

6. Defendant Edward Hanrahan (“Hanrahan”) is, on information and belief, a Rhode Island citizen and resident.
7. Defendant The Leaders Group, Inc. (“Leaders Group”) is, on information and belief, a Colorado company with its principal place of business in Littleton, Colorado.
8. Defendant Jason Veveiros (“Veveiros”) is, on information and belief, a Rhode Island citizen and resident.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1332 because plaintiff and defendants are of completely diverse citizenships and the amount in controversy exceeds Seventy-Five Thousand Dollars (\$75,000.00).
10. All defendants have sufficient minimum contacts with Rhode Island such that this Court has general or specific personal jurisdiction over them.
11. Venue is proper in this Court under 28 U.S.C. § 1391(a) because one or more of the defendants reside in this judicial district and/or a substantial part of the events or omissions giving rise to these claims occurred in this judicial district.

BACKGROUND

12. Caramadre is an attorney licensed to practice law in Rhode Island and a self-proclaimed expert in annuities and life insurance products. Caramadre does business through his individual law practice and through his various corporate entities, including Estate Planning Resources and DK LLC.
13. At all relevant times, Caramadre was an agent, officer or employee of Estate Planning Resources and DK LLC and was acting within the scope of his employment or agency relationships.

14. Caramadre has devoted a portion of his law practice and business to identifying perceived “loopholes” in insurance and investment products that, in his opinion, allow individuals to make money or reduce investment risks based, in part, on the shortened life expectancy of terminally ill people. Caramadre and Estate Planning Resources make money by advising clients to purchase insurance or investment products that have, what Caramadre perceives to be, financially beneficial “loopholes.”
15. One investment scheme that Caramadre has orchestrated and/or participated in involves the purchase of variable annuities. Rather than recommending the purchase of variable annuities for their intended and appropriate use as long-term retirement investment vehicles, Caramadre and/or his associates induce investors to apply for annuities using terminally ill annuitants with whom they have had no prior relationship.
16. Caramadre’s scheme works as follows: Caramadre or his colleagues identify an individual with a terminal illness and, in some cases, offer him or her cash to sign an application for a variable annuity, naming an unknown investor as beneficiary and designating the terminally ill individual as the annuitant. The investor/beneficiary, who frequently has a personal or professional connection with Caramadre, opts for a death benefit feature in the annuity and pays the annuity premium. At a minimum, the death benefit provides a guaranteed return of premiums paid.
17. Such a transaction is referred to as a Stranger Initiated Annuity Transaction, or “STAT.” Stranger investors may be lured to STAT’s for reasons ranging from the opportunity to receive enhanced death benefits to money laundering.
18. Another attraction to STAT’s is the opportunity to engage in risk-free, short-term investments based on the short life expectancy of the terminally ill annuitant. When the

annuitant dies – frequently within days or months of the purchase of the annuity – the beneficiary is able to capture market gains while the annuitant was living. At the same time, the investor is insulated from the risk of loss because of the guaranteed return of premium.

19. In order to locate and entice terminally ill individuals to participate in his investment schemes, Caramadre has created and advertised a “Program for the Terminally Ill.” Caramadre circulated a flyer advertising the program to Hospice patients and churches. *See Exhibit A to the Complaint.* Caramadre also has placed advertisements in various newspapers, offering to pay \$2,000 to terminally ill individuals who are willing to participate in various investment schemes that allow him or other individuals (with no relationship to the terminally ill person), to earn a profit based on the short life expectancy of the terminally ill person. *See Exhibit 1, attached to the First Amended Complaint.*
20. Western Reserve offers a range of financial products for sale to the public. These products are sold nationally by a network of independent Broker/Dealers, including Leaders Group. Hanrahan is an agent or employee of Leaders Group, selling insurance and investment products to individuals in Rhode Island.
21. One of the products offered by Western Reserve is a variable annuity referred to as the “WRL Freedom Premier III” (“WRL Annuity”). The WRL Annuity prospectus, *Exhibit B to the Complaint*, explains that variable annuities are long-term financial vehicles designed for retirement purposes. The main features of the WRL Annuity are tax deferred treatment of earnings, guaranteed death benefit options and guaranteed lifetime payout options. Because the annuities are “variable,” the owner of the annuity is able to

