA statements sent to the Plaintiff and other Class Members. ENTRUST ADMIN is and was frequently mentioned in marketing materials and other documents prepared for Defendants. ENTRUST ADMIN also sent correspondence and SDIRA statements to the Plaintiff and other Class Members on behalf of ENTRUST.

30. Defendant ENTRUST ARIZONA is an Arizona limited liability company with its principal place of business in Phoenix, Arizona. Until December, 2011, ENTRUST ARIZONA was a licensee/franchisee of TEG. ENTRUST ARIZONA was initially part of ENTRUST ADMIN until ENTRUST ADMIN became a wholly owned subsidiary of TEG in 2005.

31. Defendant JUAN PABLO DAHDAH ("DAHDAH") is the CEO of ENTRUST ARIZONA.

32. Defendant HUGH BROMMA, a self-described SDIRA "industry luminary" who has been in the self-directed IRA industry since 1982, is an individual and believed to be a resident of San Rafael, California. At all times material hereto, BROMMA was the founder and CEO of both TEG and ENTRUST ADMIN.

33. Defendant MECHANICS BANK ("MECHANICS") is a California-based bank headquartered in Richmond, California. From May of 2009 until June of 2010, MECHANICS was under contract to serve as the Custodian for ENTRUST SDIRAs.

34. Defendant FIRST TRUST COMPANY OF ONAGA ("ONAGA") is a limited purpose trust company chartered under the laws of the state of Kansas. From June 2010 until at least late 2011, ONAGA was under contract to serve as the Custodian for

ENTRUST SDIRAs.

35. Certain other individuals and entities who were involved in the fraudulent enterprises that damaged Plaintiff and the Class Members are not sued because they are either under criminal investigation, have filed for bankruptcy, or they have no attachable assets or are uncollectable.

V. PLAINTIFF JUDITH SAMS IS DEFRAUDED BY WATSON, THE PHANTOM ENTRUST SDIRA CUSTODIANS, AND ALL OF THE ENTRUST DEFENDANTS

36. In February of 2007, Plaintiff JUDITH SAMS ("SAMS") attended Watson's "Everything Changes" Super Camp in Las Vegas, Nevada. SAMS had become of aware of Watson through her daughter, who had attended several of Watson's real estate investment seminars around the country where ENTRUST representatives were also present. SAMS, an inexperienced investor, was looking for opportunities to maximize her retirement savings and thought that investment in real estate might be a good option.

37. After attending Watson's "Super Camp," SAMS started receiving calls from Watson's people soliciting SAMS to invest her retirement funds with Watson's real estate ventures.

38. In May of 2008, SAMS completed an ENTRUST SDIRA application per Watson's instructions, her retirement funds were wired to ENTRUST; in turn, ENTRUST wired SAMS' retirement funds to Watson's account, the investment sponsor.

39. For this investment with Watson, SAMS received an unsecured promissory note from Watson for $134,701.

40. However, on SAMS' 2008 ENTRUST SDIRA account statement, the only asset identified was "Purchase of Asset Mike Watson Capital LLC" as the SDIRA asset. SAMS had nothing showing what "asset" she purchased in Mike Watson Capital LLC, and it was not reflected on SAMS' ENTRUST SDIRA statements. ENTRUST never requested that SAMS provide a copy of her promissory note with Watson or any other information reflecting the nature of the asset held by SAMS' ENTRUST SDIRA.

41. However, ENTRUST knew that SAMS' investment was a Prohibited Transaction

(as will be explained infra) and therefore illegal because ENTRUST knew Watson was the investment sponsor (and therefore a Disqualified Person) yet ENTRUST wired the SDIRA investment monies directly into Watsons's account.

42. Then in March of 2009, SAMS' May 2008 promissory note (through Watson) was renegotiated with SAMS and extended two more years; this was done because Watson told SAMS he was having some "temporary" financial difficulties and had to restructure his debt. Watson then issued SAMS a new promissory note for $140,656.

43. At some point after opening her ENTRUST SDIRA, SAMS learned that an earlier cash investment with Watson of approximately $50,000 (also evidenced by a promissory note that had been renegotiated in March of 2009), had been "rolled over" into her ENTRUST SDIRA ***without SAMS' knowledge or consent.***

44. However, this $50,000 promissory note that SAMS executed with Watson showed the "lender" on the note as SAMS and not SAMS' ENTRUST SDIRA as was legally required. So SAMS' SDIRA was not actually the "owner" of this note which was illegally transferred and "held" in SAM'S ENTRUST SDIRA without her knowledge, acquiescence or consent. The two promissory notes SAMS received from Watson totaled approximately $193,156 and expired in March of 2011.

45. In the spring of 2009, SAMS' daughter contacted Watson to find out exactly which of Watson's real estate investments had received SAMS' monies. Josh Escobedo ("Escobedo"), Watson's accomplice in his real estate investment schemes, told SAMS' daughter that SAMS' money was invested in five different properties located in four states including Texas. Escobedo was responsible for providing Watson's prospective investors with the documents and wiring instructions necessary to open ENTRUST SDIRAs.

46. SAMS later learned after Watson's Ponzi scheme collapsed that the property in Texas that Escobedo identified to SAMS' daughter as being one of SAMS' investment properties had been placed in foreclosure in June of 2009. After opening her ENTRUST SDIRA, SAMS began receiving ENTRUST SDIRA account statements and correspondence. These statements and correspondence contained the names of ENTRUST

ADMIN, ENTRUST ARIZONA, MECHANICS, ONAGA and/or TEG.

47. In the second quarter of 2010, TEG, ENTRUST ADMIN and ENTRUST ARIZONA started sending out disclosures on its SDIRA account statements to its customers, including SAMS, explaining certain regulatory requirements applicable to the Custodian's ownership and control of SDIRA assets.

48. By the second quarter of 2010, TEG and ENTRUST ADMIN had known for several years that their SDIRAs were being utilized to perpetuate investment fraud on their customers.

49. Instead of disclosing these facts to its customers and addressing the problem (or its noncompliance with the law), TEG, ENTRUST ADMIN and ENTRUST ARIZONA chose to divert attention from their own responsibilities; they falsely advised SAMS and their other clients in 2010 that regulators "were becoming" more stringent about the requirement that SDIRA assets must be held with the designated Custodian (as if the law had changed which it had not), but the actual truth was that the ENTRUST Defendants and the Bank Defendants had just chosen not to comply with the law.

50. In addition, TEG, ENTRUST ADMIN and ENTRUST ARIZONA indicated to SAMS that regulators were "now" requiring the Custodian to ascertain fair market value of the SDIRA account assets and "to thoroughly review the nature of the assets that were not publicly traded." This disclosure stated that they were exploring changes to their business model and exploring business relationships to bring them into compliance with these regulations.

51. SAMS' ENTRUST SDIRA year end statements for 2009, 2010, 2011 and through the third quarter of 2012 indicated that SAMS' ENTRUST SIDRA had a fair market value of approximately $199,000 and identified the SDIRA "asset" as "not categorized" but again referenced Mike Watson Capital.

52. SAMS received Fair Market Valuation Forms for her ENTRUST SDIRA in 2010 and 2011. In part, these ENTRUST forms stated that TEG is "required to provide you with the Fair Market Value of your account as of December 31 of each year."

53. However, SAMS has never received a Fair Market Valuation for her SDIRA from TEG, ENTRUST ADMIN, ENTRUST ARIZONA, MECHANICS or ONAGA.

54. Each of SAMS' ENTRUST SDIRA statements from 2008 until 2012, whether received from TEG, ENTRUST ARIZONA or ENTRUST ADMIN, never accurately specified the assets held in SAMS' ENTRUST SDIRA, held SDIRA "assets" that were not actual assets, and never notified SAMS that her promissory notes had expired and/or were in default. In addition, SAMS' SDIRA statements failed to accurately reflect the fair market value of her SDIRA assets.

VI. THE LAWS REGARDING SDIRAS THAT DEFENDANTS HAVE VIOLATED AND IGNORED

55. Both 26 C.F.R. 1.408-2 (e)(6) and IRS Publication 590 require that a SDIRA be a trust or custodial account created as a written instrument set up in the United States for the *exclusive benefit of the owner* and beneficiaries and that the SDIRA must be maintained as a "domestic trust" at all times.

56. There are two classifications of entities permitted by law to hold and administer SDIRA assets. Those entities are:

a) banks, trust companies and other financial institutions, both depository and non-depository, such as credit unions, and savings and loan associations, etc. as defined in 26 U.S.C. § 408 (n) and 26 U.S.C. §581 ("Bank Trustees/Custodians"); or,

b) other entities that apply for permission to serve as a Trustee/Custodian and are reviewed and approved by the Commissioner of the Internal Revenue Service as able to perform the duties of a Trustee/Custodian pursuant to the requirements of section 408 and 26 C.F.R, 1.408-2 ("Non-Bank IRS Approved Trustee/Custodian").

57. TEG agrees. See Ex. #12, pg. 2 (Copy of November 24, 2010 TEG website pages) wherein TEG states that "an IRA custodian must be a bank, credit union, trust company… or an entity that is licensed and regulated by the IRS as a "non-bank custodian." IBT, MECHANICS and ONAGA are all classified as Bank Trustees/Custodians. In order for any of the ENTRUST Entities to have become a custodian, they would have to seek and receive a license as a custodian, after IRS review and approval, which they did not.

58. Both Bank Trustees/Custodians and Non-Bank IRS Approved Trustees/Custodians must comply with all applicable provisions of 26 C.F.R. 1.408-2.

59. Both Bank Trustees/Custodians and Non-Bank IRS Approved Trustees/Custodians are considered "Trustees" under 26 CFR 1.408 (b) (2) which states:

Trustee. (i) The trustee must be a bank (as defined in section 408(n) and the regulations thereunder) or another person who demonstrates, in the manner described in paragraph (e) of this section, to the satisfaction of the Commissioner, that the manner in which the trust will be administered will be consistent with the requirements of section 408 and this section.

60. In order to be approved by the IRS, Non-Bank IRS Approved Trustees/Custodians must be able to demonstrate that they can perform the same duties as Bank Trustees/Custodians pursuant to 26 C.F.R. 1.408-2 (e)(6), such as: the ability to act within the acceptable rules of fiduciary conduct, proof of diversity of ownership to meet business continuity requirements, an established business location, fiduciary experience and evidence of fiduciary expertise, a high degree of solvency, the capacity to account for the interests of a large number of individuals, the fitness to handle funds including to collect income, to execute ownership certificates, to collect matured principal, to give proper notification of defaults on principal and interest, the maintenance of certain net worth

requirements, and the ability to maintain of records establishing and closing accounts.

61. Any Trustee/Custodian, who claims to be passive, is ***prohibited*** from offering investment advice or making investment decisions. Passive Trustees/Custodians may act solely as conduits through which SDIRA accounts are administered. In this case, TEG, ENTRUST ADMIN, ENTRUST ARIZONA and ONAGA maintained discretionary investment control and management of all SDIRA uninvested cash thus defeating their claimed passive custodial role. MECHANICS (one of the Phantom ENTRUST SDIRA Custodians) permitted TEG, ENTRUST ADMIN and ENTRUST ARIZONA to illegally self-deal in the SDIRA cash assets.

