

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Richmond Division**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

**PROVIDENT CAPITAL INDEMNITY, LTD.,
MINOR VARGAS CALVO, and
JORGE L. CASTILLO,**

Defendants,

and

DESARROLLOS COMERCIALES RONIM S.A,

Relief Defendant.

CIVIL ACTION NO.

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. The Commission seeks emergency relief to halt a massive, ongoing fraud by Provident Capital Indemnity, Ltd. (“PCI”), an offshore company located in Costa Rica that provides financial guarantee bonds on life settlements and claims to protect investors’ interests in life insurance policies by promising to pay the death benefit if the insured lives beyond his or her estimated life expectancy.

2. From the mid-2000s to the present, PCI’s bonds were a material component of numerous third-party life settlement offerings in the United States and abroad. Without a bond, a life settlement investment is illiquid and open-ended because the investment’s pay-out date and return are dependent upon the date of the insured’s death. PCI’s bonds offered a fixed maturity date

for the investments because PCI's bond obligated PCI to pay investors (directly or indirectly through the life settlement issuer) the face value of the underlying insurance policy by a date certain if the insured lived past his life expectancy date. PCI's bonds were a material – indeed, indispensable – component of the life settlement investment that PCI bonded.

3. PCI, its president Minor Vargas Calvo (“Vargas”), and its purported outside auditor, Jorge L. Castillo (“Castillo”) misrepresented PCI's ability to satisfy its obligations under those bonds by making material misrepresentations about: (i) whether PCI's financial statements had been audited, (ii) the assets that backed PCI's bonds; (iii) PCI's credit rating; and (iv) the availability of reinsurance to cover claims on PCI's bonds.

4. Specifically, since at least 2003, PCI, Vargas and Castillo represented to life settlement issuers, and in turn, the investing public, that Castillo had audited PCI's financial statements in accordance with generally accepted accounting standards. Contrary to their representations, however, Castillo never conducted an audit of PCI and instead issued clean audit reports at Vargas's bidding, thereby supporting the illusion that PCI had materially larger assets and greater financial wherewithal to support its obligations under the life settlement bonds. PCI's “audited” financial statements reflect what, upon information and belief, appears to be a fictitious “Long Term Asset” that has comprised some 70% to 80% of PCI's total reported assets from at least 2003 to the present. PCI's “audited” financial statements were provided to Dun & Bradstreet (“D&B”), which issued PCI a favorable rating of “5-A/S,” based exclusively on PCI's reported net worth. PCI then misleadingly represented in its marketing materials that D&B's rating is a reflection of “successful customer satisfaction” and “the ability to maintain one of the insurance industry's lowest loss ratios.” PCI and Vargas also have represented that PCI was

backed by a “bouquet” of reputable reinsurers that would backstop PCI’s obligations under its life settlement bonds when, in fact, PCI had no reinsurance coverage.

5. PCI, Vargas and Castillo knew, or recklessly disregarded, that these representations about PCI’s bonds and financial strength were false and misleading. Further, the Defendants’ actions were in connection with the purchase and sale of securities. It was foreseeable, and Defendants knew, that life settlement issuers packaged PCI’s bond with life settlement investments, that PCI’s bond was an indispensable component of the investment, and that issuers of bonded life settlement offerings repeated Defendants’ misrepresentations to end investors.

6. In February 2010, fearful that regulators would learn of his misconduct, Castillo urged Vargas to destroy his emails and other documents, telling Vargas in an email that their “best option is to prepare for the worst.” Castillo then attempted to create backdated audit work papers that would evidence his purported audits of PCI’s financial statements, in one instance asking Vargas, “DO YOU HAVE ANY REAL ACCOUNTING?” After working with Vargas to review some of PCI’s business records – years after his purported audits – Castillo described the exercise as the “first time we’ve had the opportunity to analyze everything . . . better late than never.”

7. From at least 2004 through March 2010, PCI issued approximately 197 bonds backstopping numerous bonded offerings of investments in life insurance policies with a face value of more than \$670 million. These offerings were sold in the United States, the Netherlands, Belgium, and in other countries, and include life settlement offerings issued by A&O Resources Management, Ltd. (“A&O”) and American Settlement Associates LLC (“ASA”). PCI continues to make false and misleading statements and issue bonds on new life

settlement offerings in Europe and, upon information and belief, Vargas is contemplating changing PCI's name to better enable the fraud to continue undetected.

8. By engaging in the conduct described in this Complaint, defendants PCI, Vargas and Castillo, directly or indirectly, singly or in concert, have engaged, and unless enjoined and restrained, will again engage in transactions acts, practices, and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]. Alternatively, Castillo aided and abetted PCI's and Vargas's violations of Securities Act Section 17(a) and Exchange Act Section 10(b) and Exchange Act Rule 10b-5.

9. Relief Defendant Desarrollos Comerciales Ronim S.A. received some or all of the proceeds of defendants' unlawful scheme under circumstances in which it is not just, equitable or conscionable for Desarrollos Comerciales Ronim, S.A. to be so enriched.

