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SUPERIOR COURT FOR THE STATE OF CALIFORNIA
IN THE COUNTY OF LOS ANGELES

GOLD & SILVER RESERVE, INC.

Plaintiff,

vs.

CHARLES EVANS, an individual, and
SYLVIA BERNDT-EVANS,
an individual, and
IAN GRIGG,
an individual, and
DOES 1 through 10, inclusive,

Defendants.

Case No.: BC 255276

**SECOND AMENDED COMPLAINT
FOR**

- 1. TORTIOUS INTERFERENCE
WITH PROSPECTIVE ECONOMIC
ADVANTAGE;**
- 2. UNFAIR BUSINESS PRACTICES;**
- 3. BREACH OF THE DUTY OF
LOYALTY; and**
- 4. CIVIL CONSPIRACY.**

Plaintiff, Gold & Silver Reserve, Inc. (hereinafter "G&SR"), brings the following claims against defendants and for reason therefore states as follows:

SUMMARY OF THE CASE

1. G&SR is a well-established and thriving internet-based business that created and marketed e-gold™, which is a secure – and therefore increasingly popular – electronic currency backed by the universally accepted commodity of gold (as well as certain other precious metals). E-gold currency is issued by e-gold, Ltd., a Nevis corporation. Title to the gold that backs the e-gold currency is held in The e-gold Bullion Reserve Special Purpose Trust (the "Trust"); the gold is

1 physically stored in safety in treasury grade vaults by third-party custodians such as JP Morgan, Chase
2 & Co. in London and Transguard in Dubai; it is audited from time-to-time by Ernst & Young, LLP;
3 and the operations of e-gold and the Trust function under the auspices of an independent escrow agent,
4 currently the Central Escrow Agency Ltd., an Ontario, Canada company, which is controlled by the
5 same principals who control Central Funds of Canada, an internationally known and respected family
6 of mutual funds which specialize in the investment in precious metals (the "Escrow Agent").

7 2. During the period from its inception through present, G&SR has enjoyed great
8 recognition for its product, much acceptance from the public and ever-increasing sales/market share.
9 During the period 1999-2000, Jackson Trading Company (hereinafter "JTC"), provided G&SR with
10 management and other services, specifically, with the personnel it needed to conduct its business,
11 including the marketing of its products and the further development of its business.

12 3. In July, 1999, JTC hired defendant Charles Evans as its Executive Vice-President of
13 Business Development. In that position, Charles Evans worked to develop business plans and
14 development strategy for the benefit of JTC and G&SR. JTC employed Defendant Charles Evans at its
15 Melbourne, Florida office until JTC terminated that employment on October 23, 2000. Thereafter, in
16 December 2000, G&SR acquired JTC in a statutory merger by which the assets of JTC were
17 transferred to G&SR. In accordance with California Corporations Code §1107, and similar statutes in
18 Florida and Delaware, G&SR is the surviving corporation following merger and has succeeded to all
19 rights and property of JTC, including its rights of action against Defendant, set forth herein. (JTC and
20 G&SR will, where applicable, be used interchangeably throughout the Complaint.)

21 4. During the course of Defendant Charles Evans' employment with JTC, and in
22 conjunction with his responsibilities as Executive Vice President of Business Development, Charles
23 Evans regularly participated in business planning meetings in which he was privy to highly
24 confidential and proprietary information regarding JTC's business development plans for G&SR.

25 5. During the course of Defendant Charles Evans' employment with JTC, Charles Evans
26 conspired unlawfully with Defendants Sylvia Berndt-Evans, Ian Grigg and others as yet unnamed for
27 the purpose of diverting business development opportunities away from G&SR and to other business
28 entities in which Defendants had a financial interest.

1 6. Subsequent to Defendant Charles Evans' termination, he, along with Defendants Sylvia
2 Berndt-Evans, Ian Grigg and others as yet unnamed, sought to interfere unlawfully with G&SR's
3 existing and prospective business relations for the purpose of diverting business development
4 opportunities away from G&SR and to other business entities in which Defendants had a financial
5 interest.

