

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

LARRY AND LESLIE KAY MCLESKEY;
DEEPAK NEELAGIRI AND REENA
GADAGOTTU; ALANANN PROPERTIES,
LLC; CARLOS HUERTA HOMES IN,
LLC; LEJ MANAGEMENT, LLC; BN
INVEST, LLC; GALVESTON, LLC; BKS
IN PROPERTIES, LLC; DL3
PROPERTIES, LLC IN1801;
COVENANTAL CORP.; 1446 MOUNT,
LLC; 300 REAL ESTATE
INVESTMENTS, LLC; FINNLEY
INVEST, LLC; and AR FINANCIALS, LLC

Plaintiffs,

vs.

MORRIS INVEST and CLAYTON
MORRIS,

Defendants.

Case No. 1:18-cv-02797-WTL-DML

Amended Consolidated
Complaint and Demand
for Jury Trial

Plaintiffs Larry and Lesley Kay McLeskey; Deepak Neelagiri and Reena Gadagottu; Alanann Properties, LLC; Carlos Huerta Homes IN, LLC; LEJ Management, LLC; BN Invest, LLC; Galveston, LLC; BKS IN Properties, LLC; DL3 Properties, LLC IN1801; Covenantal Corp.; 1446 Mount, LLC; 300 Real Estate Investments, LLC; Finnley Invest, LLC; and, AR Financials, LLC (collectively, "Plaintiffs"), by counsel, hereby file their Amended Consolidated Complaint for Damages against the Defendants, Morris Invest and Clayton Morris (collectively,

“Defendants”). In support of their complaint, Plaintiffs allege and state the following:

I. INTRODUCTION

1. Plaintiffs are individuals and closely held corporations who purchased real estate through what appears to be a Ponzi scheme operated by Defendants.

2. The Plaintiffs are among the unknown number of real estate investors who have purchased, from and through Defendants, real estate to be used as investment rental properties.

3. Defendants pushed their “turnkey” real estate investment scheme through podcasts, YouTube videos, a website, and individual phone calls and emails. But Plaintiffs have received none of the benefits promised by Defendants.

4. This lawsuit seeks redress from Defendants for damages for statutory violations, breach of contract, promissory estoppel, conversion, and fraud.

5. Plaintiffs have each been damaged in an amount to be determined at trial, plus punitive damages.

II. THE PARTIES

Plaintiffs

6. The Plaintiffs in this action all purchased real estate investment properties in Indianapolis from and through Defendants, often through limited liability companies that Defendants encouraged the individuals to set up.

7. Each of the Plaintiffs was damaged by the fraud, breach of contract, violations of the Indiana Deceptive Consumer Sales Act, and other misconduct by Defendants.

8. At all relevant times, Plaintiffs Larry and Leslie Kay McLeskey were residents of Adrian, Michigan and purchased a property from Defendants, which property is located in Marion County, Indiana at 866 W. 29th Street, Indianapolis, Indiana. Plaintiffs Larry and Leslie Kay McKleskey are citizens of Michigan.

9. At all relevant times, Plaintiffs Deepak Neelagiri and Reena Gadagottu were residents of Marshfield, Wisconsin and purchased six properties from Defendants, each of which is located in Marion County, Indiana at 1530 S. Centennial Street, Indianapolis, Indiana; 2516 E. 18th Street, Indianapolis, Indiana; 3417 N. Drexel Avenue, Indianapolis, Indiana; 3605 N. Riley Ave., Indianapolis, Indiana; 3702 Forest Manor Ave., Indianapolis, Indiana; 4024 Eastern Avenue, Indianapolis, Indiana. Plaintiffs Deepak Neelgiri and Reena Gadagottu are citizens of Wisconsin.

10. Plaintiff Alanann Properties, LLC is registered in the State of Indiana, and purchased a property from Defendants, which property is located in Marion County, Indiana at 2327 Columbia Avenue, Indianapolis, Indiana. Members of Alanann Properties, LLC are Laura Rolerat and Jeffrey Rolerat, who were citizens of Hartland, Wisconsin, and therefore, Plaintiff Alanann Properties, LLC is a citizen of Wisconsin.

11. Plaintiff Carlos Huerta Homes IN, LLC is registered in the State of Indiana, and purchased a property from Defendants, which property is located in Marion County, Indiana at 871 W. 25th Street, Indianapolis, Indiana. Carlos Huerta is the only member of Carlos Huerta Homes IN, LLC and is a citizen of Chaska, Minnesota, and therefore Plaintiff Carlos Huerta Homes IN, LLC is a citizen of Minnesota.

12. Plaintiff LEJ Management, LLC is registered in the State of Georgia, and purchased a property from Defendants, which property is located in Marion County, Indiana at 2432/2434 N. Kitley Avenue, Indianapolis, Indiana. Edwin Reina is the only member of LEJ Management, LLC, and is a citizen of Atlanta, Georgia, and therefore Plaintiff LEJ Management, LLC is a citizen of Georgia.

13. Plaintiff BN Invest, LLC is registered in the State of Indiana, and purchased properties from Defendants, which properties are located in Marion County, Indiana at 1266 W. 26th Street, Indianapolis, Indiana and 3271 N. Gale Street, Indianapolis, Indiana. The only member of BN Invest, LLC is BentHoldings, LLC, which is registered in the State of Indiana. Cole Peterson is the only member of Bent Holdings, LLC and is a citizen of Boulder, Wyoming, and therefore Plaintiff BN Invest, LLC is a citizen of Wyoming.

14. Plaintiff Galveston, LLC is registered in the State of Arizona, and purchased a property from Defendants, which property is located in Marion County, Indiana at 3415 Brouse Avenue, Indianapolis, Indiana. Members of Galveston, LLC

are Debra Thomas and Christopher Thomas, who are citizens of Tempe, Arizona, and therefore Plaintiff Galveston, LLC is a citizen of Arizona.

15. Plaintiff BKS IN Properties, LLC is registered in the State of Indiana, and purchased a property from Defendants, which property is located in Marion County, Indiana at 1342 N. Ewing Street, Indianapolis, Indiana. The only member of BKS IN Properties, LLC is Brian Sidaway who is a citizen of Peoria, Arizona, and therefore BKS IN Properties, LLC is a citizen of Arizona.

