

STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON

IN THE COURT OF COMMON PLEAS
NINTH JUDICIAL CIRCUIT

S. Gregory Hays, Receiver for Parish
Economics, LLC.;

and

Hermine W. Martin, Claudia B.
Fitzgerald, and Jo Ann Brandt, on behalf
of themselves and a class of similarly
situated persons,

Plaintiffs,

vs.

Robert B. Pearlman and Pearlman &
Pearlman, Attorneys at Law, P.C., d/b/a
Pearlman & Pearlman, P.C.,

Defendants.

JURY TRIAL DEMANDED

CIVIL ACTION NO. _____

CLASS ACTION COMPLAINT

FILED
2010 APR -1 PM 4:42
JULIE J. ARMSTRONG
CLERK OF COURT
BY _____

Plaintiff S. Gregory Hays (“Receiver”) as the court-appointed Receiver for Parish Economics, LLC, along with Plaintiffs Hermine W. Martin, Claudia B. Fitzgerald, and Jo Ann Brandt, on behalf on themselves and a class of similarly situated persons, bring this action against Defendants Robert B. Pearlman and Pearlman & Pearlman, Attorneys at Law, P.C., d/b/a Pearlman & Pearlman, P.C., and would show this Court the following:

THE PARTIES

1. On April 4, 2007, the Securities and Exchange Commission (“SEC”) filed an enforcement action in the United States District Court for the District of South Carolina styled *SEC v. Albert E. Parish, et al.*, Civil Action No. 2:07-CV-00919-DCN (“SEC Enforcement Action”).

2. On April 12, 2007, the District Court entered an order (“Receivership Order”) appointing Receiver as the court-appointed receiver for Albert E. Parish (“Parish”), Parish Economics, L.L.C. (“Parish Economics”), Parish Enterprises, LLC (“Parish Enterprises”), and Summerville Hard Assets LLC (“Summerville Assets”).

3. Receiver is a citizen and resident of the State of Georgia and has standing to bring these claims on behalf of Parish Economics by virtue of the Receivership Order.

4. Plaintiff Hermine W. Martin (“Martin”) resides in Mt. Pleasant, South Carolina and lost more than One Hundred Dollars (\$100.00) in investment pool accounts operated by Parish and Parish Economics. Martin was also either a member of Parish Economics and/or a contingent beneficiary of the Albert E. Parish Charitable Remainder Unitrust created by Defendant Pearlman.

5. Martin is a seventy-seven-year-old woman who first invested Two Hundred and Twenty-five Thousand Dollars (\$225,000.00) on April 25, 2005 in the Hedged Income Pool fund with Parish and Parish Economics. Subsequently, in July 11, 2005, Martin invested her retirement funds held in an IRA totaling Fifty-seven Thousand, Four Hundred Forty-five Dollars and ninety-four cents (\$57,445.94) through Equity Trust Company. From June 4, 2005 to March 6, 2007, Martin withdrew a total of Forty-six Thousand, Thirty-two Dollars (\$46,032.00) from her account at Parish Economics. Martin received periodic account statements showing her individual account balances with Parish Economics LLC as well as realized gains. As of February 1, 2007, Martin’s reported account balance at Parish Economics was at Two Hundred Thirty-seven Thousand, Three Hundred Four Dollars and ninety cents (\$237,304.90). However, unbeknownst to Martin, there were no funds held in her account in the Hedged Income Pool or any other investment pool operated by Parish Economics. She lost all or substantially all of her

investment interest in Parish Economics has had to return to work in order to pay for daily living expenses.

6. Plaintiff Claudia B. Fitzgerald (“Fitzgerald”) resides in Charleston, South Carolina and lost more than One Hundred Dollars (\$100.00) in investment pool accounts operated by Parish and Parish Economics. Martin was also either a member of Parish Economics and/or a contingent beneficiary of the Albert E. Parish Charitable Remainder created by Defendant Pearlman

7. Fitzgerald is a seventy-seven-year-old woman who invested One Hundred Thousand Dollars (\$100,000.00) on December 11, 2006 in the Hedged Income Pool fund with Parish and Parish Economics. Fitzgerald received periodic account statements showing her individual account balances with Parish Economics LLC as well as realized gains. As of April 6, 2007, Fitzgerald’s reported account balance at Parish Economics was at One Hundred Thousand, Eight Hundred Twenty-three Dollars and thirty-three cents (\$100,823.33). However, unbeknownst to Fitzgerald, there were no funds held in her account in the Hedged Income Pool or any other investment pool operated by Parish Economics. She lost all or substantially all of her investment interest in Parish Economics and has had to continue to work in order to pay for daily living expenses.