6 7. JTC employed Defendant Sylvia Berndt-Evans, the wife of Defendant Charles Evans,
7 during the same time frame as her husband. During the course of Defendant Sylvia Berndt-Evans'
8 employment with JTC, and in conjunction with her responsibilities as an employee of JTC, Sylvia
9 Berndt-Evans regularly participated in business planning meetings in which she was privy to highly
10 confidential and proprietary information regarding JTC's business development plans for G&SR. Prior
11 to Defendant Sylvia Berndt-Evans' termination, she conspired unlawfully with Defendants Charles
12 Evans, Ian Grigg and others as yet unnamed for the purpose of diverting business development
13 opportunities away from G&SR and to other business entities in which Defendants had a financial
14 interest.

15 8. Subsequent to Defendant Sylvia Berndt-Evans' termination, she, along with Defendants
16 Charles Evans, Ian Grigg and others as yet unnamed, sought to interfere unlawfully with G&SR's
17 existing and prospective business relations for the purpose of diverting business development
18 opportunities away from G&SR and to other business entities in which Defendants had a financial
19 interest.

20 9. Defendant Ian Grigg is the president of Systemics, Inc., a business incorporated in
21 Anguilla with which G&SR has entered into substantial contractual relations.

22 10. Both during and subsequent to the course of Defendants Sylvia Berndt-Evans' and
23 Charles Evans' employment with JTC, Defendant Ian Grigg conspired unlawfully with defendants
24 Sylvia Berndt-Evans, Charles Evans, and others as yet unnamed for the purpose of diverting business
25 development opportunities away from G&SR and to other business entities in which Defendants
26 Charles Evans, Sylvia Berndt-Evans and Ian Grigg had a financial interest.

27 11. Pursuant to California Corporations Code § 1107, and and similar statutes in Florida
28 and Delaware, and as the surviving corporation following its merger with JTC, G&SR has brought this

1 action to recover for the substantial damage that it has suffered in its business as a result of
2 Defendants' wrongful conduct.

3 JURISDICTION AND VENUE

4 12. This Court has jurisdiction in this matter pursuant to California Code of Civil Procedure
5 ("CCP") § 410.10 and the California Constitution, Article VI, § 10.

6 13. Venue is proper in this Court pursuant to CCP § 395 because it is the county in which
7 Defendants Charles and Sylvia Berndt-Evans reside, and in which Defendant Grigg regularly conducts
8 business.

9 14. G&SR is a Delaware corporation which, with great investments of time, money and
10 resources, originally developed the e-gold® system. Through its online OmniPay services (explained
11 more fully below) G&SR is also the primary distributor for e-gold, Ltd. (hereinafter "EGL"), serving
12 the wholesale exchange market and qualified retail customers.

13 15. Charles Evans is a former employee of JTC, which has ceased to exist following its
14 December 2000 merger with G&SR. On information and belief, Defendant Charles Evans is a resident
15 of the State of California.

16 16. Sylvia Berndt-Evans is a former employee of JTC, which has ceased to exist following
17 its December 2000 merger with G&SR. On information and belief, Defendant Sylvia Berndt-Evans is
18 a resident of the State of California.

19 17. Upon information and belief, Defendant Ian Grigg is a resident of the country of
20 Anguilla, who regularly conducts business in the State of California.

21 18. Plaintiff does not know the true names and capacities of defendants designated as
22 Does 1 through 10, inclusive, and therefore sues such defendants by such fictitious names pursuant to
23 California Code of Civil Procedure § 474. Plaintiff will amend its complaint when the true identities
24 of said defendants are revealed or become known.

25 FACTUAL ALLEGATIONS

26 I. GOLD AND SILVER RESERVE, INC.

27 19. By way of background, e-gold, Ltd. is the world's first electronic currency designed for
28 borderless, electronic business transactions. The e-gold currency enables the worldwide use of gold as

1 money. It merges the digital transaction efficiencies of an electronic payment system with a universally
2 acceptable basis of value. Advantages of e-gold include immediate settlement, low transaction costs,
3 non-repudiation of payments, no financial risk, bi-directional payments, and automation support.