62. In addition, TEG, ENTRUST ADMIN, ENTRUST ARIZONA and ONAGA also determined how much interest (if any) the Plaintiff and Class Members would receive on their SDIRA uninvested cash while these Defendants took the rest as an additional, undisclosed fee. MECHANICS left the decision of the illegal fee split of earnings on SDIRA uninvested cash to TEG.

63. As noted above, the SDIRA must be for the **exclusive benefit** of the SDIRA owner. All ENTRUST SDIRAs with uninvested cash during the Class Period were **never** for the exclusive benefit of the SDIRA owner because the Defendants, except MECHANICS, were taking some or all of the earnings on their investment of SDIRA uninvested cash assets as additional fees.

64. Pursuant to 26 C.F.R. 1.408-2 (e)(6), a Trustee/Custodian is passive only if under the written trust instrument the Trustee/Custodian has no discretion to direct the investment of the trust funds or any other aspect of the business administration of the trust; a passive Trustee/Custodian is merely authorized to acquire and hold particular investments specified by the trust instrument. In this case the custodial agreement gave TEG, ENTRUST

ADMIN, ONAGA, and ENTRUST ARIZONA investment discretion with respect to SDIRA uninvested cash assets. Therefore under the terms of their own contracts, none of the Defendants were passive Custodians or administrators.

65. Trustees/Custodians are also required to maintain custody of the paperwork proving ownership of a designated asset by the SDIRA. In this case, SAMS' SDIRA contained a promissory note that was never supposed to be a SDIRA asset and the other SDIRA assets in her account were never identified.

66. SDIRAS also have restrictions and limitations on what transactions are allowed and how they are performed. In order to determine if a SDIRA transaction is compliant, one must analyze: (a) the qualifications/licensing of the SDIRA Trustee/Custodian; (b) the transaction itself reflecting who received the SDIRA investment; and (c) whether the type of investment is permitted under controlling law and regulations.

a. **Who can be a SDIRA Custodian**

i. As discussed above, there are two types of custodians either Bank Trustee/ Custodians (26 U.S.C. § 408 (n) and 26 U.S.C. §581) or Non-Bank IRS Approved Trustee/Custodians who have been approved by the IRS as able to perform the requirements of section 408 and 26 C.F.R., 1.408-2.

ii. Regardless of which category they may fall into, Bank Trustees/Custodians or Non-Bank IRS Approved Trustees/Custodians (collectively referred to herein as "Trustees/Custodians") must comply with all applicable provisions of 26 C.F.R. 1.408-2.

iii. So Trustees/Custodians can only (lawfully) serve as Trustees/Custodians if they fulfill their duties under these statutes (such as 26 C.F.R. 1.408-2.), including passivity, verification of assets, maintenance of assets and title documents, and

determining and reporting fair market value. If a person or entity cannot serve as a proper and lawful custodian, then the SDIRA it creates and any transaction it completes is illegal and void *ab initio.* Thus all of the ENTRUST SDIRAs accounts created during the Class Period are void.

b. **Who may receive SDIRA investment monies**

i. Persons who are not "Disqualified" pursuant to the Internal Revenue Code may receive SDIRA investment monies. A "Disqualified Person" (who cannot receive SDIRA assets under Internal Revenue Code § 4975 (e)(2)) extends to a variety of persons, including the SDIRA owner, an owner of 50% or more of the investment entity receiving the SDIRA funds, the investment sponsor/advisor, and persons providing services to the SDIRA (such as the Trustee/Custodian or record-keeper). In this case, Watson, TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA, DAHDAH, ONAGA and MECHANICS were and are Disqualified Persons. As a result, each transfer of funds from the ENTRUST SDIRAs of Plaintiff and the Class Members to Watson's accounts were Prohibited Transactions.

A Disqualified Person also includes a plan (IRA or SDIRA) Fiduciary under *Internal Revenue Code* § 4975 (e)(2)(A)). This is critical because pursuant to e.g., 26 C.F.R. 1.408-2 (e)(6), Internal Revenue Code § 4975 (e)(3)(A) and Advisory Opinion, 93-33A, Internal Revenue Code, December 16, 1993, **a person or entity with investment discretion over the assets in an IRA is a fiduciary and also a Disqualified Person.** (See Exhibit #9, pg. 50; Excerpt of IRS Publication 590 "Individual Retirement Arrangements (IRAs), dated January 30, 2013.)

Under these laws and regulations, TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA, DAHDAH and ONAGA are all fiduciaries as to the

SDIRAs of Plaintiff and the Class Members.

ii. Disqualified Persons are required by 26 U.S.C. § 4975 to file Form 5330s when it is learned that a SDIRA has engaged in a Direct Prohibited Transaction. All of the Defendants knew that the ENTRUST SDIIRAs of Watson's victims were all Prohibited Transactions. Yet none of the Defendants filed Form 5330s for any of their Watson victims/clients.

iii. This notification triggers tax penalties and other sanctions associated with Direct Prohibited Transactions. Among other negative consequences, Internal Revenue Code § 4975 (a) imposes a fifteen percent (15%) tax on the amount involved in any Prohibited Transaction involving a Disqualified Person. Further, **SDIRAs with Prohibited Transactions cease to be SDIRAs at all, (retroactively) as of the first day of the calendar year the Prohibited Transaction occurs pursuant to 26 U.S.C. § 408(e)(2)(A). Therefore the fair market value of the SDIRA will be considered fully distributed to the account holder and they will be taxed accordingly.**

c. Investments permitted by SDIRAs

i. Investments are permitted where they are not a "Direct Prohibited Transaction" pursuant to Internal Revenue Code § 4975. A Direct Prohibited Transaction involves the direct or indirect sale, exchange, or leasing of property, the direct or indirect lending of money, and the direct or indirect providing of goods or services between a SDIRA and a "Disqualified Person" A Direct Prohibited Transaction also includes the direct or indirect transfer of income by a SDIRA to a "Disqualified Person." In this case each transfer of ENTRUST SDIRA funds to Watson was a Direct Prohibited Transaction and the self-dealing by TEG, ENTRUST ADMIN, ENTRUST ARIZONA and ONAGA in ENTRUST SDIRA

uninvested cash assets were also Direct Prohibited Transactions. The ultimate result is that the SDIRAs of the ENTRUST clients during the Class Period are all void.

67. Internal Revenue Code Section 4975 (e) (3) (A) defines a fiduciary of the plan (SDIRA) as: any person who exercises any discretionary authority or discretionary control regarding management of such plan; and/or renders investment advice for a fee either directly or indirectly with respect to moneys in the plan; and/or has the authority or responsibility to do so; and/ or exercises any authority or control regarding management or disposition of its assets; and/or has any discretionary authority or responsibility in the administration of the plan.

68. In this case, TEG, ENTRUST ADMIN, BROMMA, DAHDAH, ENTRUST ARIZONA, and ONAGA all exercised discretionary authority and control over SDIRA uninvested cash assets and exercised investment authority over SDIRA assets thus making TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA, DAHDAH and ONAGA fiduciaries as to the SDIRAs of Plaintiff and the Class Members. In addition, MECHANICS contractually gave TEG the right to self-deal in the SDIRA uninvested cash assets thus also exercising control of SDIRA plan assets and making MECHANICS a fiduciary as well. (Also see *Advisory Opinion, 93-33A, Internal Revenue Code, December 16, 1993* stating that a person or entity with investment discretion over the assets in the SDIRA is a fiduciary and also a Disqualified Person.*)*

69. Trustees/Custodians must report the accurate fair market value of the SDIRA assets under their management annually on IRS Form 5498 and report the value of any distributions to the SDIRA owner on Form 1099-R**.** See Internal Revenue Manual Section 4.72.18.3.3 (11).

70. The Internal Revenue Service issued IRS Interpretive Letter EP: R: 9 dated

February 23, 1993, answering questions related to the valuation of alternative assets in an IRA. The IRS reiterated in that Interpretive Letter that it **required the IRA trustee/custodian/issuer to report the correct fair market value of the assets it holds annually and that the trustees/ custodians/ issuers of IRAs were responsible for properly valuing the assets of the IRA**. This IRS Interpretive Letter also states that "**the IRA trustee or issuer cannot evade valuation responsibility by having the participant sign a release, indemnification or other instrument, because the trustee's or issuer's responsibility for valuation derives from the IRS reporting requirements which cannot be waived by participant action**." See, IRS Interpretive Letter EP: R: 9, 2-23-93 (emphasis added).

71. The Instructions for Form 5498 state: "Trustees and custodians are responsible for ensuring that all IRA assets (including those not traded on established markets or with otherwise readily determinable market value) are valued annually at their fair market value." [See 2013 Instructions for Forms 1099-R and 5498 published April 12, 2013 by the IRS.]

72. Each Form 5498 is filed with an IRS Form 1096. Form 1096 requires that the filer (here the Trustee/Custodian) sign **under penalty of perjury** that the information contained within the attachment is true, correct and complete.

73. In other words, the information contained within in each Form 5498 prepared by the Trustee/Custodian, including the reported fair market value of the SDIRA assets, is provided by the Trustee/Custodian under penalty of perjury. These requirements were implemented by the IRS for issuers and trustees of IRAs in June of 1987 per Internal Revenue News Release 87-70. Pursuant to *e.g.*, 26 C.F.R. 1.408-2 (e)(6), Trustees/Custodians **(whether bank custodians or non-bank IRS approved custodians)**

can only serve as Trustees/Custodians if they fulfill their statutory duties.

74. In this case, the Phantom ENTRUST SDIRA Custodians delegated the responsibility to file Form 5498s for each ENTRUST SDIRA client to TEG, ENTRUST ADMIN and ENTRUST ARIZONA. As a result, MECHANICS, ONAGA, TEG, ENTRUST ADMIN and ENTRUST ARIZONA all committed perjury in the filing of these Form 5498s because none of them ever ascertained the accurate and actual fair market value of any of the assets in any of the ENTRUST SDIRAs during the Class Period.

VII. THE SEAMLESS ENTRUST NATIONAL NETWORK

75. Each of the ENTRUST offices acted as part of a national network of affiliated companies operating under the ENTRUST brand to sell SDIRA Trustee/Custodian administrative services to the public, including Plaintiff and the other Class Members. TEG, through its Chief Operating Officer and its Manager of Franchise Operations, oversaw all ENTRUST franchise and licensee operations. This included overseeing the business practices and record systems for a national network of local offices of ENTRUST licensees and franchisees. TEG, ENTRUST ADMIN and **all** ENTRUST franchisees/licensees will be collectively referred to herein as the "ENTRUST Entities."

76. The ENTRUST Entities shared and delegated the responsibilities for record keeping, management, administration, and the Trustee/Custodial services from time to time among themselves therefore SDIRA management responsibilities among the ENTRUST Entities changed several times during the Class Period. TEG and ENTRUST ADMIN at some points in time were responsible for holding and maintaining title to all of the SDIRA assets while at other times ENTRUST ARIZONA and other ENTRUST licensees/franchisees were responsible for holding and maintaining title to the SDIRA assets.