10. The Commission, in the interest of protecting the public from any further unscrupulous and illegal activity, brings this action against the Defendants, seeking temporary, preliminary and permanent injunctive relief, disgorgement of all illicit profits and benefits Defendants have received plus accrued prejudgment interest and a civil monetary penalty. The Commission also seeks an asset freeze, an accounting and other incidental relief, as well as the appointment of a receiver to take possession and control of Defendants' assets for the protection of Defendants' victims.

JURISDICTION AND VENUE

11. The life settlement offerings that were bonded by PCI are “securities” under Section 2(1) of the Securities Act (“Securities Act”) [15 U.S.C. § 77b] and Section 3(a)(10) of the Exchange Act (“Exchange Act”) [15 U.S.C. § 78c].

12. Plaintiff Commission brings this action under the authority conferred upon it by Securities Act Sections 20(b) through 20(e) [15 U.S.C. § 77t(b)-77t(e)] and Exchange Act Sections 21(d) through 21(e) [15 U.S.C. §§ 78u(d)-78u(e)].

13. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Venue is proper because certain of the acts, practices, transactions and courses of business alleged herein occurred within the Eastern District of Virginia.

DEFENDANTS

14. **Provident Capital Indemnity Ltd. (“PCI” or the “Company”)** is organized under the laws of the Commonwealth of Dominica and is headquartered in San Rafael, Heredia, Costa Rica, where it is managed under contract by Desarrollos Comerciales Ronim S.A. PCI purports to be an insurance and reinsurance company. It states on its website – www.providentinsurances.com – that PCI has been underwriting a profitable book of business for over nineteen years, in over forty-eight countries, and in seventeen currencies. PCI has never been registered as an insurer and has never been authorized to conduct the business of insurance in the United States. PCI’s stock has never been registered with the Commission. In December 2010, PCI announced that it was approved as a regulated reinsurance company in Ecuador and Indonesia.

15. **Minor Vargas Calvo (“Vargas”)**, 51, is a citizen and resident of Costa Rica. He is the President of PCI and of Desarrollos Comerciales Ronim S.A. Vargas has been active in PCI’s business since 2002. By at least 2004, he became PCI’s President, and he has been its majority stockholder since no later than 2005. Since 2005, PCI has been the subject of at least two state regulatory actions, including the following: In 2006, the Texas Department of Insurance entered a cease-and-desist order against PCI for engaging in the unauthorized business of insurance in Texas in connection with its issuance of bonds on bonded life settlement contracts; in 2008, the Texas State Securities Board, entered a cease-and-desist order against PCI for, among other things, failure to register its bonds with the Securities Commissioner of the State of Texas and offering securities for sale in Texas without being registered as a securities dealer or agent and for engaging in fraud. Vargas also is president of Grupo Icono, a Costa Rican company that markets a number of services and lines of business to soccer teams.

16. **Jorge L. Castillo (“Castillo”)** is an accountant who resides in New Jersey. At all times relevant to this Complaint, Castillo held himself out to be a Certified Public Accountant licensed in Costa Rica and, through 2009, in New Jersey. The State of New Jersey Board of Accountancy currently lists Castillo’s license as inactive. Castillo publicly presented himself to be PCI’s independent, outside auditor commencing no later than PCI’s fiscal year ended September 30, 2003 (“Fiscal Year 2003”). Since then, Castillo has sought and received cash loans from Vargas to help cover medical and other expenses of his family (including his in-laws) in the United States and Costa Rica and has received other compensation from Vargas outside of the auditing relationship.

OTHER RELEVANT PERSONS/ENTITIES

17. **A&O Resources Management, Ltd.** was a Chicago-based life settlement company founded in November 2004 by Christian M. Allmendinger (“Allmendinger”) and Brent P. Oncale (“Oncale”). A&O Resources Management, Ltd, together with its affiliates A&O Capital Management, LLC; Houston Tanglewood Partners, LLC; A&O Bonded Life Assets, LLC; A&O Bonded Life Assets Management, LLC; A&O Life Fund, LLC; A&O Life Fund Management, LLC; A&O Life Funds, LP; Life Fund 5.1, LLC; Life Fund 5.1 Management, LLC; Life Fund 5.2, LLC; Life Fund 5.2 Management, LLC; AB Revocable Living Fund, LLC; AB Revocable Living Fund Management, LLC; A&O Bonded Life Settlements , LLC (collectively “A&O”) sold life settlement investments to more than 800 investors in more than 37 states, including Virginia, and Canada. PCI bonded a majority of the life insurance policies underlying the life settlement investments sold by A&O. On September 7, 2010, the United States Attorney’s Office for the Eastern District of Virginia unsealed indictments against Allmendinger and others for conspiracy to commit mail fraud, money laundering, and securities fraud based on false statements and misuse of investor funds in connection with the A&O offerings. United States v. Allmendinger, et al., 3:10-CR-00248-REP (E.D.Va.). Trial is set for spring 2011.