4 20. G&SR, through its OmniPay system, enables customers to keep their money in their e-
5 gold account, free of any financial risk, but to use the value to pay anyone, anywhere, in any one of
6 various different currencies. OmniPay extends the usefulness of EGL by seamlessly integrating it with
7 existing payment systems. Customers use e-gold to make direct payments to the ever-growing
8 multitude of businesses and individuals that accept it. For payments to businesses who do not yet
9 accept e-gold directly, customers may use OmniPay.

10 21. G&SR accepts only bank wires from its customers, thereby eliminating the risk of
11 receiving fraudulent payment from unknown sources. EGL does not accept any payments in national
12 currencies and does not even have a bank account. The only way for a person to obtain e-gold is to
13 purchase it from G&SR or one of many independent exchange providers or to be paid in e-gold for
14 goods or services provided by that person.

15 II. DEFENDANT CHARLES EVANS' WRONGFUL CONDUCT

16 22. During the course of his employment with JTC, Defendant Charles Evans worked for
17 JTC as its employee with the understanding and appreciation that the relationship between the parties
18 was a confidential one, particularly with regard to his duty of loyalty to JTC/G&SR.

19 23. During the course of his employment with JTC, Defendant Charles Evans wrongfully
20 contacted competitors of G&SR and other third parties without the authorization of JTC or G&SR for
21 the purpose of diverting business away from G&SR and to other business entities in which Defendant
22 Charles Evans had a financial interest. Defendant Charles Evans engaged in this and other wrongful
23 conduct for the purpose of personal gain and attempted to conceal his wrongful conduct from JTC and
24 G&SR by reporting to JTC that he was engaged in proper employment activities, when, in fact, he was
25 engaged in activities designed to benefit himself and harm his employer.

26 24. During the course of Defendant Charles Evans' employment with JTC, and subsequent
27 thereto, Charles Evans conspired unlawfully with Defendants Sylvia Berndt-Evans, Ian Grigg, and
28 others as yet unnamed for the purpose of diverting business development opportunities away from

1 G&SR and to other business entities in which Defendant Charles Evans had a financial interest.

2 **III. DEFENDANT SYLVIA BERNDT-EVANS' WRONGFUL CONDUCT**

3 25. During the course of her employment with JTC, Defendant Sylvia Berndt-Evans
4 worked for JTC as its employee with the understanding and appreciation that the relationship between
5 the parties was a confidential one, particularly with regard to her duty of loyalty to JTC/G&SR.

6 26. During the course of her employment with JTC, Defendant Sylvia Berndt-Evans
7 wrongfully contacted competitors of G&SR and other third parties without the authorization of JTC or
8 G&SR for the purpose of diverting business away from G&SR and to other business entities in which
9 Defendant Sylvia Berndt-Evans had a financial interest. Defendant Sylvia Berndt-Evans engaged in
10 this and other wrongful conduct for the purpose of personal gain and attempted to conceal her
11 wrongful conduct from JTC and G&SR by reporting to JTC that she was engaged in proper
12 employment activities, when, in fact, she was engaged in activities designed to benefit herself and
13 harm her employer.

14 27. During the course of Defendant Sylvia Berndt-Evans' employment with JTC, and
15 subsequent thereto, Sylvia Berndt-Evans conspired unlawfully with Defendants Charles Evans, Ian
16 Grigg, and others as yet unnamed for the purpose of diverting business development opportunities
17 away from G&SR and to other business entities in which Defendant Sylvia Berndt-Evans had a
18 financial interest.

19 **IV. DEFENDANT IAN GRIGG'S WRONGFUL CONDUCT**

20 28. Defendant Ian Grigg worked actively with Defendants Charles Evans and Sylvia
21 Berndt-Evans to interfere wrongfully with Plaintiff's existing business relationships with its clients.
22 Defendant Ian Grigg engaged in this and other wrongful conduct for the purpose of personal gain for
23 himself and Defendants Charles Evans and Sylvia Berndt-Evans causing substantial injury to G&SR.