77. To ENTRUST clients such as SAMS and the Class Members, the ENTRUST SDIRA process was seamless because TEG, ENTRUST ADMIN and ENTRUST

ARIZONA were to her, and the other Class Members, simply "ENTRUST" regardless of which entity's name might appear on correspondence, statements, emails or other communications.

78. The ENTRUST Entities operated as one cohesive national network under the ENTRUST brand and local ENTRUST offices, such as ENTRUST ARIZONA, touted their position as part of the ENTRUST network to sell their services. Being part of "ENTRUST" gave the ENTRUST licensees/franchisees cache, credibility and a façade of respectability and compliance. The ENTRUST brand was advertised, marketed and packaged by TEG, ENTRUST ADMIN, ENTRUST ARIZONA and the other ENTRUST licensees/franchisees as a cohesive national group of SDIRA compliance, industry, and regulatory experts with convenient local offices.

79. TEG, ENTRUST ADMIN, ENTRUST ARIZONA and other franchisees and licensees referred to themselves collectively as "ENTRUST" in their marketing and advertising documents, corporate email solicitations and newsletters to clients and prospective clients, their websites, their webinars and seminars, their SDIRA forms and documents, and their correspondence to SDIRA clients, including Plaintiff and the other Class Members.

80. For example, ENTRUST ARIZONA, DAHDAH, BROMMA, TEG, and ENTRUST ADMIN (and other ENTRUST franchisees/licensees) referred to themselves collectively as "ENTRUST' in communications with the public as well as with Plaintiff and other Class Members; (See Ex. #3, Letter dated May 27, 2009 from DAHDAH to Plaintiff on behalf of ENTRUST ARIZONA and TEG; Also see Ex. #5, Letter dated May 28, 2008 to SAMS from both ENTRUST ARIZONA and TEG; See Ex. #6, Fair Market Valuation Form provided to SAMS by TEG; and See Ex. # 7, Letter dated May 28, 2010 to SAMS from TEG).

81. To protect the ENTRUST brand and marketing strategy, TEG controlled, provided and developed marketing materials for each local office. TEG created and

approved the content for each local office's website. TEG also housed the websites of the franchisee/licensees on their servers.

82. To maintain control of the ENTRUST franchisee/licensees, TEG and ENTRUST ADMIN housed and controlled the information systems for all ENTRUST administrative and Trustee/Custodian functions. In order to access information about their own clients, the ENTRUST licensees/franchisees had to access the TEG information system, input client account information there, and access forms and documents and upload all client information.

83. To maintain the cohesive appearance of the ENTRUST empire, SDIRA account statements were sent to Plaintiff and the Class Members that included the names of multiple ENTRUST Entities. For example, Plaintiff JUDITH SAMS received statements that referred to both ENTRUST ARIZONA and TEG.

84. The ENTRUST Entities operated and represented themselves to the public, including Plaintiff and the Class Members, as "ENTRUST" a long-standing successful SDIRA administrator with a national organization of profitable local franchisees/licensees with the knowledge and experience to ensure that all ENTRUST SDIRAs were compliant and secure.

85. It should be noted that to the extent that there is some grouping of the ENTRUST Defendants together, this grouping is based upon and necessitated by Defendants' own integrated business and operational plans, cohesive business practices, marketing strategy, branding strategy, communications, and documents.

VIII. DEFENDANTS' FRAUDULENT ENTERPRISE

A. The Phantom ENTRUST SDIRA Custodian

86. In 2003, ENTRUST ADMIN started Entrust Bank and Trust which was a New Hampshire non-depository trust company. BROMMA was an executive officer of Entrust Bank and Trust.

87. In 2005, TEG changed the name of Entrust Bank and Trust to International Bank and Trust ("IBT"). BROMMA was the Chief Executive Officer and Chairman of IBT as well as the CEO of TEG and ENTRUST ADMIN.

88. Sometime in 2008, IBT came under the scrutiny of the New Hampshire banking authorities. The New Hampshire banking authorities were extremely critical of ENTRUST'S local office business model (franchisee/licensee), the method of operations of the ENTRUST national network as well as the delegation of SDIRA Trustee/Custodian responsibilities from IBT to ENTRUST.

89. Because of IBT's unsure status, in May of 2008, TEG and IBT entered into an Agreement for Custodian Services with United Commercial Bank ("UCB") in San Francisco, California. This agreement provided that UCB was designated as the Custodian and IBT was designated as the "Third Party Bank" (to further insulate IBT from regulatory scrutiny) for ENTRUST and UCB.

90. IBT was contractually delegated the responsibility for the Custodian's (UCB's) depository and audit functions. In addition, UCB delegated its other Custodian duties to TEG and the ENTRUST franchisees/licensees.

91. Pursuant to the agreement between IBT, UCB, TEG, and the ENTRUST licensees/franchisees, IBT received the income from uninvested cash in the ENTRUST SDIRAS. Both UCB and IBT had the discretionary power to deposit a portion of the interest earned on the uninvested cash into the ENTRUST SDIRAs. However, UCB had regulatory problems of its own and in November of 2009, UCB was closed by the California Department of Financial Institutions as a failed financial institution, and the FDIC was named Receiver. None of this information was ever disclosed to the ENTRUST SDIRA clients, including Plaintiff and the Class Members.

92. In the meantime, the New Hampshire banking authorities' report on IBT and ENTRUST cited the ENTRUST Entities' offices with gross violations of regulatory laws including their marketing activities and high risks in SDIRA asset handling. IBT was also

told it was undercapitalized and was required to raise its capital limit to $3 million within 30 days.

93. The New Hampshire banking authorities raised numerous red flags about ENTRUST national operations and the lack of "Custodian duties" by IBT. TEG, IBT and BROMMA were advised by the New Hampshire banking authorities of numerous deficiencies in their compliance responsibilities that necessitated immediate changes. Among those required changes by New Hampshire banking authorities were that the actual Custodian (and not a designee or nominee such as any of the ENTRUST Entities) have direct control of SDIRA assets, direct control of approving SDIRA transactions, direct control over media including website content for all ENTRUST Entities, and assure proper education of staff and compliance with both state and federal laws as well as SDIRA Custodian policies and procedures.

94. The New Hampshire banking authorities mandated that the ENTRUST Entities utilize a legally qualified Custodian who assumed and performed the duties of the custodian and not just a corporate puppet controlled by TEG and the other ENTRUST Defendants. However, ENTRUST Entities' regulatory troubles were far from over.

95. The New Hampshire banking authorities were so critical of IBT's operations that IBT voluntarily surrendered its charter in New Hampshire in July of 2009 to avoid further regulatory scrutiny, potential sanctions and to save the ENTRUST enterprise. BROMMA was scrambling to keep the ENTRUST national network of licensees/franchisees together while also trying to do damage control on ENTRUST'S reputation (as well as his own).

B. MECHANICS Assumes the Role of Phantom ENTRUST SDIRA Custodian

96. After IBT was forced to surrender its charter, BROMMA arranged for the ENTRUST Entities including ENTRUST ARIZONA to contract with MECHANICS as the new ENTRUST "Custodian" in May of 2009. Again BROMMA set up the ENTRUST Custodial relationship with MECHANICS such that **ALL** of the custodial responsibilities

were delegated back to TEG and the other ENTRUST licensees/franchisees including ENTRUST ARIZONA.

97. The MECHANICS agreement further delegated all of the SDIRA Custodian duties that ENTRUST had assumed from MECHANICS for depository, compliance and audit functions from ENTRUST to a third party servicing company known as IB Servicing Company ("IBSC"). IBSC had previously been a wholly owned subsidiary of the now defunct IBT. IBSC was responsible for management services and regulatory and operations compliance oversight of the ENTRUST franchisees/licensees. At the time of entry into this agreement, BROMMA was also a stockholder in IBSC.

98. The MECHANICS agreement with the ENTRUST Entities provided that all income earned from the depository common trust fund and SDIRA uninvested cash would be paid to TEG and/or IBSC. The MECHANICS contract also delegated to TEG the right to exercise investment discretion and control of uninvested cash in the ENTRUST SDIRAs.

99. Also in May of 2009, DAHDAH, on behalf of ENTRUST ARIZONA and TEG, sent a letter to his clients, including Plaintiff, advising them that MECHANICS was going to be providing the Custodian services for the ENTRUST Entities. (Ex. #3). DAHDAH's letter stated that having MECHANICS serve as the ENTRUST Custodian provided Plaintiff with "the financial security you expect." (Ex.# 3). DAHDAH's May 2009 letter to Plaintiff was blatantly deceptive and untrue. Of course DAHDAH knew that, but JUDITH SAMS had no idea that anything was amiss with her ENTRUST SDIRA.

100. DAHDAH knew that his May 2009 letter to SAMS was untrue because he had executed a Custodian agreement with MECHANICS on behalf of ENTRUST ARIZONA that delegated all of the Custodian responsibilities from MECHANICS back to ENTRUST ARIZONA, IBSC and TEG. DAHDAH was fully aware that MECHANICS had delegated its duties as an ENTRUST Custodian to the ENTRUST Entities. DAHDAH was also aware that it had been the ENTRUST Entities' practice, for many years, to delegate all Custodian responsibilities from the "named" custodian to the ENTRUST Entities (and their clients).

101. MECHANICS was notified by the Federal Deposit Insurance Corporation ("FDIC") as well as the California Department of Finance ("CDIF") in late 2009 or early 2010 that it was going to be subject to an examination due to its role as the ENTRUST Custodian.

102. Subsequently, MECHANICS was advised by the FDIC and the CDIF that MECHANICS had to exit the SDIRA Custodian business altogether by December 31, 2010 or MECHANICS would lose its bank charter.

103. But then in May of 2010, MECHANICS notified ENTRUST that ENTRUST would have to have a new Custodian in place by June 30, 2010 at the insistence of regulators, including the FDIC, who wanted MECHANICS to immediately terminate its position as the ENTRUST Custodian.

104. The FDIC advised MECHANICS that it was considering requiring MECHANICS to unilaterally distribute the SDIRA assets to all ENTRUST SDIRA customers, which would have eliminated ENTRUST'S ability to conduct its SDIRA business as well as resulted in significant tax penalties for the ENTRUST SDIRA owners. BROMMA knew that if the FDIC took its threatened action against MECHANICS, his ENTRUST empire would dissipate so he started making other plans.

105. To protect the business [and continue to circumvent the law], during this same time period BROMMA started the chartering process for TEG's own non-depository trust company in South Dakota. Not surprisingly, South Dakota banking regulators later refused to grant ENTRUST a charter around the end of 2010.

106. During this same period, ENTRUST entered into discussions with Icon Bank of Texas, NA ("Icon Bank") to replace MECHANICS as its Phantom ENTRUST SDIRA Custodian. BROMMA was scrambling to find another "Custodian" and desperate to find a solution to keep the FDIC and other regulators from killing his business.