8. Plaintiff Jo Ann Brandt (“Brandt”) resides in Savannah Georgia and lost more than One Hundred Dollars (\$100.00) in investment pool accounts operated by Parish and Parish Economics LLC. Brandt was also either a member of Parish Economics and/or a contingent beneficiary of the Albert E. Parish Charitable Remainder Unitrust created by Defendant Pearlman.

9. In March 2003, Brandt opened an account with Parish Economics and invested One Hundred Thousand Dollars (\$100,000.00) in the Stock Pool fund and One Hundred Thousand Dollars (\$100,000.00) in the Hedged Income Pool fund. In September 2003 Brandt deposited an additional One Hundred Thousand Dollars (\$100,000.00) in her account which was also invested in the Stock Pool fund. Brandt withdrew approximately One Hundred Sixty-seven Thousand Dollars (\$167,000.00) from her account at Parish Economics in April 2004, reducing her balances in the Stock Pool and closing out her position in the Hedged Income Pool. Brandt received periodic account statements showing her individual account balances with Parish Economics LLC as well as unrealized gains. Brandt also received tax forms (Schedule K-1, form 065) from Parish Economics LLC reporting gains for which she was required to pay income tax. As of April 4, 2007, Brandt's reported account balance at Parish Economics was at least Three Hundred and Ninety-nine Thousand Dollars (\$399,000.00). However, unbeknownst to Brandt, there were no funds held in her account in the Stock Pool or any other investment pool operated by Parish Economics.

10. Defendant Robert B. Pearlman ("Pearlman") is a citizen and resident of the State of South Carolina and has his principal place of business in Charleston County, South Carolina.

11. Defendant Pearlman & Pearlman, Attorneys at Law, P.C., d/b/a Pearlman & Pearlman, P.C. ("Pearlman & Pearlman, P.C.") is a professional corporation organized and existing under the laws of the State of South Carolina and at all times relevant hereto Defendant . Pearlman was a partner, employee, and/or member thereof.

JURISDICTION AND VENUE

12. This Court has personal jurisdiction over Defendant Pearlman because he is and at all relevant times hereto has been a resident of Charleston County, South Carolina, where he has

maintained an office and principal place of business. This Court has personal jurisdiction over Defendant Pearlman & Pearlman, P.C. because it is and at all times relevant hereto has been a professional corporation organized and existing under the laws of the State of South Carolina with its principal place of business in Charleston County. Jurisdiction and venue are proper in Charleston County, South Carolina because Defendants Pearlman and Pearlman & Pearlman, P.C. currently reside therein and did reside therein at the time the alleged causes of action accrued and, additionally, because the most substantial part of the alleged acts and/or omissions giving rise to the causes of action occurred in Charleston County, South Carolina.

CLASS ACTION ALLEGATIONS

13. The claims of Plaintiffs Martin, Fitzgerald, and Brandt (collectively referred to as “Class Plaintiffs”) are asserted on behalf of themselves and the class of persons defined below.

14. The class consists of all persons and entities that lost more than One Hundred Dollars (\$100.00) in investment pool accounts operated by Parish and Parish Economics and who either were members of Parish Economics or contingent beneficiaries of the Albert E. Parish Charitable Remainder Unitrust created by Defendant Pearlman, but the Class shall not include Parish or members of Parish’s immediate family (the “Class”).

15. The Class Plaintiffs are each members of the Class.

16. The Class contains more than four hundred seventy members.

17. The Class is so numerous that joinder of all members is impractical.

18. The total purchases of the subject interests exceeds One Hundred Eight Million Dollars (\$108,000,000.00).

19. The total loss to the Class exceeds Seventy Million Dollars (\$70,000,000).

20. This case presents common questions of law and fact, including, but not

necessarily limited to the following:

- a. Whether Pearlman had an attorney-client relationship with Parish Economics;
- b. Whether Pearlman undertook to perform legal work for the benefit of all members of and/or investors in Parish Economics and, thereby, owed to duty of care to each member of Parish Economics;
- c. Whether Pearlman breached the duty of due care to the investors in and/or members of Parish Economics by failing to perform legal work in conformance with the minimum standard of care applicable to lawyers licensed in South Carolina by:
 - i. Creating or assisting in the creation of membership/investment documents that contained erroneous statements of law regarding whether membership investments must be registered as securities with the South Carolina Securities Commission and the Securities and Exchange Commission;
 - ii. Creating or assisting in the creation of membership/investment documents without disclosing to the members Pearlman's legal opinion that Parish Economics was operating in violation of State and Federal Securities Laws or otherwise failing to disclose the potential for a conflict of interest and that the members/investors should seek independent legal counsel;
 - iii. Continuing to represent Parish and Parish Economics and serving as a trustee for the Albert E. Parish Charitable Remainder Unitrust after the existence of a conflict of interest arose between Parish and Parish