18. **American Settlement Associates LLC (“ASA”)** was a Houston-based life settlement company formed by Charles “Chip” Jordan (“Jordan”) and Kelly T. Gipson (“Gipson”). Commencing in 2007, ASA sold life settlement investments to 56 investors in ten states, including Virginia. PCI bonded the life insurance policy underlying ASA’s life settlement investments.

19. **Dun & Bradstreet (“D&B”)** is a business information company based in New Jersey, with offices globally. The Latin America division of D&B, which is located in Sunrise, Florida, provides business information reports and in some cases ratings on companies located in 34 different Latin American and Caribbean countries. D&B generates a two-part rating, the first of which is based on a company’s net worth, and the second of which is based upon a composite credit appraisal. PCI has paid to have D&B generate and update business information reports and ratings on PCI periodically since the late 1990s.

STATEMENT OF FACTS

A. Life Settlement Offerings Bonded by PCI

20. Beginning in at least the mid-2000s, PCI began selling First Written Demand Financial Guarantee Bonds on life insurance policies underlying numerous so-called “life settlements.”

1. Life Settlements Generally

21. A life settlement is an investment transaction in which the owner of a life insurance policy sells his policy to a third party for an amount that exceeds the policy’s cash surrender value but is less than the face value or expected death benefit of the policy. The “face value” or “death benefit” of a life insurance policy is the dollar amount paid by the insurance company when the insured dies. Rather than allow his policy to lapse or surrender it to the insurance company for a lower price, the policy owner, who typically has a short life expectation, sells his policy in the secondary market to maximize his asset.

22. A life settlement is typically accomplished through the efforts of a number of intermediaries between the policyholder and the policy’s end investor, each of them dealing with a specific aspect of the settlement of the underlying life insurance policy.

23. Typically, an insured sells his policy to a life settlement company or life settlement provider. The policy is usually accompanied by, or the life settlement provider obtains, a life expectancy assessment which evaluates the insured's risk of mortality and provides an estimated "life expectancy" for the insured -- i.e., an estimated timeframe in which the insured is expected to die which, in turn, is the date on which the insurance company is expected to pay a death benefit on the insured's policy.

24. Life settlement providers often re-sell the life insurance policy to life settlement issuers, companies that specialize in the secondary market of life settlement. Life settlement issuers, in turn, market the policies to end investors, oftentimes after first obtaining a financial guarantee bond on the underlying policy. Common ways in which life settlement issuers market bonded policies to investors include: (a) selling fractionalized interests in the life insurance policy, or (b) packaging several policies together and selling an interest in the pool of policies.

25. The end investor in a bonded life settlement purchases the right to receive all or a portion of the policy's death benefit when the insured dies; or, if the insured lives beyond his life expectancy date (plus any additional period built into the bond), the investor purchases the right to receive directly or indirectly from the bonding company all or a portion of the face value of the policy when the trigger date has passed and a claim has been made on the financial guarantee bond. If the bonding company is required to pay out on its bond, the investors cease to be the beneficiaries of the life insurance policy, and the bonding company takes their place and becomes the beneficiary.

2. PCI's Marketing To Issuers

26. Although PCI principally sold its bonds to life settlement issuers, it knew or was reckless in not knowing that its bonds were an indispensable part of subsequent life settlement

offerings by those issuers to end investors. Indeed, PCI developed and marketed its life settlement bonds to appeal to individual retail investors and promoted its bonds as an innovation over unbonded life settlement investments and as a way for investors to preserve and protect their return on investment.

27. From at least November 2004 to the present, PCI's website has included the following description of its role in the process:

Life Settlement & Viaticals

PCI now provides financial guarantee bonds to investors who purchase secondary market life insurance policies. These "life expectancy guarantee bonds" are structured to assist and protect the investor's investment while focusing on maintaining and preserving the investor's return on investment (ROI).

Further, the addition of the PCI "life expectancy guarantee bond" converts the investment from an unknown into a certain maturity date. This innovation allows the investment to become far more controlled and eliminates cash flow volatility. Institutional lenders see the PCI "life expectancy guarantee bond" as an additional collateral enhancement to portfolios presented as well as the mitigation of the ability for repayment.

PCI's international presence has brought forth investors worldwide who have developed a keen acceptance to purchasing life policies as a newly fashioned investment tool for garnishing higher yield returns with heightened tax liberties with little if no risk.

* * * * *

Life policies are purchased direct from policy owners by licensed "life settlement companies." Policies purchased are from either seniors or ailing individuals who for one reason or another have chosen that it is in their best interest to sell their life policy for immediate cash. The "life settlement company" then either includes as a package the PCI "life settlement guarantee bond" when selling "life settlements" to the investors or has the investor contract with PCI directly.

3. A&O Bonded Life Settlements

28. In November 2004, A&O began marketing and selling bonded life settlements in which investors were assigned whole or fractionalized ownership interests in a specific life insurance policy. Beginning in January 2007, A&O began marketing and selling capital appreciation bonds, which were securitized by a pool of life insurance policies. A&O sold these investments to more than 800 retail investors, located in 37 states, including Virginia.