107. Then in June of 2010, BROMMA received a letter from the FDIC indicating that the FDIC had become aware that ENTRUST was handling Custodian services on behalf of

MECHANICS. (See, Ex. #1, Letter from FDIC to BROMMA dated May 20, 2010.) As a result, FDIC regulators advised BROMMA that the ENTRUST Entities' role in administering SDIRAS at an FDIC-insured institution (MECHANICS) subjected TEG (and the other ENTRUST Entities) to regulation by and the supervisory authority of the FDIC under section 7 (c) of the Bank Service Company Act, 12 U.S.C. § 1861. The letter from the FDIC stated that the ENTRUST Entities were "handling virtually all of its (MECHANICS') IRA transactions." The FDIC told BROMMA that it was considering conducting an on-site examination of TEG (and other ENTRUST Entities) and instructed MECHANICS and BROMMA that the **SDIRAs must be set up as "personal trusts."** (See, Ex. #1; Also see, 26 CFR §1.408-2.)

108. To avoid an FDIC examination of TEG and the ENTRUST Entities, the ENTRUST Entities and MECHANICS terminated their agreement on June 28, 2010. This termination was effected quickly to make it clear to regulators that MECHANICS did not have any continuing obligation to the ENTRUST Entities and to make sure that the FDIC did not have any continuing right to examine or monitor the ENTRUST Entities, thus allowing ENTRUST to escape regulatory scrutiny, at least for the time being.

109. During this same period, MECHANICS had disclosed to the FDIC that ENTRUST was considering a contract with Icon Bank to provide Custodian services. As a result, the FDIC immediately notified Icon Bank's primary regulators to alert them to the FDIC's position on the ENTRUST Entities' "custodial" activities.

110. By this time, BROMMA had known for years that regulators were concerned with a variety of regulatory and compliance issues due to the ENTRUST Entities' operations, business model and *inter alia*, the contractual delegation of Custodian responsibilities from the "named" ENTRUST Custodian back to the ENTRUST Entities as well as ENTRUST'S own clients.

111. By the first quarter of 2010, BROMMA had been notified by multiple regulators that: (a) the designated Custodian (who could not be any ENTRUST Entity

because ENTRUST was not a bank or trust company and was not qualified by the IRS as a Non-Bank IRS Approved Custodian) had to assume direct control of all SDIRA assets (as opposed to being kept by the ENTRUST franchisees/licensees); (b) all monetary transactions had to be under the direct control of the Custodian; (c) the Custodian had to control all media and literature of ENTRUST; (d) ENTRUST had to stop recommending vendors of investment products; (e) all staff of ENTRUST had to receive the same level of compliance training; (f) all ENTRUST vendors must comply with the Custodian's policies and procedures; and (g) the Custodian had to hire an audit firm to examine each vendor who provided SDIRA transaction and safekeeping services. (See Ex. #8, Email and Memorandum from BROMMA dated March 29, 2010 to all ENTRUST principals.)

112. ENTRUST was facing the prospect of having its entire business shut down by regulators. So in the second quarter of 2010, TEG placed on all SDIRA statements a "Regulatory Update" which all ENTRUST clients received, including Plaintiff and the other Class Members.

113. The purported Regulatory "Update" advised SDIRA account holders that "Regulators have recently increased the demand for all self-directed IRA assets to be held in custody with the designated Custodian, in lieu of a "nominee" such as ENTRUST. These regulators now also require that said Custodians not only perform fair market valuations on all IRA assets, but that they thoroughly review the nature of the assets that are not publicly traded, as well." SAMS received a letter dated May 28, 2010 from TEG with similar information. (Ex. # 4, Letter dated May 28, 2010 from TEG to Plaintiff).

114. ENTRUST knowingly issued these misleading statements to all ENTRUST clients purporting to disclose the "new" mandates issued by regulators as to how ENTRUST should handle the Custodian duties for its SDIRAS. ENTRUST was trying to make it appear to its clients that regulatory requirements applicable to SDIRA Custodians had ***changed*** as to the requirement that the Custodian provide a Fair Market Valuation of SDIRAS, and particularly those involving alternative investments. In fact, these regulatory

requirements had always been in place, the ENTRUST Entities simply had ignored and circumvented them.

C. ONAGA Becomes The New Phantom ENTRUST SDIRA Custodian

115. So in June of 2010, the TEG executed its fourth Custodian agreement in three years with ONAGA. Again in this agreement, ONAGA contractually delegated ALL of its Custodian duties to TEG. So even after the ENTRUST Defendants had been warned and instructed multiple times not to delegate Custodian duties to themselves or anyone other than the Custodian, the ENTRUST Defendants went right along with that same plan as they had before.

116. Noticeably absent from the ONAGA Contract for Custodial Services with TEG ("ONAGA Custodial Contract") was any mention of the fees to be taken from interest earned on investment of SDIRA uninvested cash. The ONAGA Custodial Contract simply stated that ONAGA would receive $20 per SDIRA account per year while named as Custodian.

117. However, the ONAGA (Form 5305-A) Traditional Individual Retirement Custodial Account Agreement (the agreement used with ENTRUST SDIRA clients) gave **TEG and ONAGA** the right to invest any SDIRA uninvested cash in cash pools, a common trust fund or other accounts as directed by TEG and ONAGA. Interestingly, the ONAGA Form 5305-A Agreement gives ONAGA as the Custodian the right to keep any interest earned on the investment of SDIRA uninvested cash. However, the ONAGA Form 5305-A Agreement further states that ONAGA can pay the interest on uninvested cash to the Administrator (TEG) or the Administrator's designee "for its undirected cash management services."

118. The SDIRA uninvested cash contractual provisions and entitlement to same was specified in every contract for custodial services that the ENTRUST Defendants executed with a Phantom ENTRUST SDIRA Custodian until the ONAGA contract where the contract silent. Nevertheless, the provisions for payment of interest earned on the SDIRA

uninvested cash were specified in the ONAGA Form 5305-A agreement.

119. Sometime around the third quarter of 2010, ONAGA became subject to scrutiny by the Kansas Banking Division. Although being warned several times by regulators that they had to maintain control of SDIRA assets at the Custodian level, the ENTRUST Defendants continued to perform the responsibilities of the SDIRA Custodian pursuant to their agreement with ONAGA.

120. Then, what the ENTRUST Defendants refers to as the "Kansas Banking Division Mandate" was issued, wherein Kansas banking authorities mandated that all assets and original documentation evidencing the investments made by the ENTRUST SDIRAS and the assets held by the ENTRUST SDIRAS had to be held by the Custodian, ONAGA.

121. Around this same time, representatives of ONAGA told the ENTRUST Defendants that in their meetings with Kansas banking regulators, the Fair Market Valuations of SDIRA assets by the Custodian was a "hot button" with the Kansas banking division; ONAGA also informed the ENTRUST Defendants that Kansas banking officials were not comfortable with the ENTRUST business model. Eventually, ONAGA was also forced out as the ENTRUST Custodian.

122. In October of 2010, BROMMA, DAHDAH and others from ENTRUST attended a meeting with principals of ONAGA to discuss business and regulatory issues. (See Ex. #10, cover email and meeting notes for meeting between TEG, BROMMA, DAHDAH, ONAGA, and other representative of both entities dated October 7, 2010.) There were several issues discussed during the meeting, including ENTRUST'S billing of accounts with $0.00 value, and that the issue of fair market value was a hot button with regulators.

123. In a separate ENTRUST-only meeting that same day, the ENTRUST principals discussed the harsh criticism leveled by the New Hampshire Banking Division against ENTRUST and IBT for not keeping SDIRA assets in a central location, giving too much control and authority to local offices to handle cash and assets; engaging in high risks with SDIRA assets, lack of transaction control, and inappropriate marketing. It was noted that

the South Dakota banking authorities took the same position. It was also emphasized that the FDIC was taking a strong position about what a SDIRA custodian could permit third parties to do and that depository financial institutions (such as MECHANICS) should set up SDIRAs as "personal trusts." (See Ex. #10, pg. 4).

124. The ENTRUST Defendants, while claiming to be SDIRA experts, had developed a business model where the Custodian's responsibilities were delegated to anyone and everyone other than the one entity which could legally, accurately and completely fulfill those responsibilities – the Bank Trustee/Custodian.

125. The ENTRUST Defendants had also contractually attempted to shift the Custodian's duties to its own clients, including the duty to determine the fair market valuation of SDIRA assets which were not publicly traded. Yet the ENTRUST Defendants were making millions of dollars a year in fees for "administering" the ENTRUST SDIRAS of Plaintiff and the other Class Members, lacking a legal SDIRA custodian, that were illegal, void, and worthless.

126. If Plaintiff and the other Class Members refused to pay ENTRUST'S fees, then the ENTRUST Defendants would threaten to send the IRS and the SDIRA owners a 1099 showing that Plaintiff and the other Class Members had received a distribution from their SDIRA at its inflated value when, in fact, the ENTRUST Defendants knew that the SDIRAs of Plaintiff and the Class Members were worthless.

127. Notwithstanding the terms of the contract, the applicable laws, the complaints of its account holders or multiple inquiries and investigations and regulatory scrutiny and criticism from multiple entities and sources, BROMMA, DAHDAH, TEG, ENTRUST ARIZONA, MECHANICS, ONAGA and ENTRUST ADMIN continued to violate the law and conceal their wrongdoing.

IX. DEFENDANTS' FRAUDULENT CONCEALMENT OF MATERIAL FACTS

128. If Plaintiff and the Class Members had been aware of the unlawful conduct, non-

compliance and misrepresentations of the Defendants, they would never have made investments through Defendants. Defendants' misrepresentations and concealment of material facts to Plaintiffs and the Class Members are delineated below.

129. Defendants' TEG, ENTRUST ADMIN and ENTRUST ARIZONA concealment of material facts includes:

i. these Defendants concealed the fact that they were trustees/fiduciaries (and not passive SDIRA administrators) of ENTRUST SDIRAs because they rendered investment advice, managed the investment of, took investment fees from, and exercised control over all ENTRUST SDIRA uninvested cash assets;

ii. these Defendants concealed the fact that Plaintiff's and the Class Members' SDIRA investments with Watson were Direct Prohibited Transactions and therefore illegal and void; and that Defendants had breached their fiduciary duties to Plaintiff and the Class Members by executing these SDIRA transactions with Watson knowing that they were illegal;

iii. these Defendants concealed from Plaintiff and the Class Members that they paid for ENTRUST SDIRA Trustee/Custodian services that either were never performed, were out of compliance, or were delegated by these Defendants back to their own customers or the ENTRUST franchisees/ licensees because the disclosed ENTRUST Trustee/Custodian performed no duties, assumed no responsibilities, and therefore these SDIRAs were illegal and void;

iv. these Defendants concealed the fact that they were performing "virtually all" of the SDIRA transactions for MECHANICS and were therefore operating illegally as a bank and as a SDIRA Custodian; See Ex. #1 FDIC letter to BROMMA dated May 20, 2010; *Davise Complaint* at ¶12 where TEG and ENTRUST ADMIN admit that "each IRA must have a custodian that is a 'bank' as further defined by statute, Internal Revenue Code §408 (a) (2)"); See Ex. #11 where TEG states that the Entrust Entities are not banks or trust

companies;

v. these Defendants concealed the fact that they were self-dealing with all ENTRUST SDIRA uninvested cash assets by investing the monies and collecting the profits thus making all of these "investments" by these Defendants Prohibited Transactions and the ENTRUST SDIRAs void;

vi. these Defendants concealed the fact that they unilaterally added SDIRA assets to the accounts of Plaintiff and the Class Members without their knowledge or consent to further hide Watson's fraud;

vii. these Defendants concealed the fact that they had a duty to ascertain the fair market value of the assets in Plaintiff's and the Class Members' SDIRAs annually but failed and refused to do so;

viii these Defendants concealed the fact that they benefitted financially from refusing to determine the fair market value of all ENTRUST SDIRAs because most of ENTRUST'S SDIRA fees were and are based upon the value of the assets in the SDIRA and therefore these Defendants were incentivized to keep the fair market value as high as possible;

ix. these Defendants concealed the fact that each year they filed fraudulent, inaccurate, and/or unverified Form 5498s (declaring the fair market value of the assets in each ENTRUST SDIRA under penalty of perjury) with the IRS and sent these Form 5498s to each ENTRUST SDIRA owner;

x. these Defendants concealed the fact that they commingled SDIRA cash assets; and

xi. these Defendants concealed the fact that ENTRUST SDIRAs were not set up for the exclusive benefit of the SDIRA owner, contrary to controlling law.