Economics in that Parish was engaging in conduct that was likely to result in substantial injury to Parish Economics and by failing to inform other members of Parish's conduct, or persons in a position of authority, as required by Rule 1.13(b), Model Rules of Professional Conduct; and

iv. Otherwise failing to perform professional services in conformity with the minimum standard of care applicable to licensed attorneys.

d. Whether Pearlman owed a fiduciary duty to investors in and/or members of Parish Economics and/or the intended beneficiaries of the Albert E. Parish Charitable Remainder Unitrust for whose benefit Pearlman served as a trustee and whether Pearlman breached such fiduciary duty by one or more acts or omissions identified above;

e. Whether the members of Parish Economics have standing to pursue claims for professional negligence arising out of Pearlman's representation of Parish Economics and service as trustee of the Albert E. Parish Charitable Remainder Unitrust for their benefit;

f. Whether Pearlman owed a duty of due care in the performance of professional services and was negligent in performing his work associated with Parish Economics and/or the Albert E. Parish Charitable Remainder Unitrust.

21. The claims of the Class Plaintiffs are typical of the claims of the Class.

22. The Class Plaintiffs will fairly and adequately protect and represent the interests of the Class because they have suffered injuries typical of those suffered by other Class members; they are obtaining just relief for all Class members; they will protect the interests of

the Class and rigorously prosecute this action on behalf of the Class; and they have retained counsel to represent the Class who are experienced in securities, professional liability, class actions and other issues surrounding this case.

23. The questions of law and fact that are common to the Class predominate over any questions affecting only individual members.

24. A class action is superior to other available means for a fair and efficient adjudication of this controversy. Litigating individual claims described in this Complaint through multiple independent actions in multiple courts would impose duplicative costs and risks on individual plaintiffs, would unnecessarily burden the court system with redundant actions, and would risk inconsistent adjudications of the same factual and legal issues. Absent a class action, the costs and risks of litigating individual claims against Defendants would ensure that, as a practical matter, many investors will be unable to enforce their rights and obtain redress for their injuries from Defendants. It is therefore much more efficient to concentrate and resolve the Class members' claims in this forum.

25. The Class Plaintiffs do not believe that any members of the Class have already commenced litigation against Pearlman in relation to the claims described in this Complaint.

26. This action does not present difficulties in management that would preclude class treatment. The evidence relevant to the investor claims asserted in this Complaint is common to the Class, and the Class members' identities and individual dealings with Pearlman and Parish can be proven through documentary evidence.

FACTUAL ALLEGATIONS

27. Sometime prior to August 1996, Pearlman formed Parish Economics as the corporate structure of Parish's investment business.

28. Pearlman was at all relevant times the attorney for Parish Economics, including its investor members and Parish individually, and was a trustee for the Albert E. Parish Charitable Remainder Unitrust that he created for the benefit of investor members of Parish Economics, and was compensated for the legal services he provided for Parish Economics.

29. However, upon information and belief, Pearlman did not solicit the Class Plaintiffs or the Class members to purchase any interest in Parish Economics or any other security, nor sell to Class Plaintiffs or the Class members any interest in Parish Economics or any other security.

30. On January 10, 1997, Parish mailed a letter to each “Parish Economics Pool Member” announcing the formation of the LLC by Pearlman stating:

A pool member asked an excellent question about three years ago: what would happen to your investments if I die? My solution was to purchase a life insurance policy whose proceeds would cover your investments immediately in case of my death. My tax attorney, Mr. Robert Pearlman—the very best in the business—has recommended that Parish Economics become what is called a limited liability company so that it could own the policy with you the investors as stockholders of Parish Economics. The life insurance policy would then be used to redeem your stock and solve any estate problems for my family and any tax consequences for you. Therefore, Parish Economics has become an LLC and you are a stockholder.

31. Throughout the life of Parish’s investment schemes, Pearlman was aware that Parish Economics was the vehicle through which Parish offered his investment pools. These investors joined Parish Economics as members of the limited liability corporation pursuant to membership agreements prepared by Pearlman in his capacity as attorney for Parish Economics.

32. Defendant Pearlman knew that the membership interests would likely be considered securities under South Carolina and federal securities laws as early as March 1997

when Pearlman referred Parish to a lawyer specializing in registering securities who advised Parish and Pearlman to register the investments under Reg. D of the federal securities laws.