16. Plaintiff DL3 Properties, LLC IN1801 is registered in the State of Indiana, and purchased properties from Defendants, which properties are located in Marion County, Indiana at 325/327 Bellville Avenue and 1322 W. 30th Street, Indianapolis, Indiana. Members of DL3 Properties, LLC IN1801 are Dean Thorsell and Lilli Thorsell who are citizens of Oak Hill, Virginia, and therefore Plaintiff DL3 Properties, LLC IN1801 is a citizen of Virginia.

17. Plaintiff Covenantal Corp. is registered in the State of California, and purchased a property from Defendants, which property is located in Marion County, Indiana at 2902 N. Gladstone Avenue, Indianapolis, Indiana. The only member of Covenantal Corp. is Anthony Kulczak, who is a citizen of El Cajon, California. Plaintiff Covenantal Corp. is a citizen of California.

18. Plaintiff 1446 Mount, LLC is registered in the State of Indiana, and purchased a property from Defendants, which property is located in Marion County, Indiana at 1446 N. Mount Street, Indianapolis, Indiana. Members of 1446 Mount,

LLC are Cesar De la Guardia and Karla De la Guardia, who are citizens of Miami, Florida, and therefore Plaintiff 1446 Mount, LLC is a citizen of Florida.

19. Plaintiff 300 Real Estate Investments, LLC is registered in the State of Indiana, and purchased properties from Defendants, which properties are located in Marion County, Indiana at 4631 E. 34th Street, Indianapolis, Indiana and 1117 W. Roach Street, Indianapolis, Indiana. The only member of 300 Real Estate Investments, LLC is Jeffrey Lemon who is a citizen of Columbus, Georgia, and therefore Plaintiff 300 Real Estate Investments, LLC is a citizen of Georgia.

20. Plaintiff Finnley Invest, LLC is registered in the State of Indiana and purchased a property from Defendants, which property is located in Marion County, Indiana at 3239 Elmira Street, Indianapolis, Indiana. Members of Finnley Invest, LLC are Steve VanderHill and Dawn VanderHill who are citizens of Nekoosa, Wisconsin, and therefore Plaintiff Finnley Invest, LLC is a citizen of Wisconsin.

21. Plaintiff AR Financials, LLC is registered in the State of Indiana and purchased properties from Defendants, which properties are located in Marion County, Indiana at 3001 E. Michigan Street, Indianapolis, Indiana and 6237 E. 26th Street, Indianapolis, Indiana. The only member of AR Financials, LLC is Adam Rahilly who is a citizen of Truckee, California, and therefore Plaintiff AR Financials, LLC is a citizen of California.

Defendants

22. Defendant Clayton Morris is a self-described real estate investor, host of *Investing in Real Estate* Podcast, and former co-host on the Fox & Friends

Weekend show. Defendant Morris is a co-founder and owner of Defendant Morris Invest. Defendant Morris claims to have started Morris Invest to help individuals attain financial freedom and grow their personal wealth through passive income. Defendant Morris resides in New Jersey. Defendant Clayton Morris is liable as an individual because he participated as an individual in the conduct alleged below and because Defendant Morris Invest has been so dominated by Mr. Morris and Morris Invest's separate entity so ignored that Morris Invest primarily transacts Mr. Morris's business instead of its own and can be called Mr. Morris's alter ego, and Mr. Morris used the corporate form of Morris Invest to commit fraud and cause injustice to Plaintiffs. Defendant Clayton Morris is a citizen of New Jersey.

23. Defendant Morris Invest is a Delaware limited-liability company which purports to help investors buy and renovate investment properties. Morris Invest promises to fill those investment properties with paying tenants, thereby providing its investors with a "turnkey" rental property. The members of Morris Invest are two revocable trusts: The Clayton Morris Revocable Trust and The Natali Morris Revocable Trust. The Trusts beneficiaries are Clayton Morris, Natalie Morris, and their children. The trustees of the Trusts are Clayton Morris and Natalie Morris, both citizens of New Jersey, and, therefore, Morris Invest is a citizen of New Jersey.

III. JURISDICTION AND VENUE

23. This Court has original jurisdiction over this action under 28 U.S.C § 1332 because Plaintiffs and Defendants are citizens of different states and the amount in controversy for each Plaintiff exceeds \$75,000.00, exclusive of interest and costs.

24. Morris Invest has sufficient minimum contacts with this judicial jurisdiction to provide this Court with personal jurisdiction. Specifically, Morris Invest has had systematic and continuous direct contact with the forum for a substantial period of time by convincing citizens of other states to buy investment properties in Indianapolis, Indiana. Morris Invest's activities in and related to Indianapolis, Indiana give rise to the claims themselves.

25. Defendant Clayton Morris has sufficient minimum contacts with this judicial district to provide this Court with personal jurisdiction. Specifically, Clayton Morris has had systematic and continuous direct contact with the forum for a substantial period of time by convincing citizens of other states to buy investment properties in Indianapolis, Indiana. Clayton Morris's activities in and related to Indianapolis, Indiana give rise to the claim itself.

26. Venue is proper in this Court under 28 U.S.C. § 1391(b)(2) as a substantial part of the events giving rise to Plaintiffs' claims occurred in this judicial district and because the properties at issue are located in this judicial district.

27. Plaintiffs' claims are properly consolidated under Federal Rule of Civil Procedure 42 to avoid unnecessary costs or delay because each Plaintiff's actions involve a common question of law or fact arising from Defendants' scheme and misconduct.

IV. FACTUAL BACKGROUND

28. Morris Invest lures potential investors by advocating its program through blogs, YouTube videos, and a podcast.

29. Morris Invest persuades investors to participate in its program by claiming to have been founded on a three-step wealth building plan:

- a. Prospective investors schedule a consultation with Morris Invest, and Morris Invest has a thirty-minute phone call with the prospective investor to learn about his or her investment goals.
- b. The prospective investor selects a property offered by Morris Invest.
- c. Morris Invest handles property identification and rehabilitation, finds and secures tenants, sells the investor the property (“Rental Property”) in a rent-able condition, and all the investor needs to do is to collect rent from the property provided by Morris Invest.