130. TEG, ENTRUST ADMIN and ENTRUST ARIZONA knew the duties, obligations, and requirements of SDIRA Trustees/Custodians as well as bank trustees/custodians but actively avoided and circumvented those duties, obligations and

requirements. (See, Ex. 12, page 2 where TEG states on its website in November of 2010 that SDIRA "assets are always held by a bank".)

131. Defendant BROMMA's fraudulent concealment of material facts includes:

i. that TEG, ENTRUST ADMIN and ENTRUST ARIZONA failed to have or maintain direct control of SDIRA assets;

ii. that TEG, ENTRUST ADMIN and ENTRUST ARIZONA inaccurately reported SDIRA account values;

iii. that TEG invested SDIRA cash assets in certificates of deposit with banks who were not financially sound and in foreign bank accounts that were not FDIC insured;

iv. that TEG commingled the SDIRA cash assets;

v. that TEG, ENTRUST ADMIN and ENTRUST ARIZONA failed to report defaults and delinquent interest payments in the SDIRAs;

vi. that TEG engaged in self-dealing in SDIRA assets including assuming investment discretion as to all SDIRA uninvested cash assets and the "trust pool" and deciding in their sole discretion what, if anything, the SDIRA owners would receive from the profits/interest made on their investments;

vii. that TEG, ENTRUST ADMIN and ENTRUST ARIZONA represented themselves to the Plaintiff and Class Members as "passive" custodians but operated as discretionary trustees and investment managers with investment authority of SDIRA assets and therefore under controlling law were and are fiduciaries as to the SDIRAs of Plaintiff and the Class Members;

viii. that the disclosed/named ENTRUST SDIRA "custodian" was not managing ENTRUST SDIRAs or even providing services to the ENRUST SDIRAs but rather that TEG, ENTRUST ADMIN, ENTRUST ARIZONA and the other ENTRUST Entities were illegally performing all SDIRA trustee, custodian and banking services despite the fact that none of them were

licensed, registered or approved by the IRS or any other state or federal regulatory authority to act as a custodian, trustee or bank. (See Ex. #8, Memorandum from BROMMA dated March 29, 2010 outlining the multitude of regulatory and compliance issues that had arisen with the operation of the ENTRUST business/franchise model); (Also see Ex. #11, pg. 2 from TEG's website on November 24, 2010 which states that TEG is not a bank, non-depository trust company or licensed by any state or federal banking authority to act as one);

ix. that the FDIC had advised ENTRUST and MECHANICS that the delegation of MECHANICS' banking and custodial responsibilities for ENTRUST SDIRAs to ENTRUST resulted in ENTRUST illegally operating as a bank (See Ex.# 1, FDIC letter to BROMMA dated May 20, 2010 outlining regulations that ENTRUST must comply with when assuming the functions of a bank);

x. that BROMMA fraudulently concealed that all of the ENTRUST Entities including the licensees and franchisees such as ENTRUST ARIZONA were to be reviewed by the FDIC *as fiduciaries* because they were also illegally operating as banks (See, Ex.# 2, Email from BROMMA dated May 25, 2010); (Also see the Bank Service Company Act, 12 U.S.C. §1867 requiring notification of delegation of banking duties to a "bank service company" and examination of the "bank service company" by federal and state banking authorities to the same extent as if the services were being performed by the bank);

xi. that BROMMA fraudulently concealed that Plaintiff and the Class Members were paying Defendants for SDIRA trustee, custodian and banking services that were illusory, non-existent or blatantly illegal;

xii. that BROMMA fraudulently concealed from Plaintiff and the Class

Members that their ENTRUST SDIRAS were illegal and void ab initio due to the lack of a legally approved or authorized custodian to hold the SDIRA assets;

xiii. that BROMMA failed to disclose that Plaintiff and the Class Members were paying excessive, hidden fees to Defendants to administer SDIRAs that were illegal, void and worthless;

xiv. that BROMMA concealed the fact that each year the ENTRUST Entities filed fraudulent, inaccurate, and/or unverified Form 5498s (declaring the fair market value of the assets in each ENTRUST SDIRA under penalty of perjury) with the IRS and sent these Form 5498s to each ENTRUST SDIRA owner; and

xv. that BROMMA fraudulently concealed that TEG, ENTRUST ADMIN and ENTRUST ARIZONA knowingly engaged in Direct Prohibited Transactions thus violating their duty as fiduciaries of the SDIRAs of Plaintiff and the Class Members.

132. Defendant DAHDAH's fraudulent concealment of material facts includes:

i. that ENTRUST ARIZONA failed to have or maintain direct control of SDIRA assets;

ii. that ENTRUST ARIZONA inaccurately reported SDIRA account values;

iii. that ENTRUST ARIZONA failed to report defaults and delinquent interest payments in the SDIRAs;

iv. that TEG and ENTRUST ARIZONA engaged in self-dealing in SDIRA assets including assuming investment discretion as to all SDIRA uninvested cash assets and the "trust pool" and deciding in their sole discretion what, if anything, the SDIRA owners would receive from the profits/interest Defendants made on their "investments";

v. that ENTRUST ARIZONA represented itself to the Plaintiff and Class Members as a "passive" custodians but promoted investments, self-dealed in SDIRA cash assets and concealed that it had illegally assumed some of the duties of the real ENTRUST SDIRA custodian;

vi. that DAHDAH fraudulently concealed that ENTRUST ARIZONA was to be reviewed by the FDIC *as a fiduciary* because it was illegally operating as a bank (See, Ex.# 2);

vii. that DAHDAH fraudulently concealed from Plaintiff and the Class Members that their ENTRUST SDIRAS were illegal and void *ab initio* due to the lack of a legally approved or authorized custodian to hold the SDIRA assets;

viii. that DAHDAH failed to disclose that Plaintiff and the Class Members were paying excessive, hidden fees for SDIRAs that were illegal, void and worthless;

ix. that DAHDAH concealed the fact that each year ENTRUST ARIZONA filed fraudulent, inaccurate, and/or unverified Form 5498s (declaring the fair market value of the assets in each ENTRUST SDIRA under penalty of perjury) with the IRS and sent these Form 5498s to each ENTRUST ARIZONA SDIRA owner;

x. that DAHDAH fraudulently concealed that TEG, ENTRUST ADMIN and ENTRUST ARIZONA knowingly engaged in Direct Prohibited Transactions thus violating their duty as fiduciaries of the SDIRAs of Plaintiff and the Class Members.

133. Defendant MECHANICS' fraudulent concealment of material facts includes:

i. that MECHANICS fraudulently concealed that it was not performing the responsibilities of the ENTRUST SDIRA custodian but rather was a Phantom ENTRUST SDIRA Custodian thus making the SDIRAs of Plaintiff and the

Class Members illegal and void;

ii. that MECHANICS was receiving fees for serving as the ENTRUST SDIRA custodian while failing to perform the SDIRA custodian duties and delegating the SDIRA custodian services to the ENTRUST Entities;

iii. that MECHANICS illegally delegated its banking and SDIRA custodial duties to the ENTRUST Entities;

iv. that MECHANICS failed to have or maintain control of SDIRA assets;

v. that MECHANICS failed to have or maintain control of the title to SDIRA assets;

vi. that MECHANICS was in breach of its duty to provide ENTRUST SDIRA custodian services;

vii. that MECHANICS failed to report defaults and delinquent interest payments in the SDIRAs;

viii. that MECHANICS fraudulently concealed that the ENTRUST Entities were operating as banks;

ix. that MECHANICS fraudulently concealed that the ENTRUST Entities were operating as SDIRA Bank Custodians;

x. that MECHANICS failed to disclose that Plaintiff and the Class Members were paying excessive, hidden fees to Defendants to administer SDIRAs that were illegal, void and worthless;

xi. that MECHANICS concealed the fact that each year the ENTRUST Entities filed fraudulent, inaccurate, and/or unverified Form 5498s (declaring the fair market value of the assets in each ENTRUST SDIRA under penalty of perjury) with the IRS and sent these Form 5498s to each ENTRUST SDIRA owner;

xii. that MECHANICS concealed the fact that TEG, ENTRUST ADMIN and ENTRUST ARIZONA were self-dealing in ENTRUST SDIRA cash assets

thereby participating in Prohibited Transactions which MECHANICS delegated to them;

xiii. that MECHANICS concealed the fact that TEG, BROMMA, ENTRUST ADMIN, ENTRUST ARIZONA and DAHDAH were fiduciaries since they were investment advisors and managers of the ENTRUST SDIRA cash assets and engaged in Prohibited Transactions with the SDIRAs;

xiv. that MECHANICS concealed the fact that it was a fiduciary of the ENTRUST SDIRAs;

134. Defendant ONAGA's fraudulent concealment of facts includes:

i. that ONAGA fraudulently concealed that it was not performing the responsibilities of the ENTRUST SDIRA custodian thus making the SDIRAs of Plaintiff and the Class Members illegal and void;

ii. that ONAGA was receiving fees for serving as the ENTRUST SDIRA custodian while not performing the SDIRA custodian duties;

iii. that ONAGA illegally delegated its SDIRA custodial duties to the ENTRUST Entities;

iv. that ONAGA failed to have or maintain control of SDIRA assets;

v. that ONAGA failed to have or maintain control of the title to SDIRA assets;

vi. that ONAGA was in breach of its duty to provide ENTRUST SDIRA custodian services;

vii. that ONAGA failed to report defaults and delinquent interest payments in the SDIRAs;

viii. that ONAGA fraudulently concealed that the ENTRUST Entities were operating as SDIRA Bank Custodians;

ix. that ONAGA failed to disclose that Plaintiff and the Class Members were paying excessive, hidden fees to Defendants to administer SDIRAs that were

illegal, void and worthless;

x. that ONAGA concealed the fact that each year the ENTRUST Entities filed fraudulent, inaccurate, and/or unverified Form 5498s (declaring the fair market value of the assets in each ENTRUST SDIRA under penalty of perjury) with the IRS and sent these Form 5498s to each ENTRUST SDIRA owner;

xii. that ONAGA concealed the fact that ONAGA, TEG, ENTRUST ADMIN and ENTRUST ARIZONA were self-dealing in ENTRUST SDIRA cash assets thereby participating in Prohibited Transactions;

xiii. that ONAGA concealed the fact that TEG, BROMMA, ENTRUST ADMIN, ENTRUST ARIZONA and DAHDAH were fiduciaries since they were investment advisors and managers of the ENTRUST SDIRA cash assets and engaged in Prohibited Transactions with the SDIRAs; and

xiv. that ONAGA concealed the fact that it was a fiduciary of the ENTRUST SDIRAs;

X. DEFENDANTS' BLATANT BREACH OF FIDUCIARY DUTIES

A. Defendants' Illusory, Void Adhesion SDIRA Contracts

135. Defendants TEG, ENTRUST ADMIN, and ENTRUST ARIZONA claimed in their contracts, websites and marketing documents that they provided "passive" SDIRA custodian/administrators services.