33. Despite having knowledge of the registration requirements, on or about March 13, 1997, Defendant Pearlman in his capacity as attorney for Parish Economics assisted Parish with the preparation of a letter to the South Carolina Attorney General requesting a “no action” letter wherein Parish falsely represented to the South Carolina Securities Commissioner that he did not receive any commission or management fee for operating the investment pools, that he did not solicit investors into the pool. Parish failed to inform the South Carolina Securities Commissioner that at the time of the submission of the request for a “no action” letter there were out of state members of Parish Economics who had invested in the pools.

34. On May 1, 1997, Parish received and forwarded to Pearlman a copy of a “no action” letter from the Office of the South Carolina Attorney General stating that “based solely upon your representations, the Securities Section will not recommend any enforcement action be taken for the transaction described.” The letter further cautions that,

“This letter is based upon our understanding that membership in the pool will be offered to no more than twenty-five (25) non-institutional investors in this State during any period of twelve (12) consecutive months, that membership in the pool is for purposes of investment and that no commission or other remuneration will be paid or given directly or indirectly for soliciting any prospective non-institutional investor. If this is in error, please let us know immediately and we will reconsider your request for a no-action letter based upon the correct information.”

35. The no-action letter was premised on factual assertions that Pearlman had reason to believe were inaccurate. First, the representation that there were no out-of-state investors was inaccurate. Second, the assertion that Parish was not paid in any way did not conform with what Pearlman knew to be true. In fact, Pearlman admitted that he did not think that the no-action

letter was sufficient reason to refrain from registering the Parish Economics investment offerings.

36. Pearlman also knew that Parish was soliciting and accepting more than twenty-five (25) investors annually from throughout the United States. In fact, from its inception until on or about April 2007, over 600 individuals became members of Parish Economics and invested more than One Hundred Million Dollars (\$100,000,000.00) with Parish.

37. Pearlman further knew that Parish was jeopardizing the very existence of Parish Economics by continuing to offer investment memberships while steadfastly refusing to register these investment offerings with the State and Federal Securities Commissions.

38. Pearlman either knew or should have known that the rules of professional responsibility governing his conduct as a lawyer for Parish Economics required that when he knew an officer or employee engaged in an action or refused to act in a manner that resulted in a violation of a legal obligation to the organization or a violation of law which reasonably might be imputed to the organization and that is likely to result in substantial injury to the organization, he must proceed as is reasonably necessary in the best interest of the organization which includes referring the matter “to the highest authority that can act on behalf of the organization as determined by applicable law.” (Rule 1.13 Model Rules of Professional Conduct; Rule 407, SCRAC.)

39. On or about May 8, 2002, Pearlman created and voluntarily accepted the position of trustee for the Albert E. Parish Charitable Remainder Unitrust, which Pearlman created for the benefit of investor members of Parish Economics. Pearlman voluntarily undertook this fiduciary role recognizing that it subjected him to “high liability.”

40. Notwithstanding the fact that Pearlman knew that the investment offerings of Parish Economics were not registered as he believed to be necessary and had recommended, Pearlman took no action to register the investments himself or to investigate further to verify that the facts and circumstances related to the investment offerings did not merit registration. Nor did Pearlman refer his concerns about Parish's conduct to any other member of Parish Economics or other authority that could act on behalf of the organization.

41. Parish, rather than using the funds invested by the members of Parish Economics to acquire certain assets as promised, merely conducted an elaborate Ponzi scheme¹ for his own personal benefit and at the expense and to the detriment of Parish Economics and its more than six hundred member investors.

42. As Parish's personal lawyer, Pearlman was given the opportunity to evaluate an increasingly troublesome set of facts. Said facts to which Pearlman has admitted knowing and which should have heightened Pearlman's concern:

- As of 2001, over Fifty-five Million Dollars (\$55,000,000.00) had been invested with Parish.
- Pearlman suspected that Parish had more than twenty-five investors.
- Substantial premiums for the life insurance policies to protect the investors in the event of Parish's death were paid out of the pooled investments in Parish Economics pursuant to the Albert E. Parish Charitable Remainder Unitrust that Pearlman created for the benefit of investor members of Parish Economics and for which he served as trustee.

¹ A Ponzi scheme, so-named for the infamous Carl Ponzi whose scheme devastated the northeast United States when it collapsed in 1920, operates by attracting investors with promises of extraordinary gains and then paying off initial investors with investment capital received from subsequent investors. The Ponzi-scheme director repeats this basic pattern as the number and volume of illicit transactions increases as word spreads of the extraordinary investment opportunity and as initial investors reinvest earnings and principal. Eventually, the scheme collapses when the investment funds provided by new investors are insufficient to pay returns promised to existing investors and when all investors make a run on the Ponzi-scheme director demanding funds that no longer exist. In many occasions, the Ponzi-scheme director is nowhere to be found when the scheme collapses.

