

STATE OF MAINE
KNOX, SS

MAINE DISTRICT COURT
LOCATED IN ROCKLAND
DOCKET NO. ROCDC-CV-2014-

TAMARA SWASEY-BALLOU,
individually, and as President of
KAX OFFICE CENTER, INC.

Plaintiff

v.

RUSSELL BRACE, individually,
and as past President of KAX
OFFICE CENTER, INC.

Defendant

VERIFIED COMPLAINT

NOW COMES the Plaintiff, Tamara Swasey-Ballou, by and through their attorney, Christopher K. MacLean, Esq., and complains against Defendant, as follows:

1. Tamara Swasey-Ballou (hereinafter "Ballou"), is an individual residing in Camden, Knox County, Maine, and as President of KAX Office Center, Inc., (hereinafter "KAX"), a duly registered corporation in the State of Maine with a principal place of business in Camden, Knox County, Maine.

2. Russell Brace (hereinafter "Brace") is an individual residing in Rockport, Knox County, Maine, and was former President of KAX Office Center, Inc.

3. On or about July 1, 2014, Brace, as President of KAX, executed a contract for the sale of KAX, including assets, goodwill, and client lists, to Ballou for a purchase price of \$60,000. A copy of the asset purchase agreement is attached hereto as **Exhibit A**. A copy of a bill of sale is attached

hereto as **Exhibit B**. A copy of an assignment is attached hereto as **Exhibit C**. A copy of an allocation agreement is attached hereto as **Exhibit D**, and a copy of an action taken by unanimous written consent of shareholders without meeting is attached hereto as **Exhibit E**.

4. In accordance with the terms of sale, Ballou paid Brace \$40,000 of the \$60,000 purchase price.

5. In reliance on the terms of sale, an acquisition of KAX, Ballou invested substantial sums of money in startup costs and other expenses after her purchase of the business.

6. At the time of sale of the business by Brace to Ballou, Brace was the President of United Mid Coast Charities (hereinafter "UMCC"), a non-profit organization acting as a clearing house for the collection of donations and distribution of donations to various charitable causes in Knox County and Waldo County, Maine.

7. At the time of sale of KAX to Ballou, UMCC was a major client of KAX, providing revenue of approximately \$50,000 each year to the company.

8. KAX is a business relying heavily on goodwill, and a reputation for integrity, and provides bookkeeping, payroll, and other services to a large number of clients, including business entities and non-profit organizations.

9. Unbeknownst to Ballou, at the time she purchased KAX, Brace was engaged in a fraudulent scheme to embezzle substantial funds from UMCC, and he had been using KAX to perpetrate and conceal his fraudulent scheme.

10. In or around the beginning of September, 2014, Ballou became

aware of the fraudulent scheme orchestrated by Brace.

COUNT I

FRAUDULENT MISREPRESENTATION

11. Ballou repeats and realleges Paragraphs 1 through 10 of the Complaint with the same force and effect as if stated herein.

12. Brace made fraudulent misrepresentations to Ballou concerning the nature of goodwill associated with KAX, and the likelihood that UMCC would remain a client of KAX. Specifically, Brace failed to disclose that he was embezzling substantial funds from UMCC, and had been using KAX in connection with his fraudulent scheme.

13. Ballou reasonably relied on Brace's representations, and on the omission of information relating to Brace's embezzlement scheme.

14. Ballou would not have purchased KAX if she had known that it was being used as a cover and instrument to perpetrate substantial crimes and frauds against UMCC.

15. Ballou has suffered damages in the amount of \$40,000, representing the initial payment made to Brace in July, 2014.

16. Ballou incurred bank fees and other costs in the amount of \$3,859 in order to secure a loan to pay Brace \$40,000 in July, 2014.

17. Ballou has incurred other expenses, including startup costs, advertising costs, and other expenses associated with her acquisition of KAX, all in an amount to be established at trial.

WHEREFORE, Plaintiff demands damages against Defendant,

individually, and as past President of KAX Office Center, Inc., in the amount of \$43,859, and any additional damages established at trial, along with interest, costs, and attorney's fees, to the extent allowable at law, along with any additional relief that the court deems just and proper.

COUNT II
BREACH OF CONTRACT

18. Ballou repeats and realleges Paragraphs 1 through 17 of the Complaint with the same force and effect as if stated herein.

19. In doing all of the things herein alleged, and in conveying to Ballou a business tainted by substantial fraud, embezzlement, and criminality, Brace breached his contractual duties and obligations to Ballou.

20. Ballou has incurred incidental and consequential damages flowing from Brace's breach of contract, including payment of monthly rent to Brace, startup costs, advertising expenses, employee salaries, lost profits, and other related damages exceeding \$75,000.

WHEREFORE, Plaintiff demands judgment against Defendant, demands the return of the purchase price, demands incidental and consequential damages flowing from Defendant's breach, and demands rescission of the contract, along with additional relief that the court deems just and proper.

COUNT III
PUNITIVE DAMAGES

21. Ballou repeats and realleges Paragraphs 1 through 20 of the Complaint with the same force and effect as if stated herein.

22. In doing of the things alleged herein, including making false representations to Ballou to induce her to purchase KAX, and omitting material information concerning his criminal and fraudulent embezzlement schemes, all to induce Ballou to pay him money, Brace acted with malice or in such a manner as to raise the implication of malice, thereby justifying an award of punitive damages.

WHEREFORE, Plaintiff requests an award of punitive damages against Brace, along with any additional relief that the court deems just and proper.

COUNT IV
PERSONAL LIABILITY

23. Ballou repeats and realleges Paragraphs 1 through 22 of the Complaint with the same force and effect as if stated herein.

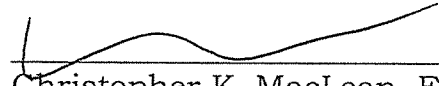
24. Brace engaged in fraudulent misrepresentation in his capacity as President of KAX; accordingly Brace's conduct represents an abuse or misuse of corporate status.

25. It would unjust or inequitable to allow Brace to avoid liability for his wrongful and fraudulent conduct by hiding behind a corporate veil.

WHEREFORE, Plaintiff respectfully requests that she be awarded the full measure of her damages against Defendant, Russell Brace, personally, and that Plaintiff be awarded any further and additional relief that this court deems just and proper, including her costs, interest, and attorney's fees, all as may be allowed by law, and any other and additional relief that this court deems just and proper.

Dated this 3 day of October, 2014

Attorney for Plaintiff,

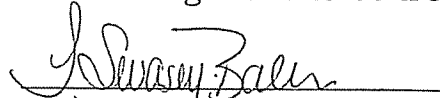


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VERIFICATION

I, Tamara Swasey-Ballou, have fully reviewed the Complaint and that the allegations set forth therein are true and correct, with the exception of those allegations which are alleged as being upon information and belief, and in which case, upon information and belief, I believe such allegations to be true.

Dated: October 3, 2014



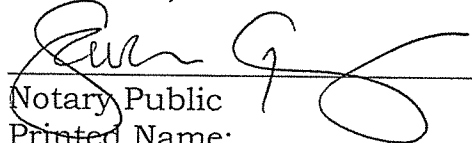
Tamara Swasey-Ballou

STATE OF MAINE
COUNTY OF KNOX

Personally appeared before me, Tamara Swasey-Ballou, who having been duly sworn gave oath that the foregoing statements are true and made of their own knowledge, information and belief, and to the extent based on knowledge or belief, that they believe them to be true.

Dated at Camden, Maine, this 3rd day of October 2014.

Before me,



Notary Public
Printed Name: Sarah Godfrey
My Commission Expires: My Commission Expires April 10, 2015