136. Defendants MECHANICS and ONAGA similarly claimed in their custodial contracts with Plaintiff and the Class Members that they, too, are and were "passive" SDIRA custodians.

137. As a result, Defendants TEG, ENTRUST ADMIN, ENTRUST ARIZONA, MECHANICS and ONAGA (collectively referred to herein as the "Corporate Defendants") deny any type of fiduciary responsibility to any ENTRUST SDIRA owner because of their claimed status as a "non-discretionary" administrator/custodian without investment authority and who does not give investment advice pursuant to the claims in the SDIRA

agreements.

138. However the SDIRA contracts executed by Plaintiff and the Class Members, which these Corporate Defendants rely on to exculpate themselves from liability, are void *ab initio* and therefore irrelevant to a determination of the Corporate Defendants' fiduciary duties.

139. The agreements Plaintiff and the Class Members received from TEG, ENTRUST ADMIN, ENTRUST ARIZONA, MECHANICS and ONAGA all identify a bank/trust company "Custodian." Nevertheless, at the time these agreements were executed, **none** of the Corporate Defendants ever intended that the "Custodian" identified in each ENTRUST SDIRA contract, such as IBT, MECHANICS or ONAGA, actually serve as the ENTRUST SDIRA Custodian. These agreements were illusory, fraudulent and illegal.

140. From 2003 forward, the ENTRUST Entities purposefully acted as the "undisclosed" (and illegal) Custodian for all ENTRUST SDIRAs so that they could keep all or a large portion of the custodial fees in addition to their administrative fees and the interest on SDIRA uninvested cash which they were taking as additional fees.

141. The legal consequence of this fraudulent plan is that all ENTRUST SDIRA contracts entered into during this time period are void *ab initi*o because their performance by the ENTRUST Entities, including TEG, ENTRUST ADMIN and ENTRUST ARIZONA, was and is an illegal under the laws and regulations governing SDIRAs. (See, e.g., 26 C.F.R. 1.408-2 (e)(6) and Internal Revenue Code § 4975.)

142. By the same token, the delegation of SDIRA Custodian responsibilities by MECHANICS and ONAGA and the delegation of banking responsibilities by MECHANICS to the ENTRUST Entities were also illegal acts and against public policy thus making these SDIRA contracts void.

B. Alternatively, the SDIRA Contracts are Unenforceable

143. The SDIRA agreements between Plaintiff and the Class Members and the Corporate Defendants are also voidable due to misrepresentations by the Corporate

Defendants.

144. The SDIRA contracts contain the following misrepresentations:

a. that MECHANICS and ONAGA, during the relevant times of the Class Period, were the actual Custodian of the ENTRUST SDIRAS and performing the services of same;

b. that TEG, ENTRUST ADMIN and ENTRUST ARIZONA served solely as ENTRUST SDIRA administrators during the Class Period;

c. that TEG, ENTRUST ADMIN, ONAGA and ENTRUST ARIZONA never exercised investment discretion or management authority over SDIRA assets;

d. that ONAGA and MECHANICS were passive SDIRA custodians;

e. that all Corporate Defendants were operating in compliance with applicable laws and regulations;

C. Defendants' Breach of Fiduciary Duties

145. Defendants TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA, DAHDAH, MECHANICS and ONAGA owed a fiduciary duty to Plaintiff and the Class Members.

146. Defendants TEG, ENTRUST ADMIN, ENTRUST ARIZONA, DAHDAH, ONAGA, and BROMMA owed a fiduciary duty to Plaintiff and the Class Members because they assumed the roles of investment advisor, investment manager, and discretionary trustee of the cash assets in the SDIRAs of Plaintiff and the Class Members and they are all Disqualified Persons under the IRC engaging in or facilitating Prohibited Transactions.

147. In addition, all of these Defendants knew that Plaintiff and the Class Members were placing their trust and confidence in all of the Defendants and that they were relying on Defendants' obligations and representations to ensure that proper protocols and SDIRA Trustee/Custodial procedures were followed in all of their transactions.

148. MECHANICS and ONAGA knowingly misled the Plaintiff and Class Members to believe that they were performing the necessary SDIRA services and duties that they were contractually obligated to perform.

149. TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA and DAHDAH knowingly misled the Plaintiff and Class Members to believe that they were performing their duties to ensure that their SDIRAs were secure, compliant and administered correctly.

150. Plaintiff and the Class Members were justified in placing their trust and confidence in Defendants MECHANICS, ONAGA, TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA and DAHDAH.

151. All of these Defendants were non-passive Trustee/Custodians and discretionary investment managers of SDIRA assets and as such owed fiduciary duties to Plaintiff and the Class Members.

152. All of these Defendants, as non-passive Custodians and fiduciaries, knowingly engaged in or facilitated Prohibited Transactions with the SDIRAs of Plaintiff and the Class Members and/or knowingly permitted third parties to engage in Prohibited Transactions with Plaintiff and the Class Members thereby breaching their fiduciary duties. In addition, Defendants knowingly provided false fair market valuations to Plaintiff and the Class Members as well as the IRS, under penalty of perjury, on Form 5498s thus breaching their fiduciary duties to Plaintiff and the Class Members.

153. It is hard to fathom the depth and breadth of the deceit that all of these Defendants have perpetrated on Plaintiff and the Class Members. Many people lost their life savings through Watson's Ponzi schemes. Class Members who were not victims of Watson's Ponzi schemes but simply ENTRUST SDIRA clients were also defrauded and paid excessive, illegal and hidden fees for SDIRA services that were non-compliant and illusory. It is no wonder that the ENTRUST Entities have been so prolific in facilitating multi-million dollar Ponzi schemes across the country which devastated thousands of their victims/clients including Plaintiff and the Class Members.

COUNT I

CONVERSION

(Against Defendants TEG, ENTRUST ADMIN, ENTRUST AIRZONA, MECHANICS AND ONAGA)

154. Plaintiff incorporates the allegations contained in all of the prior paragraphs of this Complaint as if restated and fully set forth herein.

155. As described more fully above, Defendants exercised unauthorized dominion and control over the property (*i.e.*, the monies and assets in their respective accounts) of Plaintiff and the Class Members.

156. Defendants retained the personal property of Plaintiff and the Class Members intentionally and without permission or justification.

157. Defendants exercised dominion over the property.

158. Defendants' conversion has permanently deprived Plaintiff and the other Class Members of their property, causing damage.

159. Plaintiff and the Class Members have repeatedly demanded that their funds be returned but Defendants did not in fact return them.

160. Plaintiff and the Class Members are entitled to the value of what was converted by the Defendants.

161. Defendants' actions have directly caused injury and damages to Plaintiff and the Class Members.

COUNT II

FRAUDULENT CONCEALMENT

(Against All Defendants)

162. Plaintiff incorporates the allegations contained in all of the prior paragraphs as if restated and fully set forth herein

163. Defendants concealed and/or failed to disclose material facts from the Plaintiff and Class Members, including:

a. That Plaintiff's and the Class Members SDIRAs were not safe or secure;

b. That Plaintiff's and the Class Members' SDIRA were illegal and void;

c. That Plaintiff's and the Class Members' SDIRA investments were illegal because they were Prohibited Transactions with "Disqualified Persons";

d. That Plaintiff's and the Class Members' SDIRA accounts were not properly administered by licensed, registered or IRS approved Custodians;

e. That Defendants did not and would not obtain or properly maintain documents reflecting the nature of and title to assets held in the accounts of Plaintiff and the Class Members and there were, in fact, no assets in their account;

f. That Defendants did not and would not ascertain the fair market value of any assets in Plaintiff's and the Class Members' accounts despite being mandated to do so by regulators as well as applicable law;

g. That Plaintiff and the Class Members would continue to receive SDIRA statements showing significant value for their SDIRA when in fact they were actually worthless because the money had been stolen;

h. That Plaintiff and the Class Members would have to take RMDs based on an inaccurate and fraudulent representation of the fair market value of their assets;

i. That Plaintiff and the Class Members paid for SDIRA Custodian services from the Phantom ENTRUST SDIRA Custodians that either were never performed, were out of compliance, or were delegated by ENTRUST back to its own customers or the ENTRUST franchisees or licensees;

j. That despite Defendants' knowledge that the investments and SDIRA accounts were worthless because Plaintiff's and the Class Members' money had been stolen, in addition to the other allegations detailed above, Defendants continued to act as Trustees/Custodians, charge fees, receive interest on uninvested cash, and send misleading statements.

k. That Defendants knowingly and intentionally concealed from the public,

including Plaintiff and Class Members, the true nature of their illegal activities in the rendition of SDIRA services, and made fraudulent representations to the Plaintiff and Class Members as well as the IRS as to the fair market value of the assets in each SDIRA.

l. That Defendants had a duty to their account holders and/or putative account holders, including Plaintiff and Class Members, to disclose these materials facts.

m. That Defendants concealed and/or failed to disclose material facts with the intent to deceive the Plaintiff and Class Members.

n. That Defendants knew that Plaintiff and Class Members would not have invested nor reinvested in these SDIRA accounts had they known all of the facts which were concealed and/or undisclosed by Defendants.

164. As to Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA, Plaintiff incorporates by reference ¶¶ 129 (i)-(xi) and 130 as if fully set forth herein.

165. As to Defendant BROMMA, Plaintiff incorporates by reference ¶ 131 (i)-(xv) as if fully set forth herein.

166. As to Defendant DAHDAH, Plaintiff incorporates by reference ¶ 132 (i)-(x) as if fully set forth herein.

167. As to Defendant MECHANICS, Plaintiff incorporates by reference ¶ 133 (i)-(xiv) as if fully set forth herein.

168. As to Defendant ONAGA, Plaintiff incorporates by reference ¶ 134 (i)-(xiv) as if fully set forth herein.

169. Plaintiff and Class Members acted in justifiable reliance upon the concealment and misrepresentations by Defendants by investing through SDIRAs with Defendants.

170. Plaintiff and the other Class Members have suffered damages as a result of the fraudulent concealment, including but not limited to the money in their SDIRA accounts being stolen, and payment of fees for administering an account which held no assets (based on their having been stolen already) and undisclosed fees taken by Defendants from the

earnings received from the SDIRA uninvested cash.