29. Underlying A&O's bonded life settlements and capital appreciation bonds are 49 life insurance policies, 35 of which were bonded by PCI. PCI bonded all of the policies underlying the whole and fractionalized interests sold by A&O since 2004. It bonded a portion of the policies that make up the pool of policies underlying A&O's capital appreciation bonds, though every pool included at least one policy that was bonded by PCI. The 35 policies bonded by PCI have a collective face value of more than \$150 million. Although most of the PCI bonds designated an A&O-related entity as the bondholder, the end investors are the intended beneficiaries and, in some instances, such as where an end investor purchased a large percentage of the associated life settlement investment, PCI's bond designates the end investor and an A&O-related entity as co-bondholders.

30. Each bond that PCI issued in connection with A&O life settlements obligates PCI to pay the face value of the underlying policy if the insured does not die by the life expectancy termination date (usually the date reflected in the life expectancy certificate plus an additional three to six months), provided that a claim is submitted to PCI within 90 days after passage of the life expectancy termination date or within 90 days plus an additional three month settling period.

31. PCI was paid a premium that equaled 6% of the face value of each underlying life insurance policy, or approximately \$9 million in total for the more than \$150 million in life insurance policies underlying A&O's bonded life settlement offerings. The premiums were wired to an account held in the name of Relief Defendant Desarrollos Comerciales Ronim, S.A., at the Banco de Costa Rica, in San Jose, Costa Rica (Account No. XXX3824 U.S. Dollar Account).

4. The ASA Bonded Life Settlement

32. From March through December 2007, ASA sold fractionalized interests in a single \$5 million bonded life insurance policy, which was bonded by PCI. This bond obligates PCI to pay the face value of the underlying life insurance policy (\$5 million) if (i) the insured does not die by December 3, 2010, plus an additional 3 month settling period (or, by March 3, 2011) and (ii) a claim is submitted to PCI within 90 days after March 3, 2011. ASA is the bondholder for this PCI bond, but, the end investors are the intended beneficiaries. PCI was paid a premium of \$400,000, or 8%, of the face value of the underlying \$5 million life insurance policy. PCI's payment was wired to an account held in the name of Relief Defendant Desarrollos Comerciales Ronim, S.A., at the Banco de Costa Rica, in San Jose, Costa Rica.

5. Other Bonded Life Settlements

33. PCI has also bonded life insurance policies underlying life settlements sold by the following U.S.- and Canada-based issuers, among others: Acclivity Financial, LLC; American Pegasus LDG, LLC; Assured Benefits Corporation; Bonded Life Fund, LLC; Consolidated Wealth Holdings, Inc.; Granite Financial, Inc.; Fox Life, Inc.; Hill Country Funding, LLC; Ceres Life Cycle AG & Co.; Standard Clearing Inc.; Libertas American Inc.; and Universal Settlements

International, Inc. It has also bonded life settlements issued outside of the United States, including a Netherlands-based life settlements issuer.

34. Upon information and belief, PCI and Vargas currently are marketing and attempting to sell PCI's bonds to issuers and others in the United States and abroad. In December 2010, PCI announced that financial guarantee bonds are a current growth area for the Company.

6. PCI's Overall Exposure

35. The overall face value of the life insurance policies bonded by PCI – and sold through the above-identified issuers including A&O and ASA – exceeds \$670 million.

36. PCI charged as a premium six to eleven percent of the total face value of each life insurance policy that it bonded. These premium payments, including payments made by A&O, ASA and other life settlement issuers, typically were sent to a U.S. dollar-denominated bank account in Costa Rica in the name of Relief Defendant Desarrollos Comerciales Ronim S.A.

37. Additionally, in connection with the life settlement offerings of certain issuers, PCI's premium payments were sent to or flowed through bank accounts in the United States. For example, from at least January 2008 to at least March 2010 (and, on information and belief, continuing to the present) investors in PCI-bonded life settlement offerings marketed in the Netherlands, Belgium, and other countries wired funds to escrow accounts at TD Bank in the United States, maintained by a New Jersey-licensed attorney practicing in Florida. The attorney moved some of those funds to a Premium Reserve Account in the United States, wired some of the funds to Vargas' personal brokerage account held at a U.S. broker-dealer and wired some of the funds to the Desarrollos Comerciales Ronim S.A. U.S. dollar-denominated bank account in Costa Rica.

B. Defendants Misled Life Settlement Issuers And Investors About PCI's Financial Strength and Reinsurance Coverage

38. PCI and Vargas knowingly or recklessly conveyed false and misleading information concerning PCI's assets, creditworthiness and reinsurance to issuers in order to become the bonding company for those issuers' life settlement offerings. Castillo knowingly or recklessly provided false audit certifications. In providing these misrepresentations to issuers, PCI, Vargas and Castillo knew that these issuers would, in turn, convey the false statements to sales agents and, ultimately, induce investors to purchase bonded life settlement investments.