participate in the bond and equity market and realize a return or loss based on market performance. The WRL Annuity also provides a standard death benefit that is the greater of either the policy value or the cash value of the policy as of the reported death of the annuitant. For an additional fee, the WRL Annuity offers an optional Return of Premium Death Benefit, which guarantees that the beneficiaries will receive no less than the amount of the premiums paid, minus any adjusted partial surrenders. The guaranteed death benefit is not tied to market performance.

22. Caramadre claims to have identified “loopholes” in the terms of Western Reserve’s WRL Annuity and application process that would provide him with the opportunity to purchase, or arrange for the purchase of, STAT’s from Western Reserve.
23. Caramadre typically orchestrates a relatively low initial premium with the annuity application, invested conservatively, so as not to generate questions or suspicions by the issuing insurer. Later, after the contract is issued, Caramadre would orchestrate the payment of a substantially higher premium and transfer funds into higher-yielding, and riskier, investments.
24. Veveiros is terminally ill with cancer.
25. Upon information and belief, Caramadre or Radhakrishnan located Veveiros through his relationship with Hospice. Because of his terminal illness, Caramadre or Radhakrishnan targeted Veveiros as a possible annuitant for his STAT investment scheme.
26. Radhakrishnan convinced Defendant Veveiros to sign an application for a WRL Annuity by paying him a total of \$7,000. Radhakrishnan did not explain to Veveiros, and Veveiros had no knowledge, that he would be entering into an annuity contract, how the

WRL Annuity worked, or what Veveiros' involvement in the annuity would be. *See Exhibit C to the Complaint.*

27. Because neither Caramadre, Radhakrishnan, nor Estate Planning Resources were authorized to sell Western Reserve's annuities, it was arranged that Hanrahan, as an agent of Leaders Group, would sign and submit the application to Western Reserve for consideration.
28. In or about August or September, 2008, Western Reserve received an application to purchase a WRL Annuity, signed by Veveiros (["Veveiros Application"](#)). *See Exhibit C to the Complaint, Tab 1.*
29. The [Veveiros Application](#) was submitted by or through Hanrahan and/or Leaders Group.
30. The [Veveiros Application](#) listed DK LLC as the owner and beneficiary and requested a guaranteed "Double Enhanced Death Benefit."
31. Caramadre is the sole member or the controlling member of DK LLC and directly profits from the money earned by DK LLC.
32. Veveiros had no relationship with DK LLC at the time the [Veveiros Application](#) was signed and submitted.
33. The [Veveiros Application](#) was accompanied by a \$250,000 initial premium payment.
34. Hanrahan signed the [Veveiros Application](#) as "Registered Representative/Licensed Agent" with the firm of Leaders Group. At all times relevant hereto, Hanrahan was an agent or employee of Leaders Group and was acting within the scope of his employment or agency relationship.

35. Veveiros did not know, and had never met Hanrahan as of the time the [Veveiros](#) ~~a~~Application was signed or submitted.

~~36.~~ Veveiros had never had any dealings with Leaders Group or any of its agents or employees as of the time the [Veveiros](#) ~~a~~Application was signed or submitted.

~~37.~~ In the Veveiros Application, Hanrahan made the following representation:

I HAVE MADE REASONABLE EFFORTS TO OBTAIN INFORMATION CONCERNING THE CONSUMER'S FINANCIAL STATUS, TAX STATUS, INVESTMENT OBJECTIVES AND SUCH OTHER INFORMATION USED OR CONSIDERED TO BE REASONABLE IN MAKING THE ANNUITY RECOMMENDATION AND FIND THE ANNUITY BEING APPLIED FOR APPROPRIATE FOR HIS/HER NEEDS.

