

IN THE COURT OF COMMON PLEAS
CUYAHOGA COUNTY, OHIO

DOROTHEA KINGSBURY, TRUSTEE) Case No.:
30195 Chagrin Boulevard – Suite 108W)
Pepper Pike, Ohio 44124)
)
-and-)
)
PAULA REDMAN)
95 Hillside Avenue)
San Anselmo, California 94960)
)
Plaintiffs,)
)
vs.)
)
CORNERSTONE FAMILY OFFICE LLC)
5885 Landerbrook Drive – Suite 300)
Mayfield Heights, Ohio 44124)
)
-and-)
)
CATHERINE G. VERES)
5885 Landerbrook Drive – Suite 300)
Mayfield Heights, Ohio 44124)
)
-and-)
)
ALTUS CAPITAL, INC.)
6120 Parkland Boulevard – Suite 303)
Cleveland, Ohio 44124)
)
-and-)
)
JOHN E. BURNS)
6120 Parkland Boulevard – Suite 303)
Cleveland, Ohio 44124)
)
Defendants.)

COMPLAINT
(Jury Demand Endorsed Hereon)

INTRODUCTION

1. The Defendants are financial professionals responsible for implementing and overseeing investment in the portfolio of Plaintiff Paula Redman and two Trusts created for her benefit. The Defendants' malfeasance in performing their duties has precipitated substantial losses.

2. Redman and the trustee of the Trusts are suing for redress under claims against the Defendants for breach of fiduciary duty and accountant malpractice. Redman and the trustee seek punitive and well as compensatory damages, given the egregious nature of the Defendants' misconduct.

THE PARTIES

I. The Plaintiffs

3. Redman lives at 95 Hillside Avenue, San Anselmo, California 94960.

4. Plaintiff Dorothea Kingsbury serves as successor trustee for the B.C. Ames Family 2003 Trust for the benefit of Paula Ames Redman and the J.G. Ames Irrevocable 2012 Trust for the benefit of Paula Ames Redman. Kingsbury maintains an office at 30195 Chagrin Boulevard, Suite 108W, Pepper Pike, Ohio 44124.

II. The Defendants

5. Defendant Catherine G. Veres serves as president of Defendant Cornerstone Family Office, LLC, an Ohio limited liability company headquartered at 5885 Landerbrook Drive, Suite 300, Mayfield Heights, Ohio 44124.

6. Defendant John E. Burns serves as president of Defendant Altus Capital, Inc., an Ohio corporation headquartered at 6120 Parkland Boulevard, Suite 303, Cleveland, Ohio 44124.

FACTUAL BACKGROUND

I. Redman's Background

7. Redman comes from a prominent Cleveland family with an established history of philanthropic giving. Redman's parents each created a trust for the benefit of Redman and her two siblings. Kingsbury is trustee of the sub-trusts created under each of these principal trusts to hold Redman's respective share of the assets and income. Redman's personal wealth primarily either resides in the two sub-trusts or consists of distributions she has received from them.

8. Redman and members of her family have interlocking financial interests. Her sub-trusts share ownership of certain assets and accounts with the sub-trusts of her siblings. Family members jointly hold controlling interests in partnerships, trusts, and other entities. In addition, Redman, her parents, and her siblings each serve as trustees for the family foundation, which covers charitable commitments made on their behalf.

II. Cornerstone

9. Redman and her family were clients of Cornerstone, which Veres formed in September 2001. On its website, the firm says that it

provides highly personalized and completely confidential financial services to wealthy individuals and their families. Our mission is to safeguard as well as enhance client wealth.

10. "All Cornerstone professionals are CPA's [sic] and hold the PFS [Personal Financial Specialist] designation" from the American Institute of Certified Public Accountants. According to AICPA, PFS status "is granted solely to CPAs with considerable ... [personal financial planning] education and experience who want to demonstrate their knowledge, skill and experience by earning this exclusive credential."

11. As its "main [professional] responsibility," Cornerstone purportedly serves as "chief financial officer (CFO) for ... family finances." In doing so, the firm "provides guidance on new [investment] opportunities and monitors your current investments." Clients purportedly receive "objective analysis" from Cornerstone, which claims "a unique ability to provide impartial [investment] recommendations," given its "willingness to work with any investment manager."

12. Cornerstone also claims to prepare "personalized" financial plans for its clients, based upon their respective "net worth, investment portfolio, income tax situation and cash flow." According to the firm, the financial plans are reviewed "on a regular basis" and "appropriate[ly]" adjusted.

13. Cornerstone performed all traditional accounting services for Redman and her family, including the preparation of income tax returns and inventories of their holdings.

14. Veres and Cornerstone also convened periodic meetings with Redman and members of her family to review the status and performance of their investments. In keeping with the firm's mission as the family "CFO," Veres and her colleagues played an integral role in virtually every significant financial decision.