24 29. Defendant Ian Grigg conspired unlawfully with Defendants Charles Evans, Sylvia
25 Berndt-Evans, and others as yet unnamed for the purpose of diverting business development
26 opportunities away from G&SR and to other business entities in which Defendants Charles Evans,
27 Sylvia Berndt-Evans and Ian Grigg had a financial interest.

28

**FIRST CAUSE OF ACTION
(Breach of the Duty of Loyalty)
(Against Defendant Charles Evans)**

30. Plaintiffs incorporate the allegations made in Paragraphs 1 through 29 as if stated herein in their entirety.

31. Under both California and Florida law, Defendant Charles Evans owed JTC (now G&SR) a duty of loyalty.

32. Defendant Charles Evans breached that duty by interfering with G&SR's economic relationships as described above.

33. As a proximate result of Defendant Charles Evans' conduct, G&SR suffered damages in an amount to be proven at trial.

34. The conduct of Defendant Charles Evans in breaching his duty of loyalty was intentional, willful, and calculated to cause damage to G&SR's lawful business. The conduct of Defendant Charles Evans was perpetrated with actual malice and ill will toward G&SR, and with the intentional and improper purpose of causing damage. There was no justifiable cause for Defendant Charles Evans' actions. As a result, an award of punitive damages against Defendant Charles Evans is warranted.

**SECOND CAUSE OF ACTION
(Breach of the Duty of Loyalty)
(Against Defendant Sylvia Berndt-Evans)**

35. Plaintiffs incorporate the allegations made in Paragraphs 1 through 34 as if stated herein in their entirety.

36. Under both California and Florida law, and by virtue of her employment relationship, Defendant Sylvia Berndt-Evans owed JTC (now G&SR) a duty of loyalty.

37. Defendant Sylvia Berndt-Evans breached that duty by interfering with G&SR's economic relationships as described above.

38. As a proximate result of Defendant Sylvia Berndt-Evans' conduct, G&SR suffered damages in an amount to be proven at trial.

39. The conduct of Defendant Sylvia Berndt-Evans in breaching her duty of loyalty was intentional, willful, and calculated to cause damage to G&SR's lawful business. The conduct of

1 Defendant Sylvia Berndt-Evans was perpetrated with actual malice and ill will toward G&SR, and
2 with the intentional and improper purpose of causing damage. There was no justifiable cause for
3 Defendant Sylvia Berndt-Evans' actions. As a result, an award of punitive damages against Defendant
4 Sylvia Berndt-Evans is warranted.

5 **THIRD CAUSE OF ACTION**
6 **(Unfair Business Practice)**
7 **(Against Defendant Charles Evans)**

8 40. Plaintiffs incorporate the allegations made in Paragraphs 1 through 39 as if stated herein
9 in their entirety.

10 41. The conduct of Defendant Charles Evans described above constitutes an unfair trade
11 practice in violation of Business and Professions Code section 17200.

12 42. As a result of defendant Charles Evans' conduct, G&SR has suffered damage and is
13 entitled to the injunctive relief sought herein.

14 **FOURTH CAUSE OF ACTION**
15 **(Unfair Business Practice)**
16 **(Against Defendant Sylvia Berndt-Evans)**

17 43. Plaintiffs incorporate the allegations made in Paragraphs 1 through 42 as if stated herein
18 in their entirety.

19 44. The conduct of Defendant Sylvia Berndt-Evans described above constitutes an unfair
20 trade practice in violation of Business and Professions Code section 17200.

21 45. As a result of Defendant Sylvia Berndt-Evans' conduct, G&SR has suffered damage and
22 is entitled to the injunctive relief sought herein.

23 **FIFTH CAUSE OF ACTION**
24 **(Unfair Business Practice)**
25 **(Against Defendant Ian Grigg)**

26 46. Plaintiffs incorporate the allegations made in Paragraphs 1 through 45 as if stated herein
27 in their entirety.

28 47. The conduct of Defendant Ian Grigg described above constitutes an unfair trade practice
in violation of Business and Professions Code section 17200.