- As of 2004, Parish was unwilling to get an independent audit of the investments.
- The number of investors and the amounts purportedly under Parish's management skyrocketed in 2005 and 2006.
- An increasingly large percentage of Parish's investors were located outside of South Carolina.
- In or about 2005, Pearlman was aware that Parish had begun operating the investment pools using the "Economan" website which solicited investments.
- By late 2004, there were three hundred and seventy-seven reported investors in the various pools with a cumulative amount of approximately Forty-one Million Dollars (\$41,000,000.00) invested.
- By late 2004, Pearlman's concerns regarding Parish Economics' compliance with the securities laws had increased.
- By late 2004, Pearlman had concluded that a "mini-audit" providing "some independent verification of the monthly or quarterly statements of the brokers or trading houses through which Parish Economics [did] its investing would be worthwhile and important."
- By 2006, Pearlman was aware that Parish was not cooperating with his accountant.

In spite of Pearlman's enduring and mounting concerns, he did nothing to protect Parish Economics and its multitude of members and beneficiaries under the Albert E. Parish Charitable Remainder Unitrust from Parish's unlawful actions.

43. Pearlman never took a single step towards withdrawal as counsel for Parish or Parish Economics or as trustee of the Albert E. Parish Charitable Remainder Unitrust. Instead, Pearlman simply accepted Parish's justification for not registering based on the no-action letter and continued his representation of Parish.

44. By late 2005, there were four hundred nine (409) reported investors in the various pools with a cumulative amount of almost Sixty-three Million Dollars (\$63,000,000.00) actually

invested. Mr. Pearlman was aware that an increasingly large percentage of investors were located outside South Carolina.

45. Over the course of 2005 and 2006, Mr. Pearlman was aware that no “mini-audit” had been performed and that Dan Legare, the accountant, had resigned his position as co-trustee of the Albert E. Parish Charitable Remainder Unitrust and from all other Parish-related activities.

46. Pearlman never conducted due diligence or similar investigations regarding the activities of Parish Economics or its investment pools. He unreasonably and negligently relied on the limited information provided by Parish.

47. In 2003, Pearlman formed Summerville Assets, a South Carolina limited-liability corporation, that served as an additional investment vehicle into which Parish and Pearlman enticed individuals with significant investment capital to invest. Summerville Assets claimed to invest in jewelry, watches, art, and other collectibles.

48. Collectively, Parish Economics and Summerville Assets will be referred to as “Parish Entities.” Collectively, the Futures Pool, the Hedged Income Pool, the Stock Pool, the Loan Pool, the Hard Asset Pool, and interests in Summerville Assets will be referred to as the “Pools.”

The Parish Scheme And Its Revelation To The Public

49. Parish started offering investments in the Futures Pool in 1986, in the Stock Pool and Hedged Income Pool in 1996, and in the Hard Asset Pool in 1998.² Attached hereto and incorporated herein by this reference are the following examples of investment agreements provided to investors by Parish: (1) Parish Economics LLC Futures Pool Subscription

² At some point Parish Economics also started offering investments in a Loan Pool that purported to generate profits by making high-risk collateralized loans at above-market interest rates. As mentioned previously, in 2003, Parish also began offering investors an interest in Summerville Hard Assets LLC, at higher minimum investment levels.

Agreement, as Exhibit A; (2) Parish Economics LLC Stock Pool Agreement, as Exhibit B; (3) Parish Economics LLC Hedged Income Pool Agreement, as Exhibit C; and (4) Parish Economics LLC Hard Asset Pool Agreement, as Exhibit D.

50. The investments memorialized by the signed agreements are investment contracts, which are securities under the meaning of the South Carolina Uniform Securities Act.

51. Parish also distributed to the Class Plaintiffs and other investors a “guide” showing past performance of the Futures, Stock, and Hard Asset Pools, attached hereto as Exhibit E and incorporated herein by this reference.

52. On April 4, 2007, the SEC filed a Complaint for Injunctive Relief against Parish and Parish Entities alleging violations of the Exchange Act and the Investment Advisors Act of 1940.

53. By order dated April 5, 2007, the Honorable David Norton, U.S. District Court Judge for the District of South Carolina, Charleston Division, froze the assets of Parish and Parish Entities and appointed Receiver to, among other things, account for the assets of Parish and Parish Entities.