Despite this representation, Hanrahan never met with DK or Veveiros, never made any efforts to obtain information concerning their financial status, tax status, investment objectives or any other information to make an annuity recommendation and did not find that the annuity being applied for was appropriate for the needs of DK or Veveiros.

~~36.~~~~38.~~ In reliance on the representations contained in the [Veveiros](#) ~~a~~Application, Western Reserve issued Annuity Policy Number 09-01N6041113 (“Annuity”), with a policy date of September 9, 2008, attached as *Exhibit D to the Complaint*.

~~37.~~~~39.~~ DK LLC made an additional premium payment of \$750,000.00 eight days later, on September 17, 2008.

~~38.~~~~40.~~ In connection with the sale of the Annuity, Western Reserve paid a total commission of \$50,000 Hanrahan/Leaders Group.

~~39.~~~~41.~~ Within the months following the issuance of the Annuity, Western Reserve learned of: i.) Veveiros’ previously undisclosed health condition; ii.) Veveiros’ lack of knowledge that he would be a party to an annuity contract, how the WRL Annuity worked, or what his

role in the annuity would be; iii.) the absence of any relationship between Veveiros and DK LLC or Hanrahan; iv.) the payment of money to Veveiros to sign the application; and v.) the circumstances surrounding the application, including the material misrepresentations and omissions described herein made in connection with the application.

~~40.~~42. Veveiros provided the Affidavit attached as *Exhibit C to the Complaint*.

~~41.~~43. Western Reserve, by letter of September 24, 2009, notified Veveiros and DK LLC that it was exercising its right to rescind the Annuity contract because it had been procured by fraud or misrepresentation and was otherwise void because DK LLC lacked an insurable interest in Veveiros. A true and correct copy of the rescission notice sent to Veveiros and DK LLC is attached as *Exhibit E to the Complaint*.

COUNT I - RESCISSION

~~42.~~44. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~43.~~45. The Veveiros aApplication failed to disclose that Veveiros was terminally ill with “stage four” lymphoma at the time ~~of~~ the Veveiros aApplication was submitted. Omissions concerning Veveiros’ known health condition and life expectancy were material to Western Reserve’s decision to issue the Annuity under the terms it did and it would not have issued the Annuity if it knew of Veveiros’ known health condition and life expectancy.

~~44.~~46. The Veveiros aApplication failed to disclose that Veveiros had no relationship with the owner and beneficiary of the Annuity, DK LLC. Omissions concerning the known lack of any relationship between Veveiros and DK LLC were material to Western Reserve’s

decision to issue the Annuity under the terms it did and it would not have issued the Annuity if it knew of the lack of such relationship.

~~45.47.~~ Hanrahan represented on the [Veveiros a](#)Application that he was the agent who sold the Annuity. This representation was false. Radhakrishnan, not Hanrahan or anyone else from Leaders Group actually sold the Annuity. The representation by Hanrahan in the application was material to Western Reserve's decision to issue the Annuity under the terms it did and it would not have issued the Annuity if it knew that Hanrahan's representation was false.

~~46.48.~~ The [Veveiros a](#)Application did not disclose that Veveiros was paid to sign the [Veveiros a](#)Application, in violation of R.I. Gen. Laws § 27-4-6. The concealment of this payment to Veveiros was material to Western Reserve's decision to issue the Annuity under the terms it did and it would not have issued the Annuity if it knew of the payment to Veveiros.

~~47.49.~~ The material misrepresentations and omissions by all defendants except Veveiros described herein constitute fraud in the inducement and actually contributed to the contingency or event upon which the death benefits under the Annuity are to become due and payable.

~~48.50.~~ Because DK LLC is the beneficiary of the Annuity, which contains a death benefit, DK LLC is required to have an insurable interest in Veveiros.

~~49.51.~~ DK LLC lacked any insurable interest in Veveiros and, therefore, the Annuity was void *ab initio* or is voidable at the will of Western Reserve.