30. These claims are false, however. Contrary to its express claims to Plaintiffs and other investors, Morris Invest and Clayton Morris are only marketers. They use affiliates to actually identify, sell, rehabilitate, locate tenants for, and manage the Rental Properties they convince their investors, including the Plaintiffs, to purchase.

31. Plaintiffs were told by Defendants the Morris Invest would handle everything pertaining to the Rental Properties. Plaintiffs were lead to believe that they would be dealing with Defendants only.

32. However, in Indiana, Defendants use or used Oceanpointe Investments Limited (“Oceanpointe”), Indy Jax Wealth Holdings, LLC, and/or Indy Jax Properties, LLC (collectively, “Indy Jax”) to handle identification, sale,

rehabilitation, tenant location, and property management of the Rental Properties it convinces its investors, including the Plaintiffs, to purchase.

33. Although Defendants now claim that they had no involvement with Oceanpointe and the other entities listed above, that's not what they told investors, including Plaintiffs:

On Thursday, June 29, 2017, 4:25 AM, Clayton Morris <clayton@morrisinvest.com> wrote:

Yes sir we have many LLC's that we use to hold our acquisitions before rehab. And that is just one of them we own.

From: [REDACTED]
Date: June 28, 2017 at 7:31:05 PM
To: Clayton Morris <clayton@morrisinvest.com>
Subject: Re: Earlier bird

Just wondering, are you the owner of Oceanpoint holdings as well or is that a separate company that you just work with to manage the properties that you sell to investors like me?

34. Defendants persuaded hundreds of investors to purchase Rental Properties in Marion County during 2017 and 2018.

35. Defendants did not evaluate whether their investors were sophisticated, accredited, or otherwise had any particular financial acumen or experience in real estate investing. Instead, they appear to have targeted inexperienced investors, many of whom ultimately lost large proportions of their savings or retirement funds in the scheme.

36. For its part, and in accordance with its partnership with Morris Invest and Clayton Morris, Oceanpointe, Indy Jax Wealth Holdings, LLC, and/or Indy Jax Properties, LLC purchased hundreds of homes in the Indianapolis area. Many of these homes came from tax sales.

37. Unbeknownst to Plaintiffs, Morris Invest and Clayton Morris matched their clients with Oceanpointe's properties and then Oceanpointe, in addition to profiting from the sale and unbeknownst to the Plaintiffs, was tasked with rehabbing, renting, and managing the homes.

38. Each of the Plaintiffs purchased one or more single family homes, from and through Defendants, to be used as rental properties for the purpose of generating "passive" rental income to Plaintiffs.

39. Each of the Plaintiffs was told that the rental property(ies) purchased from and through Defendants would be rehabbed by Morris Invest using the purchase funds provided by Plaintiffs.

40. Each of the Plaintiffs was told that Defendants would find, screen, and secure tenants for each of the Rental Properties.

41. In other words, Defendants represented to Plaintiffs that, for the money invested, Plaintiffs would receive a "turnkey" Rental Property, complete with paying tenant and property management services.

42. Each of the Plaintiffs was told by Defendants that their Rental Property(ies) would be or had been rehabilitated using the purchase Funds.

43. Some of the Plaintiffs received "rent" checks for several months, then stopped receiving such checks.

44. Some of the Plaintiffs have not received any rent checks.

45. All Plaintiffs eventually learned that their Rental Properties had not been rehabilitated, as promised by Defendants and as paid for by Plaintiffs.

46. All Plaintiffs eventually learned that their Rental Properties were not, in fact, being rented by tenants and were sitting vacant.

47. Eventually, Plaintiffs learned that it was Oceanpointe, an entity called Blue Sky, or some other entity, that had been tasked with rehabilitating and managing the Rental Properties and securing tenants.

48. Defendants Clayton Morris and Morris Invest have denied responsibility to Plaintiffs for Plaintiffs' losses, instead pointing their fingers at Oceanpointe.

49. Defendants have been operating a Ponzi scheme in which Defendants used the purchase funds paid by new investors to send "rent" checks to earlier investors. Plaintiffs who received checks from Defendants were led to believe those checks were issued by tenants of their Rental Properties and remained unaware that other investors were the source of the checks.

50. The Plaintiffs did not have any role in selecting or analyzing the Rental Properties and now each Plaintiff owes thousands of dollars for rehabilitation work, code violations, or even tax liens. Dollars they cannot afford because they were promised "turnkey" properties after their initial investment with Defendants. This is on top of the fact that Plaintiffs paid tens of thousands of dollars for properties that are now, essentially, worthless.

51. Based upon complaints by Plaintiffs and others, the Indiana Attorney General's office opened an investigation into Defendants.

52. **Larry and Leslie Kay McKleskey.** In October or November, 2017, the McKleskey's were contacted by representatives of Defendants via the Morris Invest podcast, Facebook posts, emails, and eventually by phone. Clayton Morris told the McKleskey's that they were offering "turnkey" properties that would be handled exclusively by Morris Invest, and that would be appraised for at least what the McKleskey's would pay for the property and rehab. On November 28, 2017, the McKleskey's, relying on these representations, purchased a recommended property at 866 W. 29th Street in Indianapolis for \$46,500 (inclusive of rehab costs) using their retirement funds. After the purchase, the McKleskey's received updates from Defendants and at one point were told that the property was ready to rent and they should start receiving rental income soon. The McKleskey's only discovered the truth when they came to Indianapolis and saw that that no rehab work had actually been done. Because they could not afford to re-pay for the rehab costs, on August 15, 2018, the McKleskeys were forced to sell the property for approximately \$6,500. The McKleskeys damages claim is for \$120,000 (the \$40,000 loss trebled), along with lost rental income.