1. PCI's "Audited" Financial Statements Were Materially False and Misleading

39. As PCI's purported "independent auditor," Castillo issued clean audit opinions on PCI's financial statements from at least 2003 through 2009. However, Castillo never actually conducted an audit of PCI's financial statements for those years. The underlying financial statements were materially false and misleading and overstated PCI's ability to satisfy its obligations as a life settlement bonding company.

a) PCI's Financials Were Not Audited

40. Each year, from at least Fiscal Year 2003 through Fiscal Year 2009, Castillo signed an audit report stating that he had audited PCI's financial statements in accordance with generally accepted auditing standards and expressing his opinion that PCI's accompanying financial statements "present fairly, in all material respects, the financial position of [PCI] in conformity with generally accepted accounting principles."

41. Contrary to Castillo's representations, however, Castillo did not conduct an audit of PCI's financial statements for any of those years. Castillo instead accepted Vargas's verbal representations as to PCI's finances and merely signed his name to his audit opinion.

42. In early February 2010, after learning of a regulatory inquiry into his conduct, Castillo told Vargas that he had destroyed or was in the process of destroying all of his emails with Vargas and he recommended that Vargas do the same. Castillo then proposed to begin work to create the audit work papers for the prior four years (i.e., October 1, 2005 through September 30, 2009).

43. In an email to Vargas on February 12, 2010, Castillo acknowledged that he had omitted basic audit procedures and relied instead on Vargas when preparing his audit opinion. He suggested manufacturing backup to support PCI's financial statements for its most recent fiscal years and proposed to Vargas the following:

1. I will send you some documents for your signature, which I never got, such as the Letter of Management, etc. I'll send them to you for review, we'll discuss, and then we'll find a way for you to get them to me.
2. Would it be possible for you to send me photocopies of real documents that smell of money (in other words, [documents] that show a finalized transaction, of money collected, of money paid, etc.)? The more of these you can send me, the better.

What I want to set up is a real accounting for each of those four fiscal years, and determine what is missing to meet 100% of the figures, as pertaining to confirmations, etc.

I know it won't be possible to justify [everything] 100% with real documents, BUT THIS IS AUDITING. I DON'T NEED TO JUSTIFY 100% TO ANYONE, SINCE AUDITING IS BASED ON SELECTIVE PROOF.

I will then set up the accounting to what we need, but will justify my work papers with the documents you send me, under the argument that it is the result of selective proof. Do you understand?

44. On February 26, 2010, Castillo emailed Vargas and acknowledged receipt of certain information from Vargas. But, recognizing the daunting task of creating backup for multiple years, Castillo limited Vargas's assignment and proposed he focus only on the period from October 1, 2007 onward, i.e., PCI's two most recent fiscal years. Castillo asked Vargas to

prepare, among other things, a spreadsheet reflecting income from premiums received from the sale of PCI's bonds for those two years. He ended his email by asking Vargas, "DO YOU HAVE ANY REAL ACCOUNTING? If so, please send me the trial balance."

45. On the same day, Castillo followed-up with an email instructing Vargas precisely what documents to create, including the following:

NECESSARY DOCUMENTS FOR FISCAL PERIODS AS OF
SEPT. 30, 2008 AND SEPT 30, 2009:

ENGAGEMENT LETTER

MANAGEMENT LETTER

* * * *

SOME KIND OF ANNUAL REPORT, EXPLAINING THE KIND
OF TRANSACTIONS YOU NORMALLY MAKE. THIS WILL
HELP ME UNDERSTAND YOUR VARIOUS TYPES OF
BUSINESS AND WILL SERVE ME AS BACKUP.

* * * *

WOULD IT BE POSSIBLE [FOR YOU] TO PREPARE A
SUMMARY SHEET FOR EACH YEAR, SHOWING POLICIES
ISSUED, PREMIUMS PAID AND PREMIUMS OUTSTANDING
AT THE END OF EACH FISCAL YEAR? THIS SHEET SHOULD
INCLUDE TERMS, ETC. (I'D HAVE TO ADJUST IT TO
COINCIDE WITH INCOME ON FINANCIAL STATEMENTS.)

* * * *

DO YOU HAVE ANY KIND OF ACCOUNTING SYSTEM? IF SO,
PLEASE SEND ME AS MUCH INFORMATION AS POSSIBLE.

46. In yet another email dated February 26, 2010, Castillo assured Vargas that "I'm sure that if I receive enough information I'll be able to develop an adequate accounting system, which, in any case, will also serve you well.... This ... will allow for the creation of real assets and investments."