~~50.52.~~ All defendants except Veveiros committed fraud in the factum by concealing the existence, nature and essential terms of the annuity from Veveiros in order to get him to

sign the [Veveiros aApplication](#) under which he purportedly agreed to serve as an annuitant.

~~51.~~[53.](#) As a result of the fraud in the factum perpetrated on Veveiros, any purported agreement by Veveiros to serve as an annuitant is void and the [Veveiros aApplication](#) that he signed lacked all legal significance.

~~52.~~[54.](#) Having obtained Veveiros' signature under false pretenses, defendants submitted the legally insignificant application to Western Reserve with the intention of giving Western Reserve the false or misleading impression to that Veveiros knowingly and voluntarily signed the [Veveiros aApplication](#).

~~53.~~[55.](#) Based on the false or misleading [Veveiros Aapplication](#) that Defendants' provided, Western Reserve entered the annuity contract without knowledge of the true nature or character of the terms of the agreement.

~~54.~~[56.](#) Defendants' conscious and deliberate efforts to work together to conceal the facts surrounding the procurement of the [Veveiros aApplication](#), combined with the nature of Hanrahan's and Leaders Group's relationship with Western Reserve and their conspiracy with the remaining defendants (except Veveiros), deprived Western Reserve the reasonable opportunity to obtain knowledge of the true nature of the character, nature and contents of the annuity contract.

~~55.~~[57.](#) As a result of the fraud in the factum committed by defendants, the Annuity was void *ab initio*.

~~56.~~[58.](#) As a result of defendants' fraudulent inducement and fraud in the factum, as well as DK LLC's lack of an insurable interest in Veveiros, Western Reserve is entitled to rescind the Annuity.

COUNT II - DECLARATORY JUDGMENT

~~57.~~59. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~58.~~60. An actual controversy concerning the validity of the Annuity currently exists.

~~59.~~61. As a result of defendants fraudulent inducement and fraud in the factum, and DK LLC's lack of an insurable interest in Veveiros, the Annuity was void *ab initio* or has properly been voided and rescinded by Western Reserve.

COUNT III – FRAUDULENT INDUCEMENT (Damages) (CARAMADRE, RADHAKRISHNAN, ESTATE PLANNING RESOURCES, DK LLC, HANRAHAN and LEADERS GROUP)

~~60.~~62. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~61.~~63. Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group acted in concert to submit the Veveiros ~~a~~Application containing intentionally omitted and misleading information concerning: Veveiros' knowledge of the Veveiros ~~a~~Application; ~~his health condition;~~ ~~his life expectancy;~~ ~~the payment to Veveiros;~~ ~~and~~ the absence of a relationship between Veveiros and DK LLC, Hanrahan and Leaders Group; and the failure of Hanrahan to make the efforts, recommendations, and findings that he represented having made in the Veveiros Application.

~~62.~~64. At the time the Veveiros ~~a~~Application was submitted, Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group knew the representations and omissions were false or misleading.

~~63.~~65. Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group submitted, or arranged for the submission of, the false or misleading Veveiros

~~a~~Application with the intention that Western Reserve would rely on the information, or lack thereof, contained in the [Veveiros](#) ~~a~~Application.

~~64.66.~~ Western Reserve relied and acted on the false or misleading representations and omissions and issued the Annuity when it otherwise would not have if there had been full disclosure to Western Reserve.

~~65.67.~~ Western Reserve has been harmed by the fraudulent acts of Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group by, among other things, issuing the Annuity, paying commissions on the fraudulently obtained Annuity and incurring market losses caused by the fraudulently obtained Annuity.

COUNT IV – FRAUD IN THE FACTUM (Damages)
*(CARAMADRE, RADHAKRISHNAN, ESTATE PLANNING RESOURCES, DK LLC,
HANRAHAN and LEADERS GROUP)*

~~66.68.~~ Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~67.69.~~ Western Reserve has been harmed by the fraud in the factum committed by Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group as alleged in Count III by, among other things, issuing the Annuity, paying commissions on the fraudulently obtained Annuity and incurring market losses caused by the fraudulently obtained Annuity.