53. **Deepak Neelagiri and Reena Gadagottu.** In January, 2018, Deepak was contacted by representatives of Defendants (specifically, Dave Koehn and Clayton Morris) via email and telephone calls; and was told that Morris Invest was offering "turnkey" rental properties which would all have a return-on-investment over 11%. Deepak was also told that the properties, once rehabbed, would have guaranteed tenants for at least a year. Based on these representations,

Deepak purchased six recommended properties on February 27, 2018, for a total of \$300,000 (inclusive of rehab costs). After purchasing the properties, Deepak was told repeatedly by representatives of Morris Invest that rehab work was started and that tenants were already in some of the properties. Deepak only learned that no rehab was being done and no tenants were in his properties after he saw on the Morris Invest website that Defendants were encouraging investors to file Indiana Attorney General complaints against Indy Jax. Deepak reached out to Clayton Morris directly and Mr. Morris told him via text message that Morris Invest would not be doing any of the rehabs. Deepak asked Mr. Morris if he could sell the properties back to Morris Invest, but Mr. Morris told him that if he did so, he would have to forfeit all the rehab money and the properties could not be sold back for the amount Deepak purchased them for. Deepak has been able to sell one of the properties (original purchase price of \$49,500) for \$16,500. Deepak and Reena seek damages of \$850,500—rescission of the purchase of the remaining five properties, totaling \$250,500.00 (trebled) and the \$33,000 loss (trebled) on the sixth property—in addition to damages for loss rental income and code violations incurred.

54. **Alanann Properties, LLC (Jeffrey and Laura Rolerat).** After listening to Clayton Morris’s podcasts, which directed them to the Morris Invest website, the Rolerats were contacted by a representative of Defendants (Glenn Radford), who told them that there were “turnkey” properties available in Indianapolis. Based on this representation and the Clayton Morris’s credibility as a public figure, the Rolerats purchased a recommended property at 2327 Columbia

Avenue in Indianapolis for \$48,500 (inclusive of rehab costs) on March 20, 2018. After the purchase, the Rolerats consistently tried to obtain updates on the rehab work to their property from representatives of Defendants, but were consistently rebuffed. Defendants eventually pointed the finger at Oceanpointe as the entity responsible for rehabbing and renting out the property. The Rolerats had to hire a new company to perform the rehab of their property and subsequently sold the property for \$12,500. The Rolerats, through Plaintiff Alanann Properties, LLC, seek damages of \$108,000 (the \$36,000 loss, trebled) in addition to damages for lost rental income and the costs of the rehab of the property.

55. **Carlos Huerta Homes IN, LLC (Carlos Huerta).** In late 2017, after watching Clayton Morris's videos on YouTube, Carlos was contacted via email and phone calls by representatives of Defendants (James Frederico, Clayton Morris and Nicole Morris) who told him that as part of its "turnkey" program, Defendants guaranteed that within 60 days the rehab work on the property would be done and it would be rented out. Defendants' representatives told Carlos that Morris Invest would handle everything and all he needed to do was sit back, be patient, and wait for the checks to come in. Based on these representations, Carlos purchased a property at 871 W. 25th Street in Indianapolis on December 17, 2017, for \$49,000 (inclusive of rehab costs). After trying to get updates from Defendants, Carlos finally drove to Indianapolis in late November 2018, only to find that the rehab work was not done; but a tenant was in the property paying \$600 per month, none of which Carlos received. After this discovery, Carlos had a phone conversation with

Clayton Morris, who promised that he would take care of the problem even if it meant paying Carlos himself. Carlos, through Carlos Huearta Homes IN, LLC, seeks damages of \$147,000 (rescission of the \$49,000 purchase price, trebled), along with damages for lost rental income and the costs to rehab the property.

56. **LEJ Management, LLC (Edwin Reina).** In April 2018, Edwin was contacted by a representative of Defendant (James Federico) who told him via email and phone calls about Morris Invest's "turnkey" investment opportunities and the full-service capabilities. Based on those representations, on April 10, 2018, Edwin purchased a recommended duplex property in Indianapolis for \$48,500 (inclusive of rehab costs). After the purchase, no one from Morris Invest would call Edwin back, and Edwin eventually discovered that the rehab work was never done. Edwin, through LEJ Management, LLC, seeks damages of \$145,500 (rescission of the \$48,500 purchase price, trebled), along with damages for lost rental income.

57. **BN Invest, LLC (Cole Peterson).** In March 2017, after listening to Clayton Morris's podcast, Cole was directed to the Morris Invest website to set up an appointment with a representative of Defendants. That representative (Larry) told Cole about the "turnkey" investment opportunities offered by Morris Invest and even directed Cole on how to be ready to purchase (have the money in the bank, set up an LLC, etc.). The representative of Defendants then called Larry with "hot" properties that required same-day action. Based on these representations, Cole purchased two properties, one on April 18, 2017 for \$48,500 (inclusive of rehab costs), and the second on May 25, 2017 for \$45,500 (inclusive of rehab costs). Cole

received rent payments from the first property for 7-8 months, but when those stopped and he failed to receive any rent payments from the second property, Cole reached to representatives of Defendants, but was told that he needed to speak with Oceanpointe. When Clayton Morris put out a press release that Morris Invest was no longer working with Oceanpointe, Cole contacted a new property management company that took pictures of his properties showing that no rehab had ever been completed and the properties had been unoccupied for a long time. Cole, through BN Invest, LLC, seeks damages of \$282,000 (rescission of the total purchase prices of \$94,000, trebled), along with damages for lost rental income.

58. **Galveston, LLC (Debra and Christopher Thomas).** In March, 2018, a representative of Defendants (Glenn Redford) made representations to the Thomas's that Defendants were offering "turnkey" real estate investment opportunities. Defendants also sent the Thomas's YouTube videos promoting how safe the program offered by Morris Invest was. Based on the representations of Defendants, on April 4, 2018, the Thomas's purchased a property offered by Defendants for \$55,000 (inclusive of rehab costs). Defendants told the Thomas's that the property would be rental ready in about three months, but the rehab was never done and the property was never rented. The Thomas's began to incur fines for code violations and were forced to sell the property on July 31, 2018, for \$22,100. The Thomas's, through Plaintiff Galveston, LLC, seek damages of \$98,700 (the \$32,900 loss, trebled), along with lost rental income and reimbursement for the code violation fines they incurred.