47. In 2010, despite purportedly having audited PCI’s financial statements since 2003, Castillo lacked even a basic understanding of life settlements or PCI’s bonds. For example, in an email to Vargas dated February 25, 2010, Castillo wrote: “Mr. [Vargas], I need to understand, in general terms, how bonds work in life insurance policies, or [how] the life insurance policies [themselves work].... Does PCI have other types of insurance or reinsurance, or just life insurance policies? I need to know, in order to put together figures.”

b) PCI Fabricated Its Long-Term Asset

48. Upon information and belief, for at least its fiscal years ended September 30, 2002 through September 30, 2009 (“Fiscal Years 2002 to 2009”), PCI did not use its premium payments to create or maintain regular reserves to satisfy its future obligations under its financial guarantee bonds. Accordingly, to satisfy its obligations, PCI would need to liquidate assets.

49. From at least Fiscal Year 2002 through Fiscal Year 2009, PCI’s financial statements reflected “Long Term Assets” that comprised between 70% and 89% of its total assets. The amount of Long Term Assets reflected in PCI’s financial statements was reported as follows and, upon information and belief, was a complete fabrication:

Year	2002	2003	2004	2005	2006	2007	2008	2009
Long Term Assets	209,220,934	193,327,983	193,327,983	193,327,983	193,327,983	120,000,000	150,000,000	150,000,000
Total Assets	235,532,874	237,400,195	239,574,820	242,603,167	244,699,681	171,716,817	186,924,029	184,082,323
% of Total	89%	81%	81%	80%	79%	70%	80%	82%

50. For Fiscal Year 2002, PCI reported Long Terms Assets of \$209,220,934. This amount reflected an increase of \$105,892,951 over the value that PCI reported for its Long Term Assets for each of the prior fiscal years, i.e., Fiscal Years 1999 to 2001.

51. For Fiscal Year 2003, PCI reported Long Term Assets of \$193,327,983, an amount that PCI held constant through Fiscal Year 2006. In connection with Castillo’s Fiscal

Year 2006 “audit” of PCI’s financial statements, Castillo and Vargas sought to manufacture audit backup to create the appearance that the Long Term Asset was a promissory note held by Grove Management Limited (“Grove Management”), a company in Gibraltar. Castillo drafted for Vargas’ signature an audit confirmation letter which asked Grove Management to confirm to Castillo that it owed \$193,327,983.10 to PCI pursuant to a renewable promissory note, with a 1-year term, and an annual interest rate of 7.15%.

52. Upon information and belief, Grove Management was a shell company that did not owe PCI \$193,327,983.10, or any other amount, pursuant to a promissory note or any other financial instrument. Rather, upon information and belief, Grove Management existed solely to provide false documentation to support the existence of PCI’s primary assets.

53. Vargas was a manager and director of Grove Management. He was the sole person with whom Fiduciary Group – a Gibraltar corporate fiduciary company that Vargas used to create Grove Management – communicated regarding Grove Management’s corporate affairs. For example, in July 2007, a mere four months after Castillo drafted the above audit confirmation letter, a representative of the Fiduciary Group emailed Vargas and informed Vargas that (i) Grove Management is no longer in good standing in Gibraltar as a result of its failure to file annual financial statements with the Companies Registry in Gibraltar since December 31, 2001 and (ii) the Gibraltar Company Registries therefore could not provide a certificate of good standing, which, in turn, it warned Vargas, might affect the willingness of banks to continue operation of the company’s bank accounts. Also, beginning in February 2008, Fiduciary Group again reached out to Vargas relating to Grove Management’s non-payment of the fees necessary to maintain it on the statutory registers.

54. Following the February 2008 communications from Fiduciary Group, Vargas asked Castillo whether it was necessary to keep Grove Management active. Castillo opined that the accounts could be cancelled but that doing so “takes a little explaining.” He reminded Vargas that “[t]he purpose of [this] account was to maintain the ... ‘Promissory Note.’” He and Vargas expressed concern that Grove Management was to issue “certifications for all the years” – a reference to audit confirmation letters relating to the Long-Term Asset – but also concluded that it is unlikely any “authority” would request the certifications from PCI. Ultimately, Vargas did not pay the statutory fees, and Grove Management was stricken from the Gibraltar Companies Registry on May 12, 2008.

55. Just a few months earlier, recognizing that they could not keep up their fraud forever, Castillo and Vargas discussed in emails the idea of reducing the size of PCI’s Long Term Asset to a smaller amount that would be both less “conspicuous” and “dangerous.” Castillo suggested using Grove Management “to create the ... IOU but for much smaller amounts.” He explained that, “smaller clients are afraid of getting close to such a big company, and big clients are attracted but demand much more information than we can provide.” In suggesting that PCI reduce the size of its assets, Castillo expressed to Vargas the view that PCI could not “keep up the pace that has been established, with interest and dividends in the millions, which ultimately ... attract attention or raise red flags about things that have to be looked into.” He nonetheless emphasized the need for support for the Fiscal Year 2007 audit and thus the need for some entity to create the paperwork supporting the audit.

56. PCI reported Long Term Assets valued at \$120 million in its Fiscal Year 2007 financial statements, an arbitrary, unexplained and substantial reduction from the \$193,327,983 that PCI had reported for the prior four fiscal years. In its Fiscal Year 2008 and 2009 financial

statements, PCI reported Long Term Assets in the amount of \$150 million, another arbitrary, unexplained and substantial change.