54. On April 12, 2007, Receiver filed its first interim report (the “Report”), attached hereto as Exhibit F and incorporated herein by this reference. On April 13, 2007, Receiver through its counsel, David Dantzer (“Dantzer”), presented the Report’s findings to the Court.

55. The Report explains, at page seven, that “[i]t is evident that the investment pools were not performing in accordance with the representations in the investor account statements and website information” and continues, “[i]t is obvious that, if there was investment activity, significant losses must have been sustained.” On page eight, the Report summarizes its findings regarding the Pools’ operation:

- a. For quite some time, it appears that cash payments to investors were made, in whole or in part, with money received from other investors rather than from investment activities.
- b. Monies received from investors were not segregated by investment pool, asset type, bank or brokerage account or in any other presently discernable manner.
- c. It appears that monies received from investors were used to purchase “hard assets,” without regard to the investment pool selected by the investor.
- d. It appears that monies received from investors were used for Parish’s personal benefit, including the support of his lifestyle.

56. Additionally, on page eight the Report discusses the status of these “Investments”:
“[a]s indicated above, other than a few trading accounts, there is no indication that the investment pools were operated as segregated investment pools as of the date of the Receiver’s appointment.” This accounting confirms the allegations in the SEC Complaint and associated exhibits.

57. According to the affidavit of SEC investigator Michael L. Foster, attached to the SEC’s Complaint, when questioned, Parish represented to the SEC that three trading accounts associated with the Pools contained the following amounts: (1) an account with Lind Waldock, representing the Futures Pool, contained approximately Fifty Million, Five Hundred Thousand Dollars (\$50,500,000.00); (2) an account with TD Ameritrade, representing the Stock Pool, contained over Twelve Million, Six Hundred Thousand Dollars(\$12,600,00.00); and (3) an account with TradeStation Securities, Inc., representing the Hedged Income Pool, contained over Nineteen Million, Seven Hundred and Fifty Thousand Dollars (\$19,750,00.00). According to the SEC’s Complaint and associated exhibits, the account statements provided by Parish to the SEC reflecting these amounts were fraudulent. In fact, Parish-associated accounts with these entities totaled less than Two Hundred and Twenty Thousand Dollars (\$220,000.00) and had not carried significantly higher balances at any time during the previous two years.

58. On page 12, the Report confirmed investors' worst suspicions: "it must be emphasized that in light of the cumulative amount of money actually invested with [Parish and Parish Entities], the Receiver currently anticipates that investors have lost a substantial portion of their investment."

59. At the presentation of the Report in open court on April 13, 2007, Judge Norton asked if Parish's fraudulent scheme operated like a Ponzi scheme, and Dantzler responded in the affirmative.

60. Before the initiation of the SEC Enforcement Action on April 4, 2007, Parish had successfully concealed the existence of his Ponzi Scheme from the Plaintiffs and the Class.

61. The Affidavit of John P. Freeman is attached hereto and made a part hereof pursuant to S.C. Code Ann. § 15-36-100(B) as Exhibit G.

COUNT I

(Professional Malpractice – Receiver Claim)

62. The Class Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

63. An attorney-client relationship existed between Pearlman and his client Parish Economics.

64. Pearlman failed to exercise reasonable care, skill, prudence and diligence generally recognized in the legal profession under the same or similar circumstances, and was grossly negligent and reckless in his conduct. Among other things, Pearlman was negligent in the following respects:

- a. Drafting and delivering documents that created a life insurance trust when he either knew or in the exercise of due diligence should have known that Parish

would use such documents in connection with Parish's scheme to defraud persons of money and property through false and fraudulent pretenses in violation of the South Carolina Rules of Professional Conduct, Model Rule 1.2(d).

- b. By continuing to assist Parish in conduct that Pearlman may have originally believed to be lawful, but either came to learn or in the exercise of due diligence should have learned was criminal or fraudulent in violation of the South Carolina Rules of Professional Conduct, Model Rule 1.2(d) and which caused damage to Parish Economics.
- c. By failing to report Parish's fraudulent and unlawful conduct to other members of Parish Economics or to the South Carolina Attorney General's Office or some other legal authority after learning that Parish's conduct was likely to result in substantial injury to Parish Economics as required by the South Carolina Rules of Professional Conduct, Model Rule 1.13 .
- d. By continuing to represent both Parish and Parish Economics where there was a conflict of interest between Parish, who was acting in his self interest and using Parish Economics in furtherance of his fraudulent scheme, and Parish Economics.