59. **BKS IN Properties, LLC (Brian Sidaway)**. In January, 2018, a representative of Defendant (James Federico) made representations to Brian via phone calls and emails that Defendants were offering “turnkey” real estate investment opportunities. Based on those representations, on January 17, 2018, Brian purchased a property offered by Defendants for \$44,500 (inclusive of rehab costs). Defendants told Brian to expect rent payments to begin 90 days after closing, but almost one year later there is still no renter in the property, and the rehab promised by Defendants was not done. Adam was forced to hire someone else to do the rehab work at an additional cost. Adam, through Plaintiff BKS IN Properties, LLC, seeks damages of \$133,500 (rescission of the \$44,500 purchase price, trebled), along with lost rental income and the costs of the additional rehab work.

60. **DL3 Properties, LLC IN1801 (Lilli and Dean Thorsell)**. In February, 2018, a representative of Defendants (Glenn Radford) made representations via phone calls and emails that Defendants were offering “turnkey” real estate investment opportunities. Over the course of two months, the Thorsells received over 40 emails from Defendants offering properties. Based on the representations made by Defendants, the Thorsells purchased two of these properties offered by Defendants: on March 7, 2018, they purchased a property for \$51,500 (inclusive of rehab costs) and on April 4, 2018, they purchased a property for \$72,500 (inclusive of rehab costs). When the Thorsells began to get code violation notices on both properties, they attempted to contact Defendants, but received no information until June 5, 2018, when the Thorsells received an email saying that

Morris Invest only “referred” the Thorsells to Oceanpointe, so Oceanpointe was responsible for the rehab of the properties. Prior to that email the Thorsells were told, and believed, that everything – the purchase, the rehab, securing renters – was being done by Morris Invest. The Thorsells were forced to sell one of the properties at a loss of \$30,500 because they could not pay someone else to do the rehab that Morris Invest had promised to do for the purchase price. The Thorsells, through Plaintiff DL3 Properties, LLC IN1801, seek damages of \$309,000 (rescission of the \$72,500 purchase price on one property plus the \$30,500 loss on the other, trebled), along with lost rental income and reimbursement for the code violation fines they incurred.

61. **Covenantal Corporation (Anthony Kulczak).** In February 2018, after viewing Defendants videos on how to create passive income, Anthony had a scheduled phone conversation with a representative of Defendants (James Federico) who told Anthony about the “turnkey” real estate investment opportunities that Morris Invest was offering. Anthony was told that the properties go very quick and that all purchases required cash at closing. After the phone call pitching the Morris Invest program, Anthony began to receive emailed property offerings, one of which was a house at 2902 N. Gladstone Avenue in Indianapolis that was offered at \$54,500 (inclusive of rehab costs). Defendants represented that once the rehab was complete the property value would be at or above market value and could rent for \$775 per month. Anthony purchased the property on February 27, 2018, but by June, 2018, no rehab work had been done and Anthony was paying code violations.

He was forced to sell the property for \$20,000 because he could not afford to pay someone else to do the rehab that Defendants had promised to do. Anthony, through Plaintiff Covenantal Corp., seeks damages of \$102,000 (the \$34,000 loss, trebled) in addition to damages for lost rental income and the code violations fines he incurred.

62. **1446 Mount, LLC (Cesar De la Guardia).** In March, 2018, Cesar saw an email or Facebook advertisement about Morris Invest. He then began watching the Morris Invest YouTube channel and eventually went to the website where he booked a call with a representative of Defendants (Hayley Neeley). Representatives (Hayley Neeley and James Federico) of Defendants told Cesar that Morris Invest would handle rehab and property management, and he would be informed of “turnkey” properties. Based on Defendants representations, Cesar purchased a property on March 21, 2018 for \$48,500 (inclusive of rehab costs). After the purchase, Cesar was promised pictures of the rehab, but they never came. Eventually, in June 2018, Cesar was told—contrary to what Defendants previously promised—that Oceanpointe was the entity responsible for the failure to complete the rehab. Cesar, through 1446 Mount, LLC, seeks damages of \$145,500 (rescission of the \$48,500 purchase price, trebled), along with damages for lost rental income.

63. **300 Real Estate Investments, LLC (Jeffrey Lemon).** In January, 2018, Jeff began receiving emails from Defendants about their “turnkey” real estate investment opportunities. A representative of Defendants (Glenn Radford) represented to Jeff that a house at 4631 E. 34th Street in Indianapolis could be purchased and renovated for \$50,000 (inclusive of rehab costs), then rented for \$775

per month. Based on Defendants representations, Jeff purchased the property on January 30, 2018. On May 4, 2018, Jeff also purchased a “new construction property” for \$68,500 in Indianapolis based on Defendants representations that, once built, the property would generate monthly rent of \$875 to \$925. However, the rehab on the first property was never done and no house was ever built on the second property. Jeff never received any rental income, but he did incur fines for code violations. Jeff, through Plaintiff 300 Real Estate Investment, LLC seeks damages of \$355,500 (rescission of the \$118,500 purchase prices, trebled) along with lost rental income and the code violation fines he incurred.

64. **Finnley Invest, LLC (Dawn and Steve Vanderhill).** In February, 2018, representatives of Defendants (Glenn Radford and Clayton Morris) made representations via phone calls, emails and podcasts to the Vanderhills that Defendants were offering “turnkey” real estate investment opportunities. The Vanderhills were also told that the properties they were offered were all in “C” and better neighborhoods, and they were encouraged to act quickly because the properties offered by Defendants would be gone in hours. Based on the representations of Defendants, on April 4, 2018, the Vanderhills purchased a property offered by Defendants for \$48,500 (inclusive of rehab costs). The Vanderhills were assured by Defendants that they would handle the rehab and rent collection, but when the Vanderhills failed to receive updates on the rehab work, they contacted other people who purchased properties from Morris Invest and learned that the rehab monies were being misappropriated. Now the Vanderhills

are stuck with a boarded-up house that is unrentable and unsellable. The Vanderhills seek damages of \$145,500 (rescission of the \$48,500 purchase price, trebled), along with lost rental income.