COUNT V - BREACH OF CONTRACT
(LEADERS GROUP)

~~68.70.~~ Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~69.~~71. Western Reserve entered a Broker-Dealer Supervisory and Service Agreement with Leaders Group in October 1995, (“1995 Agreement”). The 1995 Agreement authorized Leaders Group to sell insurance and annuity products for Western Reserve. The 1995 Agreement also governed the relationship, rights, and responsibilities of Western Reserve and Leaders Group.

~~70.~~72. Pursuant to Part 2 of the 1995 Agreement, Leaders Group was obligated to train, supervise and control “all Representatives associated with [Leaders Group] who are engaged directly or indirectly in the offer or sale of” Western Reserve’s annuities and policies. Leaders Group was further obligated to “ensure that [Western Reserve’s products] are offered, sold and serviced only through Representatives who comply with all appropriate state insurance licensing requirements.” Leaders Group has breached the 1995 Agreement by failing to train, supervise and control Hanrahan consistently with the obligations set forth in Part 2 of the 1995 Agreement and to ensure that its employees or agents, such as Hanrahan, did not coordinate with unlicensed individuals to sell Western Reserve’s annuities.

~~71.~~73. Pursuant to Part 11 of the 1995 Agreement, Leaders Group is obligated to “indemnify and hold harmless . . . [Western Reserve] from any claims, damages, expenses, liabilities or causes of action, asserted or brought by anyone resulting from any negligent, fraudulent, or intentional acts, omissions, or errors of Producers, their employees, registered representatives, other representatives, or agents in the offering for sale, solicitation, or servicing of [Western Reserve’s annuities], and from any negligent, fraudulent, or intentional acts, omissions, or errors of Producers, their employees, registered representatives, or representatives, or agents in violation of Federal or State

laws or regulations and NASD rules of any nature, applicable to the offering for sale, solicitation, or servicing of” Western Reserve’s annuities. Pursuant to Part 11 of the 1995 Agreement, Leaders Group is further obligated to “assume full responsibility for the activities of all persons associated with it who are engaged directly or indirectly in the sales and securities operations of [Leaders Group, and to] indemnify and hold harmless . . . [Western Reserve] from any claims, damages, expenses, liabilities or causes of action, asserted or brought by anyone , resulting from any private business transactions of any associated persons which are the subject of” Part 11 of the 1995 Agreement. Leaders Group has breached its obligation to indemnify and hold harmless Western Reserve for financial losses, claims, damages, expenses and liabilities incurred within the contemplation of Part 11 of the 1995 Agreement.

~~72.~~74. Leaders Group was obligated to abide by, and enforce the principles set forth in a September 1, 1997 Code of Professional Conduct (“Ethics Code”), which provides, among other things, that the sale of insurance products should be conducted “according to the high standards of honesty and fairness. . . .” The Ethics Code further provides that Western Reserve’s products should be sold to “meet [its] customers’ **insurable** needs or financial objectives” and that its distributors are encouraged to use “appropriate fact finding tools” to assist customers determine their “**insurable** needs and financial objectives. . . .” (Emphasis added). The Ethics Code additionally provides that Western Reserve’s products should be marketed and sold in compliance “with all laws and regulations. . . .” Leaders Group further was obligated to, among other things, establish and follow policies and procedures designed to monitor the sales and practices of its agents. Leaders Group has breached its obligations as set forth in the Ethics Code.

~~73.~~75. Had Leaders Group complied with its obligations under the 1995 Agreement and the Ethics Code, Western Reserve would not have issued the Annuity, would not have paid commissions thereon and would not have incurred market loss.

~~74.~~76. Western Reserve has incurred financial loss, claims, damages or liabilities as a result of Leaders Group's breaches of the 1995 Agreement.

COUNT VI - DECLARATORY JUDGMENT
(LEADERS GROUP)

~~75.~~77. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~76.~~78. Western Reserve is entitled to be indemnified by Leaders Group for all financial losses, obligations, claims, damages and liabilities that it might incur in the future that arise out of, or are based upon the acts or omissions of individuals for whom Leaders Group is responsible, including Hanrahan, within the contemplation of Part 11 of the 1995 Agreement.