65. Moreover, proper handling of Pearlman's representation Parish Economics, including the reporting of Parish's unlawful and fraudulent conduct would have prevented or mitigated the fraudulent nature of the enterprise. Thus, Pearlman breached his duty as Parish Economics' attorney.

66. Pearlman's breach proximately and directly caused damage to Parish Economics and resulted in its economic demise.

67. Receiver therefore is entitled to an award of actual and punitive damages against Pearlman for the losses caused to Parish Economics.

COUNT II

(Professional Malpractice – Class Claim)

68. The Class Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

69. Pearlman had an attorney client relationship with Parish Economics and provided services for the benefit of its investor members.

70. The Class Plaintiffs were members of Parish Economics.

71. Pearlman in his capacity as attorney for Parish Economics undertook to provide professional services expressly for the benefit of the Class Plaintiffs, by creating a legal structure in the form of the Albert E. Parish Charitable Remainder Unitrust for the benefit of the Class Plaintiffs that would provide a means of orderly liquidating the Class Plaintiffs' membership interests in Parish Economics in the event of Parish's death and by serving as a trustee thereof, and as a result owed a duty of due care to each investor member of Parish Economics.

72. While performing these professional services Pearlman failed to exercise reasonable care, skill, prudence and diligence generally recognized in the legal profession under the same or similar circumstances and was grossly negligent and reckless in his conduct. Among other things, Pearlman was negligent in the following respects:

- a. Drafting and delivering documents that create a life insurance trust and further continuing the existence of this trust up until April 4, 2007, when in

the exercise of due diligence he should have known that Parish would use such documents in connection with Parish's scheme to defraud persons of money and property through false and fraudulent pretenses in violation of the South Carolina Rules of Professional Conduct, Model Rule 1.2(d).

- b. By continuing to assist Parish in conduct that Pearlman may have originally believed to be lawful, but later should have learned in the exercise of reasonable care was criminal or fraudulent in violation of the South Carolina Rules of Professional Conduct, Model Rule 1.2(d) and which caused damage to Parish Economics and its investor members;
- c. By failing to report Parish's fraudulent and unlawful conduct to other members of Parish Economics or to the South Carolina Attorney General's Office or some other legal authority after learning that Parish's conduct was likely to result in substantial injury to Parish Economics as required by the South Carolina Rules of Professional Conduct, Model Rule 1.13.
- d. By continuing to represent both Parish and Parish Economics and serving as a trustee of the Albert E. Parish Charitable Remainder Unitrust where there was a conflict of interest between Parish, who was acting in his self interest at the expense of Parish Economics and using Parish Economics in furtherance of his fraudulent scheme, and Parish Economics and its investor members.

73. As a direct and proximate result of Pearlman's wrongful conduct, the Class Plaintiffs have suffered substantial financial losses in their individual investment pool accounts from Parish's unlawful use of Parish Economics, which collectively exceed Seventy Million Dollars (\$70,000,000.00).

COUNT III

(Breach of Fiduciary Duty – Receiver Claim)

74. The Class Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

75. Pearlman had fiduciary duties of loyalty, good faith, and fair dealing to his client, Parish Economics and its members, as well as duties not to recklessly or negligently fail to perform legal services for Parish Economics with competence.

76. Pearlman breached these duties as more fully set forth above by failing to report Parish's fraudulent and unlawful conduct to other members of Parish Economics or to the South Carolina Attorney General's Office or some other legal authority after learning that Parish's conduct was likely to result in substantial injury to Parish Economics as required by the South Carolina Rules of Professional Conduct, Model Rule 1.13 .

77. Pearlman's conduct directly, proximately and actually damaged Parish Economics by exposing Parish Economics to significant liability by its members and creditors.

78. Accordingly, Receiver, as the legal representative of Parish Economics, is entitled to recover actual and punitive damages from Pearlman in an amount to be established and proven at trial.

COUNT IV

(Breach of Fiduciary Duty – Class Claim)

79. The Class Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

80. Pearlman had fiduciary duties of loyalty, good faith, and fair dealing to his client, Parish Economics and the Class Plaintiffs as members and creditors of Parish Economics and as the intended beneficiaries of the Albert E. Parish Charitable Remainder Unitrust and for whose

benefit Pearlman served as a trustee, as well as duties not to recklessly or negligently fail to perform legal services for Parish Economics with competence.