65. **AR Financials, LLC (Adam Rahilly)**. In June, 2017, representatives of Defendants (Larry Blessman and Clayton Morris) made representations to Adam via phone calls and emails that Defendants were offering “turnkey” real estate investment opportunities. Based on these representations, on July 12, 2017, Adam purchased a property offered by Defendants for \$39,500 (inclusive of rehab costs). Also based on Defendants representations, on November 1, 2017, Adam purchased a second property offered by Defendants for \$42,500 (inclusive of rehab costs). Adam was told by Defendants that the rehab on the properties was complete and he began receiving rent checks, but the rent checks stopped coming after a couple months and when Adam investigated he found that the rehab work had not actually been done. In fact, the first property had extensive fire damage and would need to be completely rebuilt in order to be habitable. Adam, through Plaintiff AR Financials, LLC, seeks damages of \$246,000 (rescission of the \$82,000 total purchase price of two properties, trebled), along with lost rental income and reimbursement for the fines he has incurred for code violations.

V. PLAINTIFFS’ CLAIMS AGAINST DEFENDANTS

Count 1 – Breach of Contract

66. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

67. Plaintiffs entered into Agreements with Defendants providing that, for the purchase price of each Rental Property, Defendants would sell the Rental Properties to Plaintiffs, rehabilitate the properties, identify tenants, screen tenants, secure tenants, manage the Rental Properties, and provide rent checks to Plaintiffs.

68. An exemplar of the Purchase Agreement entered into by Morris Invest/Clayton Morris and each individual Plaintiff is attached to this complaint as Exhibit 1.

69. Plaintiffs fulfilled their duties and responsibilities pursuant to their Agreements with Defendants.

70. Defendants breached the Agreements with Plaintiffs by accepting the funds from Plaintiffs intended to purchase and rehabilitate the properties, then failing to rehabilitate the properties.

71. Defendants breached the Agreements with Plaintiffs by failing to identify, screen, and secure tenants for the Rental Properties.

72. Defendants breached the Agreements with Plaintiffs by failing to fulfill their property management obligations with respect to the Rental Properties.

73. As a result of Defendants' breach of contract, Plaintiffs suffered damages.

74. As a result of Defendants' breaches, Defendants are obligated to pay Plaintiffs all amounts which accrued and are owed, with interest.

Count 2 – Promissory Estoppel

75. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

76. Defendants made a clear and unambiguous promise to Plaintiffs that Defendants would sell the Rental Properties to Plaintiffs, rehabilitate the properties, identify tenants, screen tenants, secure tenants, manage the Rental Properties, and provide rent checks to Plaintiffs.

77. Defendants have breached that promise by failing to rehabilitate the Rental Properties, identify tenants, screen tenants, secure tenants, manage the Rental Properties, and provide rent checks to Plaintiffs.

78. Plaintiffs relied on Defendants' promises by providing funds to Defendants to purchase and rehabilitate the Rental Properties.

79. Plaintiffs' reliance on Defendant's promises was reasonable and foreseeable.

80. Plaintiffs' reliance on Defendants' promises caused them harm.

Count 3 – Fraud / Deception

81. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

82. Defendants Morris Invest and Clayton Morris knowingly and intentionally made false statements of important existing facts, namely, that Morris Invest and Clayton Morris would sell the Rental Properties to Plaintiffs,

rehabilitate the properties, identify tenants, screen tenants, secure tenants, manage the Rental Properties, and provide rent checks to Plaintiffs.

83. Defendants Morris Invest and Clayton Morris knew the statements were false when they made them, or they made them recklessly without knowing whether they were true or false, because it was always Defendants' intention either fail to perform these tasks altogether, or to farm them out to Oceanpointe and other entities.

84. Defendants made the false statements with the intent to obtain property, namely, the purchase Funds provided by Plaintiffs.

85. Defendants Morris Invest and Clayton Morris made the statements to cause Plaintiffs to act upon them.

86. Plaintiffs justifiably or reasonably relied and acted upon Defendants Morris Invest's and Clayton Morris's statements.

87. Because neither Morris Invest nor Clayton Morris nor Oceanpointe, Indy Jax Wealth Holdings, LLC, Indy Jax Properties, LLC, or any other entity controlled by Defendants rehabilitated the Rental Properties, secured tenants for the properties, or performed property management services for the properties, and failed to provide or ceased providing rent payments to Plaintiffs, Plaintiffs were injured as a result of their reasonable reliance on Defendants' statements.

88. Defendants' conduct is in violation of Indiana Code section 35-43-5-3.

89. Pursuant to the Indiana Crime Victim's Relief Act, Indiana Code section 34-24-3 et seq., Plaintiffs are entitled to the following compensation:

- a. An amount three times the actual damage suffered by Plaintiff;
- b. The costs of the action;
- c. The costs of collection;
- d. Attorney's fees.

Count 4 – Conversion

90. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

91. Defendants knowingly or intentionally exerted unauthorized control over Plaintiffs' property for Defendants' own benefit, in exclusion and defiance of Plaintiffs' ownership rights.

92. Specifically, Defendants converted the funds provided by Plaintiffs to Defendants specifically and expressly for the purpose of rehabilitation of the Rental Properties ("the Funds").

93. The Funds were a determinate sum provided by each Plaintiff and are a special chattel.

94. Defendants were entrusted to apply the funds provided by Plaintiffs for the specific purpose of rehabilitation of the Rental Properties.

95. Defendants did not use the Funds as directed by and promised to Plaintiffs. The Rental Properties were not rehabilitated.

96. Plaintiffs lost the Funds as a result of Defendants' conversion of those Funds.

97. Defendants' conduct is in violation of Indiana Code section 35-43-4-3.

98. Pursuant to the Indiana Crime Victim's Relief Act, Indiana Code section 34-24-3 et seq., Plaintiffs are entitled to the following compensation:

- a. An amount three times the actual damage suffered by Plaintiff;
- b. The costs of the action;
- c. The costs of collection;
- d. Attorney's fees.

Count 5 – Negligence

99. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

100. Defendants owed a duty to the Plaintiffs to properly screen, hire, retain, and supervise the company it engaged to perform the services it promised Plaintiffs.

101. In failing to properly screen, hire, retain, and supervise Oceanpointe and other entities, Defendants breached their duty to Plaintiffs.

102. Defendants owed a duty to Plaintiffs to take appropriate steps and implement appropriate measures and policies to learn of and correct Oceanpointe's and other entities' failure to rehabilitate the Properties, locate tenants for the Properties, manage the Properties, and perform other services promised by Defendants to Plaintiffs.