COUNT III

CIVIL R.I.C.O.

Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961, *et seq.*

(Against All Defendants)

171. Plaintiff incorporates the allegations contained in all the prior paragraphs as if restated and fully set forth herein.

A. Allegations as to All Defendants

172. On their face, the Defendants TEG, ENTRUST ADMIN, ENTRUST ARIZONA, BROMMA, DAHDAH, MECHANICS and ONAGA ("Enterprise Defendants") existed independently as a separate legal person or entity, in order to conduct various types of businesses and/or transactions. Defendants TEG, ENTRUST ADMIN, BROMMA, DAHDAH and ENTRUST ARIZONA conducted legitimate businesses that included providing services for Health Savings Accounts, Education Savings Accounts, 401ks, and other general estate planning and retirement planning services. Defendants MECHANICS and ONAGA operated banks and non-depository trust companies and provided banking and trust services other than SDIRA custodial services. However, in order to effectuate the unlawful activities alleged herein, the Defendants also engaged and participated in a pattern of racketeering activity, specifically mail and/or wire fraud, a criminal enterprise affecting interstate commerce. Defendants banded together in a hierarchical structure for spurts of activity involving the illegal acts and fraud set forth herein that injured Plaintiff and the Class Members. The enterprise included multiple corporate entities associating with multiple individuals.

173. The predicate acts described in paragraphs 86-127 herein are all related. They share the common purpose of defrauding the Plaintiff and Class Members of their money and property. They share the common theme of concealment and fraud. They share communication and information on a regular basis for the purposes of committing the

unlawful acts alleged herein.

174. Plaintiff is informed and believes that each and every predicate act described herein was related, so as to establish a pattern of racketeering activity within the meaning of 18 U.S.C. § 1962 (c) in that: (a) their common purpose was to defraud Plaintiff and the Class Members of their money and property; (b) the common result was the same; and (c) Enterprise Defendants individually, personally, or through their agent or agents, directly and indirectly, participated in all of the acts and employed the same or similar methods of commission. The involvement of each Defendant allowed the enterprise to operative effectively by providing an illusion and assurance of safe, compliant, and lawful protection of Plaintiff's and Class Members' respective assets. Defendants, each of them, could not have accomplished their fraud and concealed their fraud without conducting the association-in fact enterprise's affairs (and not solely their own affairs) as set forth herein.

175. Together, the Defendants engaged in an ongoing organization, with associates of the organization functioning as a continuing, informal, and cohesive unit, formed for the purpose of effectuating the transactions at issue here.

176. The unit existed in the past and present, with specific roles for each person or entity. It effectuated a comprehensive, coordinated system which existed for the perpetration and perpetuation of the unlawful activity alleged herein.

177. Defendants' conduct began at least by 2003 and continues unabated (it is ongoing) to this day.

178. Plaintiff is informed and believes that each and every predicate act described herein by Enterprise Defendants was continuous so as to form a pattern of racketeering activity in that: (a) they engaged in the predicate acts over a substantial period of time; and (b) the predicate acts have become a regular way of these Enterprise Defendants conducting their business, and said racketeering business practices will continue indefinitely into the future.

179. Together the Enterprise Defendants offered and promised Plaintiff and the Class Members the opportunity to invest through secure, compliant ENTRUST SDIRAs.

Defendants concealed their knowledge that the ENTRUST SDIRAs of Plaintiff and the Class Members, among other issues, were illegal and void, the title to SDIRA assets were not secured, the Defendants were self-dealing in the SDIRA assets; the Defendants were conducting Prohibited Transactions with the SDIRA assets, and the Defendants were filing false Form 5498s with the IRS, under penalty of perjury, as well as providing said Form 5498s to Plaintiff and the Class Members.

B. Allegations as to Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA

180. As to Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA, Plaintiff incorporates by reference ¶ 129 (i)-(xi) as if fully set forth herein.

181. A separate count of mail fraud occurred each and every time an ENTRUST SDIRA statement was mailed to Plaintiff and the Class Members by Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA through the use of the U.S. mails. Similarly, a separate count of wire fraud occurred each and every time an ENTRUST SDIRA statement was sent via electronic mail to Plaintiff and the Class Members by Defendants.

182. A separate count of mail fraud occurred each and every time an IRS Form 5498 was mailed to Plaintiff and the Class Members or the IRS. Similarly, a separate count of wire fraud occurred each and every time an IRS Form 5498 was sent via electronic mail to Plaintiff and the Class Members or the IRS by Defendants.

183. By sending these fraudulent statements, Defendants intentionally participated in a scheme to defraud others including Plaintiff and the Class Members and used the U.S. Mail and Internet to do so.

184. The predicate acts of fraud which were accomplished through the U.S. mail and Internet and which are specifically attributable to the Defendants are:

i. Actively concealing the illegality of the ENTRUST SDIRAS of Plaintiff and the Class Members;

ii. Actively concealing the illegality of the investments purchased by Plaintiff and the Class Members through their ENTRUST SDIRAS as Direct Prohibited Transactions;

iii. Making knowingly false and fraudulent statements to Plaintiff and the Class Members that the SDIRA services provided by Defendants were lawful and compliant when in fact Defendants knew the SDIRAs of Plaintiff and the Class Members were illegal and void and that Defendants had failed to comply with regulations permitting them to serve as SDIRA Custodians or obtain approval for same.

C. Allegations at to Defendant BROMMA

185. As to Defendant BROMMA, Plaintiff incorporates by reference ¶ 131 (i)-(xv) as if fully set forth herein.

186. BROMMA directed all of the ENTRUST Entities' activities such that all SDIRA custodial responsibilities were illegally delegated to TEG, ENTRUST ADMIN, the ENTRUST licensees/franchisees such as ENTRUST ARIZONA or even ENTRUST'S own clients such as Plaintiff and the Class Members.

187. BROMMA directed all of the ENTRUST Entities' activities such that TEG and ENTRUST ADMIN were as alleged herein illegally operating as banks.

188. BROMMA knew that Plaintiff and the Class Members had been paying fees to ENTRUST for several years for a worthless, void SDIRA;

189. BROMMA knew that the SDIRA services provided by ENTRUST to Plaintiff and the Class Members and for which they paid extraordinary fees were either non-compliant or non-existent.

190. BROMMA fraudulently concealed the illegality of the Direct Prohibited Transactions in each SDIRA; and the illegality of the SDIRA itself due to the absence of a lawful Trustee/Custodian from Plaintiff and the Class Members.

D. Allegations as to Defendant DAHDAH

191. As to Defendant DAHDAH, Plaintiff incorporates by reference ¶ 132 (i)-(x)

as if fully set forth herein.

192. DAHDAH directed all of ENTRUST ARIZONA'S activities such that SDIRA custodial responsibilities were illegally delegated to ENTRUST ARIZONA or even ENTRUST ARIZONA'S own clients such as Plaintiff and the Class Members.

193. DAHDAH knew that Plaintiff and the Class Members had been paying fees to ENTRUST ARIZONA for several years for a worthless, void SDIRA;

194. DAHDAH knew that the SDIRA services provided by ENTRUST ARIZONA to Plaintiff and the Class Members and for which they paid extraordinary fees were either non-compliant or non-existent.

195. DAHDAH fraudulently concealed the illegality of the Direct Prohibited Transactions in each SDIRA; and the illegality of the SDIRA itself due to the absence of a lawful Trustee/Custodian from Plaintiff and the Class Members.

E. Allegations as to Defendant MECHANICS

196. As to Defendant MECHANICS, Plaintiff incorporates by reference ¶¶ 96-109 and 133 (i)-(xiv) as if fully set forth herein.

F. Allegations as to Defendant ONAGA

197. As to Defendant ONAGA, Plaintiff incorporates by reference ¶¶ 115-123 and 134 (i)-(xiv) as if fully set forth herein.

G. Additional Allegations as to All Defendants

198. Plaintiff is informed and believes that at all relevant times, the enterprise alleged herein was engaged in and its activities affected interstate commerce.

199. Enterprise Defendants could and did foresee that the United States Postal Service, interstate wires, and electronic mail would be used for the purposes of advancing, furthering, executing, concealing, conducting, participating in, and/or carrying out the fraudulent scheme within the meaning of 18 U.S.C. § 1341 and § 1343.

200. In particular, Enterprise Defendants could and did foresee that those communication implements would be used to receive and/or deliver the data and documents described hereinabove (such as advertising and marketing materials, investment seminar

materials, investment solicitation materials, SDIRA account statements, contracts, Form 5498s, and applications and documents related to the opening and maintaining of SDIRAS).

201. Enterprise Defendants, acting singly and in concert, personally, and/or through their agents as co-conspirators, or as aiders and abettors, used the United States Postal Service, interstate wires, and electronic mail for the purpose of advancing, furthering, executing, concealing, conducting, participating in, and carrying out the fraudulent scheme within the meaning of 18 U.S.C. § 1341 and § 1343.

202. Plaintiff is informed and believes that additional specific instances of mail and wire fraud were utilized by Enterprise Defendants to advance, further execute and conceal the fraudulent scheme and that such communications are, at the present time, within the exclusive knowledge of those Enterprise Defendants and other presently unknown individuals or entities.

203. Plaintiff is informed and believes that each and every use of United States Postal Service, interstate wires, and electronic mail described above was committed by these Enterprise Defendants with the specific intent to defraud Plaintiff and other Class Members and for obtaining the money and property of Plaintiff and other Class Members by means of false or fraudulent pretenses, representations, and promises. It is therefore alleged on information and belief that these acts of mail and wire fraud made by Enterprise Defendants are in violation of 18 U.S.C. § 1341 and § 1343 and constitute racketeering activity as defined by 18 U.S.C. § 1961(1) (B).

204. Plaintiff is informed and believes that in connection with their fraudulent scheme, Enterprise Defendants committed violations of law (other than mail fraud or wire fraud) which fall within the R.I.C.O. statute; at the present time, these other violation are within the exclusive knowledge of Enterprise Defendants and will be learned through the discovery process.

205. All of the acts referred to above occurred after the effective date of R.I.C.O. and more than two such acts occurred within 10 years of one another.

206. Plaintiff and other Class Members justifiably relied on the fraudulent representations, omissions, and deceptive practices by Enterprise Defendants pursuant to the fraudulent scheme described herein.

207. Plaintiff is informed and believes that as a direct and proximate result of and by reason of the activities of Enterprise Defendants as alleged in this cause of action, Plaintiff has been injured in business and property within the meaning of 18 U.S.C. § 1964 (c) and, among other things, has suffered damages in the amounts and to the extent alleged in this Complaint which are incorporated herein by reference. Plaintiff is therefore entitled to recover three times the damages sustained, together with the costs of suit, including reasonable attorneys' fees and reasonable experts' fees.

COUNT IV

BREACH OF CONTRACT/RESCISSION

(Against Defendants TEG, ENTRUST ADMIN, ENTRUST ARIZONA, MECHANICS AND ONAGA

208. Plaintiff incorporates the allegations contained in all of the prior paragraphs of this Second Amended Complaint as if fully set forth herein.