81. Pearlman breached these duties in one or more of the following particulars:

- a. Creating or assisting in the creation membership documents without disclosing to the members Pearlman's legal opinion that Parish Economics was operating in violation of State and federal Securities laws or otherwise disclosing to the members the potential for a conflict of interest and that the members should seek independent legal counsel;
- b. By failing to report Parish's fraudulent and unlawful conduct to other members of Parish Economics or to the South Carolina Attorney General's Office or some other legal authority after learning that Parish's conduct was likely to result in substantial injury to Parish Economics as required by the South Carolina Rules of Professional Conduct, Model Rule 1.13;
- c. By failing to withdraw from representing Parish after the existence of a conflict of interest arose between Parish and Parish Economics and its investor members who were also beneficiaries of the Albert E. Parish Charitable Remainder Unitrust for which Pearlman was trustee in that Parish was engaging in conduct that was likely to result in substantial injury to Parish Economics;

82. Pearlman's conduct directly, proximately, and actually caused the Class Plaintiffs to suffer financial losses. The Class Plaintiffs are therefore entitled to recover actual and punitive damages from Pearlman in an amount to be established and proven at trial.

COUNT VI

(Negligent Misrepresentation – Class Claim)

83. The Class Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

84. At all relevant times, Pearlman knew or should have known that the investor members of Parish Economics and beneficiaries of the Albert E. Parish Charitable Remainder Unitrust would reasonably rely upon the representations made by him in connection with the lawfulness and legitimacy of Parish and his conduct with Parish Economics.

85. At all relevant times, Pearlman knew or should have known that the investor members of Parish Economics, including members of the Class, would reasonably rely upon his work and work product in drafting, reviewing, revising, and approving the corporate documents of Parish Economics including but not limited to the articles of incorporation, membership agreement and other materials related to these operations of Parish Economics.

86. Accordingly, Pearlman owed a duty to the Class Plaintiffs and the Class to exercise reasonable care, skill, prudence, and diligence generally recognized in the legal profession under the same or similar circumstances and to see that truthful information was communicated to the Class.

87. Pearlman nevertheless met with existing investor members of Parish Economics at Parish's request in order to allay fears and concerns of these members about the safety of their existing investment in the event that Pearlman became incapacitated or died.

88. For example, in or about August 2005, Pearlman met with Plaintiff Brandt and other Class members who had already invested in Parish Economics to address concerns of those present and others regarding the soundness and safety of Parish Economics should Parish become personally incapacitated. During this meeting and others, Pearlman explained the life

insurance buy-out structure of the Albert E. Parish Charitable Remainder Unitrust that he developed and further reassured those present that Parish Economics was being operated in a lawful and legitimate manner.

89. One effect of these meetings was to calm the fears and concerns of the existing investor members of Parish Economics so that these members would not redeem their investments and withdraw from Parish Economics, which likely would have resulted in a “run on the bank” and exposed Parish’s Ponzi scheme.

90. Pearlman failed to exercise reasonable care, skill, prudence, and diligence generally recognized in the legal profession and under the same or similar circumstances. Among other things, Pearlman was negligent in the following respects:

- a. Vouching for the manner in which Parish operated Parish Economics;
- b. Vouching for the soundness and security the members’ investments in Parish Economics in the event of Parish’s incapacitation or death;
- c. By failing to withdraw from representing Parish and Parish Economics and instead allowing Parish to use Pearlman’s representation of Parish Economics as verification that the members’ investments in Parish Economics were safe and secure, thus allowing Parish to avoid a “run on the bank” that would have exposed Parish’s Ponzi scheme;
- d. By failing to see that truthful information was communicated to the investor members of Parish Economics and beneficiaries of the Albert E. Parish Charitable Remainder Unitrust for whom he served as counsel and trustee.

91. Pearlman’s negligence directly, proximately, and actually damaged members of the Class.

92. As representatives of the Class, the Class Plaintiffs are entitled to recover from Pearlman all damages sustained by the Class as may be established and proven at trial.

PRAYER FOR RELIEF

WHEREFORE, S. Gregory Hays, Receiver, and the Class Plaintiffs request and demand the entry of a judgment in their favor as follows:

A. Entry of an order certifying this action as a class action pursuant to South Carolina Rule of Civil Procedure 23;

B. Awarding compensatory and punitive damages in favor of the Class Plaintiffs against Pearlman for all damages sustained as a result of Pearlman's negligent acts, in an amount to be proven at trial, including interest thereon;

C. Awarding the Class Plaintiffs their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;

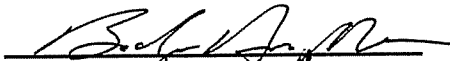
D. Awarding extraordinary, equitable, and/or injunctive relief as permitted by law and equity pursuant to South Carolina Rules of Procedure 64 and 65, and any appropriate state law remedies to assure that the Class Plaintiffs have an effective remedy; and

E. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Respectfully submitted,


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