103. Defendants breached their duty to Plaintiffs by failing to take appropriate steps and implement appropriate measures and policies to learn of and correct Oceanpointe's and other entities' failure to rehabilitate the Properties, locate

tenants for the Properties, manage the Properties, and perform other services promised by Defendants to Plaintiffs.

104. As a direct and proximate result of Defendants' above-described negligence, Plaintiffs have suffered damages.

Count 6 – Indiana Deceptive Consumer Sales Act

105. Plaintiffs incorporate the foregoing paragraphs as if set forth in their entirety herein.

106. Each purchase and sale of a Rental Property is a “consumer transaction” within the meaning of the Indiana Deceptive Consumer Sales Act (“Act”).

107. Defendants are “suppliers” within the meaning of the Act in that each regularly engages in or solicits consumer transactions.

108. Each Plaintiff is a “consumer” within the meaning of the Act.

109. Plaintiffs have given notice in writing to Defendants in accordance with Ind. Code § 24-5-0.5-5(a).

110. Defendants' deceptive acts described above have not been cured.

111. The Defendant's actions described above are unfair, abusive, and deceptive, and constitute violations of Indiana's Deceptive Consumer Sales Act.

112. The acts, practices, misrepresentations and omissions by Defendants described above, occurring in the course of conduct involving trade or commerce, were not made in good faith and constitute unfair methods of competition and

unfair or deceptive acts or practices within the meaning of the Indiana Deceptive Consumer Sales Act.

113. The acts, practices, misrepresentations and omissions by Defendants described above are incurable deceptive acts under I.C. 24-5-0.5-2(a)(8), done by Defendants as part of a scheme, artifice, or device with an intent to defraud or mislead.

114. Plaintiffs reasonably relied on the acts, practices, misrepresentations and omissions by Defendants described above.

115. Defendants' acts and practices created a likelihood of confusion or of misunderstanding and misled, deceived or damaged Plaintiffs in connection with the sale and purchase of the Rental Properties.

116. Defendants' conduct also constituted the use or employment of deception, fraud, false pretense, false promise, misrepresentation, or knowingly concealing, suppressing, or omitting a material fact with intent that others rely upon the concealment, suppression or omission in connection with the sale or advertisement of goods whether or not a person has in fact been misled, deceived or damaged in violation of Indiana's Deceptive Consumer Sales Act.

117. Plaintiffs seek monetary damages, treble damages and such other and further relief as set forth in Indiana's Deceptive Consumer Sales Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs request that judgment be entered against Defendants on all claims and request that the Court award the following relief:

- a) Award to Plaintiffs compensatory damages in an amount to be proved at trial;
- b) Award Plaintiffs pre-judgment interest on all amounts owed
- c) Award Plaintiffs any and all special, incidental, and/or consequential damages, according to proof;
- d) Award Plaintiffs treble damages and reasonable costs and fees pursuant to the Crime Victim's Relief Act, Ind. Code § 34-24-3.
- e) Award Plaintiffs exemplary and/or punitive damages; and
- f) Grant such other and further relief as the Court may deem just and proper.

Respectfully Submitted,

RILEY WILLIAMS & PIATT, LLC

/s/ James A. Piatt

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Anne Medlin Lowe, Atty. No. 31402-49
301 Massachusetts Avenue
Indianapolis, IN 46204
(317) 633-5270
Fax: (317) 426-3348
Email: jpiatt@rwp-law.com
alowe@rwp-law.com

Jury Demand

Plaintiff respectfully demands a jury trial on all issues and counts so triable.

/s/ James A. Piatt

James A. Piatt

Certificate of Service

I hereby certify that on the ____ day of _____, 2018, a copy of the foregoing was filed electronically. Service of this filing will be made on all ECF-registered counsel by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

David J. Hensel
Amanda L.B. Mulroony
HOOVER HULL TURNER LLP
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amulroony@hooverhullturner.com

/s/ James A. Piatt

James A. Piatt

**PURCHASE AGREEMENT
(IMPROVED PROPERTY)**

Date: 3/7/2018

1. BUYER: 300 Real Estate Investments IN, LLC ("Buyer")

agrees to buy the following property from the owner ("Seller") for the consideration and subject to the following terms, provisions, and conditions:

Buyer: 300 Real Estate Investments IN, LLC

Address: 832 Arlington Drive

Phone: 706-329-1411

E-mail: rio31907@hotmail.com

1117 w Roache St. Indianapolis, IN 46208

2. PROPERTY: The property ("Property") is known as _____

_____ in _____ Township, _____

County, Marion (zip code) legally described as: _____

_____ together with any existing permanent improvements and fixtures attached (**unless leased**), such as, but not limited to, electrical and/or gas fixtures, home heating fuel, heating and central air-conditioning equipment and all attachments thereto, built-in kitchen equipment, sump pump, water softener, water purifier, gas grills, fireplace inserts, gas logs and grates, central vacuum equipment, window shades/blinds, curtain rods, drapery poles and fixtures, ceiling fans and light fixtures, towel racks and bars, storm doors, windows, awnings, TV antennas, satellite dishes and controls, storage barns, all landscaping, mailbox, garage door opener with control(s) AND THE FOLLOWING: _____

_____ EXCLUDES THE FOLLOWING: _____

3. PRICE: Buyer will pay the total purchase price of (\$ 68,500.00) _____

_____ Dollars for the

Property.

4. EARNEST MONEY: Buyer submits \$ 0 as earnest money which shall

be applied to the purchase price. The listing broker shall deposit earnest money received into its escrow account within two (2) banking days of acceptance of this Agreement and hold it until time of closing the transaction or termination of this Agreement. If Buyer fails for any reason to submit earnest money, Seller may terminate this Agreement. Earnest money shall be returned promptly in the event this offer is not accepted. If this offer is accepted and Buyer fails or refuses to close the transaction, without legal cause, the earnest money shall be retained by Seller for damages the Seller has or will incur, and Seller retains all rights to seek other legal

(Property Address)

and equitable remedies. The Broker holding any earnest money is absolved from any responsibility to make payment to the Seller or Buyer unless the parties enter into a Mutual Release or a Court issues an Order for payment, except as permitted in 876 IAC 1-1-23 (release of earnest money). Upon notification that Buyer or Seller intends not to perform, Broker holding the earnest money may release the earnest money as provided in this Agreement. If no provision is made in this Agreement, Broker may send to Buyer and Seller notice of the disbursement by certified mail. If neither Buyer nor Seller enters into a mutual release or initiates litigation within sixty (60) days of the mailing date of the certified letter, Broker may release the earnest money to the party identified in the certified letter. Buyer and Seller agree to hold the Broker harmless from any liability, including attorney's fees and costs, for good faith disbursement of earnest money in accordance with this Agreement and licensing regulations.