57. Defendants' explanations of the Long Term Asset varied depending on the audience. For example, in the notes to its Fiscal Year 2007, 2008 and 2009 financial statements, PCI states that its "Surplus" (a term that is not defined but that appears intended to relate to the Long Term Asset) is invested 50 percent in short term assets, 40 percent in medium term assets and 10 percent in cash and cash equivalents. In September 2009, in a letter intended to assist in the marketing of its bonds, Vargas stated that PCI's short-term liquidity is under pressure because it was required to pay out on certain bonds, but, its "long term asset base is secured in U.S. and Canadian Government long term investments, property, and so on."

58. In February 2010, in the same email in which Castillo instructed Vargas to create backup support for his "audits" of Fiscal Year 2008 and 2009, Castillo asked Vargas:

DO YOU HAVE ANY INTEREST-BEARING INVESTMENTS? REMEMBER, WE HAVE PUT INTEREST INCOME ON THE STATEMENTS. ANY RELATED INFORMATION WOULD BE USEFUL. THIS WOULD ALSO HELP ME PREPARE LONG-TERM ASSET CERTIFICATIONS. I DON'T THINK ONE SINGLE CERTIFICATION WILL BE ENOUGH, UNLESS THERE IS NO OTHER CHOICE. BUT IF YOU HAVE ANY OTHER TYPES OF INVESTMENTS ... THAT WOULD HELP ME. THE PROBLEM IS THAT THE LONG-TERM ASSET AMOUNT IS THE ITEM ANYONE WOULD TRY TO SHOOT DOWN, SO WE HAVE TO MAKE EVERY EFFORT TO AVOID THAT [FROM HAPPENING].

c) **PCI Fabricated Other Assets**

59. Upon information and belief, PCI, Vargas and Castillo fabricated other assets reported on PCI's Fiscal Year 2003 to 2009 financial statements as well. For example, in connection with Castillo's Fiscal Year 2006 "audit" of PCI's financial statements, Castillo drafted an audit confirmation letter to be sent by Vargas to Myta Enterprises Limited ("MYTA"), another company in Gibraltar, asking MYTA to confirm to Castillo that it was holding on PCI's

behalf an \$18 million one-year, renewable, certificate of deposit that bore an annual interest rate of 11.5% per year. As with Grove Management, in February 2008 emails, Vargas and Castillo discussed whether it was worth paying to keep MYTA active as a Gibraltar company. Castillo acknowledged in a February 28, 2008 email to Vargas that the “purpose of [this] account[] was to maintain the ‘Certificate of Deposit.’” Ultimately, Vargas did not pay the statutory fees, and MYTA was stricken from the Gibraltar Companies Registry on May 23, 2008.

d) **PCI’s Materially Inflated Financials
Were Provided To Issuers And Investors**

60. Vargas and others at PCI routinely provided copies of PCI’s Castillo-audited financials to life settlement issuers while issuers were conducting due diligence on PCI and subsequent to then, when issuers requested updates.

2. **PCI Fraudulently Obtained A Favorable Rating
From D&B And Then Made Material Misrepresentations
In Its Marketing Materials About The Ratings**

61. From at least October 2004 to the present, in an effort to bolster PCI’s credibility as a viable provider of life settlement bonds, PCI paid D&B to generate business information reports and provide a rating for the company. The rating awarded by D&B – “5A-S” – was based on PCI’s materially false and misleading “audited” financial statements, which PCI typically updated and provided to D&B at the conclusion of each fiscal year through Fiscal Year 2009.

62. The first part of D&B’s rating is an estimate of the company’s financial strength and is based on the company’s self-reported net worth. PCI was automatically assigned the “5A” rating because its materially false and misleading financial statements indicated that it had a net worth higher than \$50 million. D&B assigns the first part of its rating based on company-

provided data and does not independently verify the accuracy of the data provided, which, in the case of PCI, was purportedly audited by Castillo.

63. The second part of D&B's rating is a composite credit appraisal, but, because PCI is a service company and D&B does not perform credit appraisals of service companies, PCI was automatically assigned an "S," which the report explains means "Service -- Not Applicable – No Condition Assigned." PCI's overall "5A-S" rating did not reflect any qualitative assessment by D&B.

64. PCI and Vargas knew that D&B used the "audited" financial statements as the sole basis for its rating. They provided this information to D&B for the purpose of fraudulently procuring a falsely high rating.