48. As a result of defendant Ian Grigg's conduct, G&SR has suffered damage and is entitled
to the injunctive relief sought herein.

SIXTH CAUSE OF ACTION
(Tortious Interference with Prospective Advantage)
(Against Defendant Charles Evans)

49. Plaintiffs incorporate the allegations made in Paragraphs 1 through 48 as if stated herein in their entirety.

50. G&SR had established relationships with numerous clients and businesses that utilized G&SR's services to the substantial benefit of G&SR. Defendant Charles Evans knew of these relationships as a result of his employment relationship with JTC.

51. The conduct of Defendant Charles Evans as described above was designed to disrupt the economic relationships between G&SR and its clients, and indeed, the relationships were disrupted as a result of Defendant Charles Evans' interference in that prospective customers and merchants have declined to do business with G&SR as a result of the conduct of Defendant Charles Evans in communicating the JTC/G&SR trade secrets to others.

52. Defendant Charles Evans' interference with G&SR's economic relationships constituted an unfair trade practice in violation of Business and Professions Code section 17200.

53. As a proximate result of Defendant Charles Evans' conduct, G&SR suffered damages in an amount to be proven at trial.

54. The conduct of Defendant Charles Evans in interfering with G&SR's economic relationships was intentional, willful, and calculated to cause damage to G&SR's lawful business. The conduct of Defendant Charles Evans was perpetrated with actual malice and ill will toward G&SR, and with the intentional and improper purpose of causing damage. There was no justifiable cause for Defendant Charles Evans' actions. As a result, an award of punitive damages is warranted.

SEVENTH CAUSE OF ACTION
(Tortious Interference with Prospective Advantage)
(Against Defendant Sylvia Berndt-Evans)

55. Plaintiffs incorporate the allegations made in Paragraphs 1 through 54 as if stated herein in their entirety.

56. G&SR had established relationships with numerous clients and businesses who utilized G&SR's services to the substantial benefit of G&SR. Defendant Sylvia Berndt-Evans knew of these relationships as a result of her employment relationship with JTC.

1 57. The conduct of Defendant Sylvia Berndt-Evans as described above was designed to
2 disrupt the economic relationships between G&SR and its clients, and indeed, the relationships were
3 disrupted as a result of Defendant Sylvia Berndt-Evans' interference in that prospective customers and
4 merchants have declined to do business with G&SR as a result of the conduct of Defendant Sylvia
5 Berndt-Evans in communicating the JTC/G&SR trade secrets to others.

6 58. Defendant Sylvia Berndt-Evans' interference with G&SR's economic relationships
7 constituted an unfair trade practice in violation of Business and Professions Code section 17200.

8 59. As a proximate result of Defendant Sylvia Berndt-Evans' conduct, G&SR suffered
9 damages in an amount to be proven at trial.

10 60. The conduct of Defendant Sylvia Berndt-Evans in interfering with G&SR's economic
11 relationships was intentional, willful, and calculated to cause damage to G&SR's lawful business. The
12 conduct of Defendant Sylvia Berndt-Evans was perpetrated with actual malice and ill will toward
13 G&SR, and with the intentional and improper purpose of causing damage. There was no justifiable
14 cause for Defendant Sylvia Berndt-Evans' actions. As a result, an award of punitive damages is
15 warranted.

16 **EIGHTH CAUSE OF ACTION**
17 **(Tortious Interference with Prospective Advantage)**
18 **(Against Defendant Ian Grigg)**

19 61. Plaintiffs incorporate the allegations made in Paragraphs 1 through 60 as if stated herein
20 in their entirety.

21 62. G&SR had established relationships with numerous clients and businesses who utilized
22 G&SR's services to the substantial benefit of G&SR. Defendant Ian Grigg knew of these relationships
23 as a result of his relationship with Defendants Charles Evans and Sylvia Berndt-Evans.

24 63. The conduct of Defendant Ian Grigg as described above was designed to wrongfully
25 disrupt the economic relationships between G&SR and its clients, and indeed, the relationships were
26 disrupted as a result of Defendant Ian Grigg's interference in that prospective customers and merchants
27 have declined to do business with G&SR.