III. **Altus Capital**

15. Burns served as the advisor who directed the investments made by Redman and members of her family. He did so through Altus Capital, a firm that he formed in 2001.

16. Burns had a longstanding business relationship with Redman's father. By any measure, Redman's family was his and Altus Capital's largest client by a wide margin.

17. Burns and Altus Capital extracted millions in fees from Redman and her family under an extremely favorable compensation schedule that rewarded them for profitable quarters without taking into account quarters that resulted in overall losses.

18. Burns and his firm exercised *de facto* control over Redman's portfolio and the portfolios of her family members. Often he was in a position to act unilaterally in implementing the investments he was advising them to make.

Under no circumstances did Redman or anyone else question Burns's recommendations. His word went unchallenged, largely in deference to his relationship with Redman's father.

IV. Burns's Radical Investment Strategy

19. Burns conceived a radical plan of investment for Redman and her family, to which he committed absolutely, without any hedge or acknowledgment of alternative strategies.

20. Burns's program reflected his apocalyptic view of the financial markets and the world in general, which he articulated in his emails to Redman. Specifically, Burns believed the "real decision makers in the world operate MANY LEVELS above our government leaders[,] ... who are merely props who serve as distractions and who carry out orders from above."

21. Eventually, Burns expected a financial "reset" to take place that would "transform the world and eliminate the 'dark side.'" Over the course of several years, Burns consistently predicted this event would occur within a matter of months. In the meantime, he saw financial markets as a "corrupt and dangerous place for savings."

22. Burns preached that "after the reset, the new financial system will be backed by gold and silver." Precious metals therefore stood as the only investment he considered safe in anticipation of the imminent collapse. According to Burns, the value of the metals would eventually increase by a multiple of 20.

23. Burns believed that “[g]old is real money, dollars are Monopoly money.” He described precious metals as a “vote” against

a broken financial system, a corrupt government, the federal reserve, rigged manipulated markets, rehypothecation of securities (stealing), suppression of the truth by a bought and paid for press, the future of the dollar as a global currency, confiscation of freedoms and the shadow government (representing a tiny portion of the top 1%) who are evil beyond imagination as well as their New World Order agenda.

24. Burns’s paranoia about the impending “reset” deepened over time. He eventually became convinced that investors personally had to take possession of their precious metals instead of storing them with a custodian. Burns also believed the individuals and entities controlling the economy were artificially depressing the price of gold and silver. He described precious metals as the “enemy of the dollar (and therefore the Cabal) and ... suppressing their values is a very high priority.”

V. **Investments Made for Redman**

A. **Precious Metals**

25. As of the summer of 2014, Redman and her trusts had invested at least \$10 million in gold and silver at the behest of Burns and Altus Capital. These assets had already depreciated considerably by that point and continued to do so, as the price of gold and silver floundered.

B. Stocks

26. The stock market was flourishing during this period. Given Burns's distrust of the markets, however, Redman and her trusts had practically no investments of this kind, other than shares in a few companies in which Burns and Altus Capital themselves had significant holdings.

C. Exchange-Traded Funds

27. Burns inflicted severe losses on Redman's portfolio through transactions involving exchange-traded funds, or "ETFs." The shares of ETFs typically represent an interest in a portfolio of securities that track an underlying benchmark or index, like the Standard & Poor's 500 or the Dow Jones Industrial Average.

28. Burns indulged his belief that the financial sky was falling by trading inverse ETFs, which seek to deliver the opposite of the performance of the designated index or benchmark. Burns doubled or tripled down on these bets against the market by buying and selling leveraged ETFs, which seek to deliver multiples of the performance of the index or benchmark they track.

29. Inverse and leveraged ETFs can serve various legitimate investment objectives. Burns, however, was simply gambling with the trades he made on Redman's behalf.

30. Burns typically held the inverse and leveraged ETFs he purchased for extended periods. These securities, however, typically attempt to achieve their stated goal of tracking the designated index or benchmark for the current day only.

Retaining inverse and leveraged ETFs for longer than one day exposes investors to volatility risks that otherwise would not exist.

31. In 2013 and 2014 alone, Redman and the trusts lost almost \$850,000 from the ETF trades engineered by Burns and Altus Capital. This sum represents only a fraction of the tens of millions Burns and his firm lost for Redman's family through transactions of this sort.

VI. Cornerstone's Acquiescence to Defective Investments

32. Veres and Cornerstone passively observed the damage Burns and Altus Capital wrought on Redman's portfolio. Nowhere did she provide "objective analysis" of Burns's doomsday predictions about the impending collapse of the financial markets. Redman received no "impartial recommendations" from Veres and Cornerstone that she reduce her holdings in precious metals until she raised the issue herself in late 2015. Even then, Veres and Cornerstone advised Redman to stay with Burns in liquidating her gold and silver, notwithstanding his ongoing belief in the necessity of this kind of investment.