COUNT VII - BREACH OF DUTY OF GOOD FAITH AND FAIR DEALINGS
(LEADERS GROUP)

~~77.~~79. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~78.~~80. The 1995 Agreement incorporates an implied duty of good faith and fair dealings.

~~79.~~81. Leaders Group, by the acts of its agent, Hanrahan, breached its duty of good faith and fair dealing owed to Western Reserve by engaging in conduct designed or intended conceal the known health condition and life expectancy of Veveiros, without disclosing DK LLC's lack of an insurable interest in Veveiros, without disclosing the payment to Veveiros to induce him to sign the [Veveiros #Application](#), and without disclosing that

Estate Planning Resources, through Radhakrishnan, actually brokered the purchase of the annuity.

~~80.~~82. Western Reserve has been financially harmed as a result of Leaders Group's breach.

COUNT VIII - CIVIL LIABILITY FOR CRIMES AND OFFENSES
(CARAMADRE, RADHAKRISHNAN, ESTATE PLANNING RESOURCES, DK LLC, HANRAHAN and LEADERS GROUP)

~~81.~~83. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~82.~~84. Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group prepared, assisted, abetted or solicited the preparation and submission of the [Veveiros A](#) application for the Annuity to Western Reserve. In doing so, Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group acted with the intent to deceive and with knowledge that information or omissions on the [Veveiros a](#) Application were false or misleading and were material to Western Reserve.

~~83.~~85. The Annuity is an insurance policy within the contemplation of R.I. Gen. Laws § 11-41-29.

~~84.~~86. Western Reserve is an "insurer" within the meaning of § 11-41-29(a)(1).

~~85.~~87. The conduct of Caramadre, Radhakrishnan, Estate Planning Resources, Hanrahan and Leaders Group constitutes criminal insurance fraud in violation of § 11-41-29.

~~86.~~88. Western Reserve has suffered injury as a result of such crime and may recover its damages for such injury pursuant to R.I. Gen. Laws § 9-1-2.

COUNT IX - CIVIL CONSPIRACY
(CARAMADRE, RADHAKRISHNAN, ESTATE PLANNING RESOURCES, DK LLC, LEADERS GROUP and HANRAHAN)

~~87.~~89. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~88.~~90. Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group reached an agreement to work in concert to obtain the Annuity unlawfully and by improper means. In doing so, Caramadre, Radhakrishnan, Estate Planning Resources, DK LLC, Hanrahan and Leaders Group intended to act illegally or tortiously and have harmed Western Reserve.

COUNT X - UNJUST ENRICHMENT
(LEADERS GROUP and HANRAHAN)

~~89.~~91. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~90.~~92. Western Reserve paid commissions to Leaders Group and/or Hanrahan as a result of the sale of the Annuity and, as such, Leaders Group or Hanrahan have appreciated a benefit conferred by Western Reserve.

~~91.~~93. It would be inequitable for Leaders Group or Hanrahan to retain the commission previously paid because it was procured by their tortious or criminal acts as described herein.

COUNT XI – NEGLIGENCE
(LEADERS GROUP and HANRAHAN)

~~92.~~94. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~93.~~95. Hanrahan owed a duty to Western Reserve to learn and obtain information material to Western Reserve's review of the [Veveiros](#) application for the Annuity, including the facts that Veveiros was terminally ill, that Veveiros had a limited life expectancy due to

his terminal illness, that DK LLC had no relationship with Veveiros and lacked an insurable interest in Veveiros and that Veveiros was paid to sign the [Veveiros](#)

~~a~~[A](#)pplication. Hanrahan breached his duty of care owed to Western Reserve by failing to obtain and report such information to Western Reserve in connection with the [Veveiros](#) ~~a~~[A](#)pplication ~~for the Annuity~~, thereby causing Western Reserve to issue the Annuity.