209. Plaintiff pleads this Count as Breach of Contract, or, alternatively, for Rescission.

210. Plaintiff and Class Members entered into contracts with Defendants through which Defendants were to provide certain administrative, ministerial, and/or custodial services and fulfill certain duties and obligations under law, in exchange for payment of fees.

211. Defendants breached their contract in numerous ways as delineated below.

212. As to Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA, Plaintiff incorporates by reference ¶ 129 (i)-(xi), 135,137-142,143-144 as if fully set forth herein.

213. As to Defendant BROMMA, Plaintiff incorporates by reference ¶ 131 (i)-(xv), as if fully set forth herein.

214. As to Defendant DAHDAH, Plaintiff incorporates by reference ¶ 132 (i)-(x) as if fully set forth herein.

215. As to Defendant MECHANICS, Plaintiff incorporates by reference ¶ 133 (i)-(xiv), 136, 137-142 as if fully set forth herein.

216. As to Defendant ONAGA, Plaintiff incorporates by reference ¶ 134 (i)-(xiv), 136, 137-142 as if fully set forth herein.

217. As a direct and proximate result of Defendants' acts and omissions as described herein, Plaintiff and Class Members suffered damages in excess of the jurisdictional minimum of this Court.

218. Plaintiff and the Class Members paid thousands of dollars to Defendants as consideration for these agreements. Plaintiff and the Class Members thus alternatively seek rescission of these agreements.

219. Plaintiff and the Class Members would not have entered into these agreements if they had known that:

a. Defendants TEG, ENTRUST ADMIN, and ENTRUST ARIZONA claimed in their contracts, websites and marketing documents that they provided "passive" SDIRA custodian/administrators services but were actually discretionary trustees with fiduciary duties;

b. Defendants MECHANICS and ONAGA similarly claimed in their custodial contracts with Plaintiff and the Class Members that they, too, are and were "passive" SDIRA custodians but were discretionary trustees with fiduciary duties;

c. the contracts executed by Plaintiff and the Class Members, which these Defendants rely on to exculpate themselves from liability, are void *ab initio;*

d. the agreements Plaintiff and the Class Members received from TEG, ENTRUST ADMIN, ENTRUST ARIZONA, MECHANICS and ONAGA all identify a bank/trust company "Custodian." Nevertheless, at the time these

agreements were executed, none of the Defendants ever intended that the "Custodian" named in each ENTRUST SDIRA contract, such as IBT, MECHANICS or ONAGA, actually serve as the ENTRUST SDIRA Custodian;

e. From 2003 forward, the ENTRUST Entities intended to and did act as the "undisclosed" (and illegal) Custodian for all ENTRUST SDIRAs so that they could keep all or a large portion of the custodial fees in addition to their administrative fees and the interest on uninvested cash which they were taking as additional fees;

f. The legal consequence of this fraudulent plan is that all ENTRUST SDIRA contracts entered into during this time period are void *ab initio* because the performance of said contracts by Defendants was an illegal act and against public policy;

g. By the same token, the delegation of SDIRA Trustee/Custodian responsibilities by MECHANICS and ONAGA (and the delegation of banking responsibilities by MECHANICS) to the ENTRUST Entities was also an illegal act and against public policy thus making these SDIRA contracts void;

220. Consequently, the ENTRUST SDIRA contracts are illegal because:

a. The disclosed Custodian never intended to perform the agreement

b. The undisclosed Custodian could not legally perform the agreement

c. ENTRUST ADMIN, TEG and ENTRUST ARIZONA were illegally performing banking services for MECHANICS;

d. TEG, ENTRUST ADMIN and ENTRUST ARIZONA are not now and never were either Bank Trustees/Custodians or Non-Bank IRS Approved Trustee/Custodians so they could not serve as the "Custodian" of the SDIRAs of the Plaintiff and Class Members during the Class Period. As a result, these SDIRAs never existed as a legal entity because there was no lawful Custodian administering them as required by law thus rendering the SDIRA contracts

illegal and void.

e. their SDIRA investments were illegal as Prohibited Transactions with "Disqualified Persons";

f. Plaintiff's and the Class Members' SDIRA accounts were not safe and were not properly administered by licensed, approved and/or compliant SDIRA Trustees/Custodians;

g. Defendant did not and would not ascertain and report to the IRS and the Plaintiff and Class Members the accurate fair market value of any assets in Plaintiff's and the Class Members' SDIRA accounts despite being mandated to do so by law;

221. Plaintiff and the Class Members received no actual consideration for these agreements, only unfulfilled promises, terrible financial losses, and negative tax consequences.

222. Plaintiff and the Class Members would not have entered into these agreements had they known that Defendant's consideration would be illusory and would fail.

223. As a result, Plaintiff and Class Members seek rescission of these agreements.

224. Plaintiff has no adequate remedy at all and will suffer irreparable harm if the agreement with Defendant is not rescinded and all of the fees paid by Plaintiff and the Class Members (including the interest received by Defendant on uninvested cash assets), to Defendant is not returned.

COUNT V

BREACH OF FIDUCIARY DUTY/CONSTRUCTIVE FRAUD

(Against All Defendants)

225. Plaintiff incorporates by reference all allegations set forth above as if restated and fully set forth herein.

A. Allegations As To All Defendants

226. A special relationship of trust and confidence existed between Plaintiff and

Defendants, and each of them, by virtue of the fact that Defendants held themselves out as experts in the field of investments, SDIRAs, real estate transactions, fiduciary obligations, trusts, escrows, finance, etc. and made representations and promises to the Plaintiff and Class Members designed to induce them to rely upon Defendants' expertise and experience. By virtue of this relationship of trust and confidence created by Defendants and each of them, the relationship of the parties was fiduciary in nature and as a result, Defendants owed Plaintiff and the Class Members the highest fiduciary duties of loyalty and care and the obligation to conduct themselves in good faith.

227. Because of Plaintiff and the Class Members' confidence in Defendants and each of them caused Plaintiff to trust them to act on her behalf as well as that of the Class Members, a confidential relationship existed between the parties at all times mentioned herein which required Defendants to represent Plaintiff's interests against any misconduct.

228. As a result of Defendants' representations, promises, assurances and position of superior knowledge, Plaintiff and the Class Members placed their trust and confidence in Defendants and trusted them to be honest about the nature of the transactions, to obtain real investments for Plaintiff and the Class Members on fair and reasonable terms in light of Defendants' representations, warranties and guarantees, to properly and truthfully prepare all documents necessary to complete the transactions and to fairly represent the interest of Plaintiff and the Class Members in all matters pertaining to these transactions.

229. At the time the aforesaid representations and omissions were made, Defendants each of them knew that Plaintiff and the Class Members had no knowledge of, and was not aware of, the falsity of said representations, and Plaintiff believed Defendants' representations that her investments in real estate with Defendants through cash and SDIRA monies were valid and risk free transactions.

230. At the time said misrepresentations were made by Defendants and each of them, Plaintiff was ignorant of their falsity and believed the representations to be true.

231. As intended by the Defendants, and as a result of their fiduciary and confidential

relationship, Plaintiff and the Class Members were induced to and did in fact believe and reasonably rely upon the representations made by Defendants, and each of them, as set forth above, and reasonably relied on their assurances that they would fairly represent their economic interest thus causing Plaintiff and the Class member to accept the investment transactions and purchase the subject investments through cash and SDIRA monies.

B. Allegations as to TEG, ENTRUST ADMIN and ENTRUST ARIZONA

232. As to Defendants TEG, ENTRUST ADMIN and ENTRUST ARIZONA, Plaintiff incorporates by reference ¶¶ 36-54,55-66, 75-85, 86-127, 129 (i)-(xi), 135,137-153 as if fully set forth herein.

C. Allegations as to BROMMA

233. As to Defendant BROMMA, Plaintiff incorporates by reference ¶¶ 36-54, 55-74, 86-127, 131 (i)-(xv), and as if fully set forth herein.

D. Allegations as DAHDAH

234. As to Defendant DAHDAH, Plaintiff incorporates by reference ¶¶ 36-54, 55-74, 86-127, and 132 (i)-(x) as if fully set forth herein.

E. Allegations as to MECHANICS

235. As to Defendant MECHANICS, Plaintiff incorporates by reference ¶¶ 36-54, 55-74, 86-127, 133 (i)-(xiv) and 136-147 as if fully set forth herein.

F. Allegations as to ONAGA

236. As to Defendant ONAGA, Plaintiff incorporates by reference ¶¶ 36-54, 55-74 86-127, 134 (i)-(xiv) and 136-147 as if fully set forth herein.

237. Had Plaintiff known of the falsity and incompleteness of Defendants' representations, Plaintiff and the Class Members would not have made the investments through Defendants' SDIRAs.

238. Plaintiff and the Class Members believe and allege that Defendants each breached their fiduciary duties to Plaintiff and the Class Members and violated their relationship of trust and confidence by engaging in the unlawful actions hereinabove

described, including but not limited to falsifying documents, misrepresenting the nature of the transaction, failing to disclose the relationship of the Defendants and failing to represent Plaintiff and the Class Members' economic interests all to Plaintiff's extreme financial detriment and for the specific purpose of cheating Plaintiff and the Class Members out of their cash and retirement monies.

239. Plaintiff and the Class Members also believe and allege that Defendants in disregard of and in further breach of their fiduciary duties to Plaintiff and the Class Members, directed, encouraged, aided and abetted with one another in the conduct described herein all of which was designed to cheat Plaintiff and the Class Members out of their cash and retirement monies.

240. As a direct and proximate result of the above-described misrepresentations of Defendants, Plaintiff and the Class Members have been damaged in an amount as yet undetermined but believed to be in excess of $5,000,000.

241. By reason of the foregoing, Defendants' actions were malicious, willful and made in conscious disregard of Plaintiff and the Class Members' legal rights and are thus subject to an award of punitive damages.

PRAYER FOR RELIEF

WHEREFORE Plaintiff, on behalf of herself and all others similarly situated, demands upon Defendants jointly and severally for:

1. An Order certifying the case as a class action;
2. An Order appointing Plaintiff as the Class Representative of the Watson Investment Class, the Uninvested Cash Class, and the Phantom ENTRUST SDIRA Custodian Class;
3. An Order appointing undersigned counsel and their firms as counsel for the Class;
4. As to Count I compensatory damages and punitive damages;
5. As to Count II, compensatory damages and punitive damages;

6. As to Count III, compensatory damages and treble damages, attorney's fees and expert witness fees;

7. An order that a constructive trust be imposed over all monies in Defendants' possession that rightfully belongs to Plaintiff and/or an asset freeze of monies belonging to Defendants;

8. As to Count IV, declaratory relief and compensatory damages;

9. As to Count V, compensatory damages, punitive damages, and declaratory relief;

10. As to all counts, pre and post-judgment interest as allowed by law;

11. As to all counts, an award of taxable costs; and

12. As to all counts, any and all such further relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiff, individually and on behalf of the Class Members, hereby demands a trial by jury as to all issues so triable as a matter of right.

Respectfully Submitted:

Dated: November 7, 2013

By: /s/_____

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