33. At no time did Veres and Cornerstone alert Redman to the irrationality and high risk of Burns's strategy for trading ETFs. Never did they inform Redman that these transactions involved nothing more than high-stakes gambling.

34. Veres's romantic involvement with Burns may explain her reticence to challenge his improper handling of investments for Redman and members of her family. Whatever the case, she and Cornerstone completely abandoned their

obligations as family “CFO” by failing to point out the patent inappropriateness of Burns’s investment advice and recommending a strategy to exit the purchases he had recommended for them.

VII. Accounting Deficiencies

35. Veres and Cornerstone also performed deficiently for Redman in keeping track of the assets held by her and her trusts. Based upon information and belief, the Plaintiffs allege Veres and Cornerstone failed to detect the improper accounting of precious metals held by Redman through family partnership Ripacy LP.

VIII. Damages

36. By the end of 2015, Redman had concluded that Veres, Burns, and their respective firms had abused her trust and inflicted serious injury upon her. In the ensuing months, she took steps to install Kingsbury as the successor trustees for her trusts. By then, however, she and the trusts had incurred millions in damages from the improper investments recommended by Burns and Altus Capital and the failure of Veres and Cornerstone to disclose and curtail the devastation of her portfolio.

37. The Defendants inflicted harm on all members of Redman’s family, as well as the family’s partnerships, trusts, and businesses, through the same misconduct that victimized Redman and the trusts.

COUNT ONE

[Breach of Fiduciary Duty against Veres and Cornerstone]

38. The Plaintiffs incorporate by reference the allegations contained in all preceding paragraphs of this Complaint.

39. In serving as family “CFO,” Veres and Cornerstone owed Redman and the trusts a fiduciary duty to monitor their holdings and the transactions made and recommended on their behalf. Veres and Cornerstone also had a duty to inform Redman and the trusts concerning any unsafe, improper, or ill-advised investments in her portfolio and to assist in extricating them from these positions.

40. Veres and Cornerstone breached these duties. They remained essentially silent about the extreme nature of Burns’s investment program, the danger of Redman’s and the trusts’ excessive holdings in precious metals, and the inappropriateness of the ETF trading undertaken at Burns direction. As a proximate result of this wrongdoing, Redman and the trusts suffered damage in an amount that exceeds \$25,000.

41. Veres and Cornerstone breached their fiduciary duties with conscious disregard for the rights and safety of Redman and the trusts, in a manner that had a great probability of causing substantial harm.

COUNT TWO

[Accountant Malpractice against Veres and Cornerstone]

42. The Plaintiffs incorporate by reference the allegations contained in all preceding paragraphs of this Complaint.

43. Through the conduct described above, Veres and Cornerstone committed malpractice in their capacity as accountants for Redman and the trusts. As a proximate result of this wrongdoing, Redman and the trusts suffered damage in an amount that exceeds \$25,000.

44. Veres and Cornerstone committed malpractice with conscious disregard for the rights and safety of Redman and the trusts, in a manner that had a great probability of causing substantial harm.

COUNT THREE
[Accountant Malpractice against Burns and Altus Capital]

45. The Plaintiffs incorporate by reference the allegations contained in all preceding paragraphs of this Complaint.

46. In their capacity as investment advisors, Burns and Altus Capital owed Redman and the trusts a fiduciary duty to make rational, reasonable, and competent investment recommendations. Burns and Altus Capital violated this duty by conveying their apocalyptic view of the financial markets and directing Redman and the trusts to invest excessively in precious metals. Burns and Altus Capital also committed a fiduciary breach through the erratic and unprincipled trading of ETFs undertaken on Redman's behalf.

47. As a proximate result of this wrongdoing, Redman and the trusts suffered damages in an amount that exceeds \$25,000.

48. Burns and Altus Capital breached their fiduciary duties with conscious disregard for the rights and safety of Redman and the trusts, in a manner that had a great probability of causing substantial harm.

WHEREFORE, the Plaintiffs respectfully request the following relief:

- On Counts One and Two, an award of compensatory damages, in an amount that exceeds \$25,000 and punitive damages, in an amount to be determined at trial, jointly and severally against Veres and Cornerstone;
- On Count Three, an award of compensatory damages, in an amount that exceeds \$25,000, and punitive damages, in an amount to be determined at trial, jointly and severally against Burns and Altus Capital; plus
- An award of the costs incurred in prosecuting this litigation, including reasonable attorneys fees;
- Interest; and
- Any other relief the Court deems just and proper.

/s/ Joshua R. Cohen
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JURY DEMAND

Pursuant to Civ. R. 38, the Plaintiffs respectfully demand trial by jury on all eligible claims and defenses.

/s/ Joshua R. Cohen
Joshua R. Cohen