~~94.96.~~ Leaders Group owed a duty to Western Reserve to adequately supervise and train its employees to ensure that insurance and investment products such as the Annuity would not be issued to terminally ill individuals paid to sign annuity applications, issued with named beneficiaries who have no insurable interest in the annuitant and, issued based on an application that the annuitant was paid to sign. Leaders Group's failure to adequately supervise and train Hanrahan caused Western Reserve to issue the Annuity.

~~95.97.~~ Western Reserve has been financially harmed by the negligence of Hanrahan and Leaders Group.

COUNT XII – BREACH OF CONTRACT
(HANRAHAN)

~~96.98.~~ Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~97.99.~~ In August 2008, Western Reserve received a Representative Licensing Application (“[Licensing](#) Application”) for Hanrahan to sell certain investment products offered by Western Reserve, including the annuity at issue in this case, through his affiliation with Leaders Group. In the [Licensing](#) Application, Hanrahan agreed that if Western Reserve consented to the appointment, then he would comply with Western Reserve's rules and regulations, applicable state laws and the Ethics Code identified herein.

~~98.~~100. Western Reserve ~~granted~~approved the Licensing Application, thereby designating Hanrahan an agent affiliated with Leaders Group. Having been appointed as an agent, Hanrahan was contractually bound by his promises in the Licensing Application.

~~99.~~101. Hanrahan's participation in, and concealment of, the STAT scheme was contrary to state law and Western Reserve's rules and regulations and constituted a breach of his contractual obligations owed to Western Reserve.

~~100.~~102. Had Hanrahan complied with his contractual obligations owed to Western Reserve, Western Reserve would not have issued the Annuity, would not have paid commissions thereon and would not have incurred market loss.

~~101.~~103. Western Reserve has incurred financial loss, claims, damages or liabilities as a result of Hanrahan's breaches of his contractual obligations owed to Western Reserve.

COUNT XIII - BREACH OF DUTY OF GOOD FAITH AND FAIR DEALINGS
(HANRAHAN)

~~102.~~104. Western Reserve restates and realleges all preceding paragraphs as if set forth at length herein.

~~103.~~105. Hanrahan's contractual arrangement with Western Reserve incorporates an implied duty of good faith and fair dealings.

~~104.~~106. Hanrahan breached his duty of good faith and fair dealing owed to Western Reserve by engaging in conduct designed or intended conceal the known health condition and life expectancy of Veveiros, without disclosing the owner's and/or beneficiary's lack of an insurable interest in the Veveiros, without disclosing payments to Veveiros to induce him to sign the application, and secretly providing Estate Planning Resources, Caramadre and/or Radhakrishnan with Western Reserve's applications so that they could

broker the sale of the annuity. In so engaging in this conduct, Hanrahan was acting for a purpose contrary to that for which the contract was made.

~~105.107.~~ Western Reserve has been financially harmed as a result of Hanrahan's breach.

WHEREFORE, Western Reserve respectfully requests that the Court grant the following relief:

- a) Rescission of the Annuity and a judicial declaration of such rescission;
- b) Alternatively, a declaration that the Annuity is void, *ab initio*;
- c) Restitution of all sums paid out on the Annuity;
- d) A judgment against Caramadre, Radhakrishnan, Estate Planning Resources, DK

LLC, Hanrahan and Leaders Group jointly and severally, awarding Western Reserve damages for, among other things, commissions paid in connection with the Annuity, market losses suffered as a result of the issuance of the Annuity and costs, nominal damages, punitive damages, attorney's fees and expenses incurred investigating and pursuing this lawsuit, with prejudgment interest thereon;

e) A declaration that Leaders Group must indemnify Western Reserve for all losses, claims, damages and liabilities that Western Reserve might incur in the future in connection with the Annuity; and

- f) Any other relief as the Court deems just and equitable.

JURY DEMAND: Western Reserve hereby requests trial by jury on all issues so triable.

Respectfully submitted,

/s/ Brooks R. Magratten

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