5. METHOD OF PAYMENT:

A. CASH: The entire purchase price shall be paid in cash and no financing is required.

CLOSING FEE, HAZARD INSURANCE AND TITLE INSURANCE COSTS ARE NOT INCLUDED ABOVE.

6. CLOSING: The closing of the sale (the "Closing Date") shall be on or before _____
3/14/18, or within _____ days after, whichever is later or this Agreement shall terminate unless an extension of time is mutually agreed to in writing. The closing fee shall be paid by:

BUYER SELLER SHARED EQUALLY

7. POSSESSION: The possession of the Property shall be delivered to Buyer at closing.

8. MAINTENANCE OF PROPERTY: Seller shall maintain the Property in its present condition until its possession is delivered to Buyer, subject to repairs in response to any inspection and the scope of work.

9. SELLER'S RESIDENTIAL REAL ESTATE SALES DISCLOSURE: (check one)

Buyer acknowledges receipt and execution of a Seller's Residential Real Estate Sales Disclosure Form.

Buyer has not received an executed Seller's Residential Real Estate Disclosure Form.

Seller's Residential Real Estate Sales Disclosure Form is not applicable to this transaction.

(Property Address)

10. TITLE APPROVAL: Prior to closing, Buyer shall be furnished Title Insurance Commitment (if available) an abstract of title continued to date showing marketable title to the Property in Seller's name. The cost shall be paid by:

- Buyer
- Seller
- shared equally
- Seller to pay owner's policy and Buyer to pay mortgage policy
- other _____.

Any encumbrances or defects in title must be removed and Seller must convey title free and clear of any encumbrances and title defects, with the exception of any mortgage assumed by Buyer and any restrictions and easements of record which will not materially interfere with Buyer's intended use of the Property. Seller shall order the commitment immediately after mortgage approval other. Seller agrees to pay the cost of obtaining all other documents necessary to perfect title (including the cost of the deed and vendors affidavit), so that marketable title can be conveyed. A title company, at Buyer's request, can provide information about availability, desirability, coverage, and cost of various title insurance coverages, gap and other endorsements.

11. TAXES: (Check appropriate box)

- Buyer will assume and pay all taxes on the Property beginning with the taxes due and payable on May 10, 2018, and all taxes due thereafter. At or before closing, Seller shall pay all taxes for the Property payable before that date.
- All taxes assessed for any prior calendar year and remaining unpaid shall be paid by Seller, and all taxes assessed for the current calendar year shall be prorated between Seller and Buyer on a calendar-year basis as of the day immediately prior to the Closing Date.

12. PRORATIONS AND SPECIAL ASSESSMENTS: The purchase price above includes the rehabilitation of this property should the property require any renovations to achieve rentable conditions as per the scope of work. Any existing liens prior to the close of escrow will be rectified during the closing and rehabilitation process.

13. MISCELLANEOUS:

- A. Conveyance of this Property shall be by general Warranty Deed, or by _____, subject to taxes, easements, restrictive covenants and encumbrances of record, unless otherwise agreed.
- B. Seller represents and warrants that Seller is not a "foreign person" (individual entity) and, therefore, is not subject to the Foreign Investment in Real Property Tax Act.
- C. Any notice required or permitted to be delivered shall be deemed received when personally delivered, transmitted electronically or digitally or sent by

(Property Address)

express courier or United States mail, postage prepaid, certified and return receipt requested, addressed to Seller or Buyer or the designated agent of either party.

- D. Non-Disparagement: Buyer agrees to not make any statements whether written or oral, that disparage, defame or otherwise libel Morris Invest or any of its affiliated companies or any of its current or former employees.
- E. This Agreement shall be construed under and in accordance with the laws and is binding upon the parties' respective heirs, executors, administrators, legal representatives, successors, and assigns.
- F. In case any provision contained in this Agreement is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement.
- G. This Agreement constitutes the sole and only agreement of the parties and supersedes any prior understandings or written or oral agreements between the parties' respecting the transaction and cannot be changed except by their written consent.
- H. All rights, duties and obligations of the parties shall survive the passing of title to, or an interest in, the Property.
- I. By signing below, the parties to this transaction acknowledge receipt of a copy of this Agreement and give their permission to a Multiple Listing Service, Internet or other advertising media, if any, to publish information regarding this transaction.
- J. Any amounts payable by one party to the other, or by one party on behalf of the other party, shall not be owed until this transaction is closed.

14. FURTHER CONDITIONS (List and attach any addenda):

15. DOCUMENT PROTECTION: Buyer acknowledges and agrees to pay the fee at closing for electronic filing and online access to transaction and closing documents.

16. ACKNOWLEDGEMENTS: Buyer and Seller acknowledge that each has received agency office policy disclosures, has had agency explained, and now confirms all agency relationships. Buyer and Seller further acknowledge that they understand and accept agency relationships involved in this transaction. By signature below, the parties verify that they understand and approve this Purchase Agreement and acknowledge receipt of a signed copy.

17. This Agreement may be executed simultaneously or in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties agree that this Agreement may be transmitted between them electronically or digitally. The parties intend that electronically or digitally transmitted signatures constitute original signatures and

(Property Address)

are binding on the parties. The original document shall be promptly delivered, if requested.

DocuSigned by:
Jeffrey Lemon
C7C58AA29DEA471...
BUYER'S SIGNATURE

Jeffrey Lemon

PRINTED NAME

3/7/2018

DATE

BUYER'S SIGNATURE

PRINTED NAME

DATE



SELLER'S SIGNATURE

Clayton Morris

PRINTED NAME

DATE

(Property Address)