28 64. As a proximate result of Defendant Ian Grigg's conduct, G&SR suffered damages in an
amount to be proven at trial.

65. The conduct of Defendant Ian Grigg in interfering with G&SR's economic relationships was intentional, willful, and calculated to cause damage to G&SR's lawful business. The conduct of Defendant Ian Grigg was perpetrated with actual malice and ill will toward G&SR, and with the intentional and improper purpose of causing damage. There was no justifiable cause for Defendant Ian Grigg's actions. As a result, an award of punitive damages is warranted.

**NINTH CAUSE OF ACTION
(Civil Conspiracy)
(Against Defendant Charles Evans)**

66. Plaintiffs incorporate the allegations made in Paragraphs 1 through 65 as if stated herein in their entirety.

67. Defendant Charles Evans entered into an agreement and/or understanding, and otherwise conspired with, Defendants Sylvia Berndt-Evans, Ian Grigg and others as yet unnamed to tortiously interfere with Plaintiff's business.

68. In furtherance of the conspiracy, Defendant Charles Evans fraudulently concealed from Plaintiff material facts regarding his actions that were intended to deceive and defraud Plaintiff.

69. As a direct and proximate result of Defendant Charles Evans' tortious acts committed in furtherance of the above-referenced conspiracy, Plaintiff has suffered substantial damages and is entitled to the relief sought herein.

**TENTH CAUSE OF ACTION
(Civil Conspiracy)
(Against Defendant Sylvia Berndt-Evans)**

70. Plaintiffs incorporate the allegations made in Paragraphs 1 through 69 as if stated herein in their entirety.

71. Defendant Sylvia Berndt-Evans entered into an agreement and/or understanding, and otherwise conspired with, Defendants Charles Evans, Ian Grigg and others as yet unnamed to tortiously interfere with Plaintiff's business.

72. In furtherance of the conspiracy, Defendant Sylvia Berndt-Evans fraudulently concealed from Plaintiff material facts regarding her actions that were intended to deceive and defraud Plaintiff.

73. As a direct and proximate result of Defendant Sylvia Berndt-Evans' tortious acts committed in furtherance of the above-referenced conspiracy, Plaintiff has suffered substantial

1 damages and is entitled to the relief sought herein.

2 **ELEVENTH CAUSE OF ACTION**
3 **(Civil Conspiracy)**
4 **(Against Defendant Ian Grigg)**

5 74. Plaintiffs incorporate the allegations made in Paragraphs 1 through 73 as if stated herein
6 in their entirety.

7 75. Defendant Ian Grigg entered into an agreement and/or understanding, and otherwise
8 conspired with, Defendants Charles Evans, Sylvia Berndt-Evans and others as yet unnamed to
9 tortiously interfere with Plaintiff's business.

10 76. In furtherance of the conspiracy, Defendant Ian Grigg fraudulently concealed from
11 Plaintiff material facts regarding his actions that were intended to deceive and defraud Plaintiff.

12 77. As a direct and proximate result of Defendant Ian Grigg's tortious acts committed in
13 furtherance of the above-referenced conspiracy, Plaintiff has suffered substantial damages and is
14 entitled to the relief sought herein.

15 **PRAYER FOR RELIEF**

16 *WHEREFORE*, Plaintiffs G&SR seeks judgment against Defendants Charles Evans, Sylvia
17 Berndt-Evans and Ian Grigg for:

- 18 1. Compensatory damages (consisting of general and special damages) in an amount to be
19 proven at trial;
 - 20 2. An award of punitive damages;
 - 21 3. Injunctive Relief
 - 22 4. Reasonable attorneys' fees and costs of suit;
 - 23 5. Costs incurred herein; and
 - 24 6. Such other and further relief as justice may require.
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JURY DEMAND

Plaintiffs hereby demand a trial of their claims against all defendants by jury.

DATED: May 23, 2002

Adams, Hall & Hepworth

By: Steven T. Adams
Steven T. Adams
Attorneys for plaintiff Gold & Silver
Reserve, Inc.