65. Castillo knew, or recklessly failed to know, that PCI was providing his false audit reports to D&B to obtain a high rating because Vargas told him that he was providing the audited financials to D&B and, on occasion, Castillo communicated directly with D&B or assisted Vargas in responding to D&B inquiries about PCI's financial statements. For example, in March and April 2010, a quality assurance employee at D&B became concerned about the Long Term Assets that PCI reported on its financial statements for Fiscal Years 2008 and 2009 and sought from PCI additional information about those assets. Vargas turned to Castillo for help in phrasing a response. Ultimately, using language suggested by Castillo and approved by Vargas, PCI evaded D&B's inquiry by responding as follows:

During the course of the years, PCI has been fully committed to protect sensitive/confidential information" and "[a]s support of that commitment, our Board of Directors, in compliance with a Resolution of our Shareholders and Investors, instituted an ordinance several years ago that prohibits Management from disclosing [the requested information] to any external parties. Long term assets is an account that has been audited during all of our years in business, with no concern whatsoever in regards to its accuracy and liquidity.

Also, when D&B first inquired about PCI's Long Term Assets, Castillo revised the notes to PCI's financial statements to describe the Long Term Assets as "50% in very short term assets, 40% in medium term assets, and 10% in cash or cash equivalents."

66. Vargas and others at PCI routinely provided copies of PCI's D&B reports and ratings to life settlement issuers while issuers were conducting due diligence on PCI and subsequent to then, when issuers requested updates.

67. Additionally, from at least October 2004 to the present, PCI and Vargas not only touted PCI's D&B rating, but also, they suggested to issuers and the public that the D&B rating was a reflection of substantive analysis and review by D&B. PCI has stated on its website since October 2004, that:

As a private fully recognized insurance company, PCI has chosen to use the rating services of [D&B] Internationally. PCI's strict underwriting guidelines [are] responsible for maintaining the highest rating attainable (5A) from D&B indicating successful customer satisfaction and the ability to maintain one of the insurance industry lowest loss ratios.

Contrary to PCI's claim, the D&B rating was unrelated to "customer satisfaction" and did not reflect low loss ratios or any appraisal of PCI's credit-worthiness. It was based solely on PCI's materially false and misleading financials. Moreover, the highest possible D&B credit appraisal ratings were numerical (1-4), with "1" being the highest – *i.e.* "5A-S" is not the highest possible rating, "5A-1" is. PCI reiterated the rating and its characterization of the rating in brochures that were provided to life settlement issuers and their sales force as well.

3. PCI Did Not Have Reinsurance Coverage

68. PCI and Vargas also informed issuers that PCI had extensive reinsurance that would cover investors in the event that PCI could not meet its own bonding obligations. They informed issuers that PCI has a "bouquet of reinsurance treaties" which are underwritten by reinsurance companies with an A.M. BEST rating of "A" or better.

69. In addition to their verbal representations to issuers, PCI routinely provided issuers with a sample PCI bond that described the reinsurance coverage. For example, during the due diligence phase with A&O and ASA, PCI provided a sample of a bond that had been issued in connection with another issuer's life settlement offering. The bond that stated, in part, in "Addendum A":

Reinsurance Provisions Endorsement

[PCI's bond] will be declared and reinsured under the provisions of PCI's bouquet of reinsurance treaties that are in full force and effect underwritten by globally recognized reinsurance companies which are rated by A.M. BEST of "A" or better, providing protection to PCI for any valid and insurable loss declared and included under the treaty provisions.

A Declaration attached to the sample bond read, in part, that PCI's "bouquet of reinsurers share up to 85% of this bond according to their respective treaties. Such treaties are currently underwritten by the following group of reinsurers." The sample bond also listed eighteen different reinsurers and their A.M. Best ratings, including: (1) Zurich, (2) AIG, (3) Hannover, (4) General and Cologne RE, (5) Bayerische Ruck, (6) Swiss RE, (7) Baloise, (8) Royal & Sun Alliance, (9) Winterthur, (10) NAC RE, (11) AON RE, (12) AXA, (13) St. Pauls RE, (14) Munich RE, (15) ING, (16) Allianz, (17) Mapfre RE, and (18) Tryg-Baltica Intl.

70. Upon information and belief, PCI did not and does not have reinsurance coverage or any other contractual relationship with the reinsurers listed in its sample bond.

C. PCI Misled Life Settlements Issuers, Which, In Turn, Marketed PCI's Bonds to Investors as an Indispensible Element of the Bonded Life Settlement Offerings

71. Life settlement issuers and their sales agents created their own marketing materials to sell bonded life settlements to investors and repeated the same misleading statements that PCI had provided to them about PCI's financials, ratings and reinsurance.

1. A&O's Repetition of PCI's Misleading Representations

72. Prior to entering into a relationship with PCI, A&O and its principals performed due diligence on PCI. As part of that due diligence, PCI provided A&O with numerous documents, including: (a) PCI's audited financial statements for the fiscal year ended September 30, 2003 with Castillo's accompanying Independent Auditor's Report dated January 31, 2004; (b) a D&B report on PCI dated October 19, 2004 with PCI's financial statements for the fiscal year ended September 30, 2002; (c) pages from PCI's website that advertised D&B's "5A-S" rating of PCI and characterized the rating as the "highest rating attainable from D&B" and stated that the rating "indicat[es] successful customer satisfaction and the ability to maintain one of the insurance industry's] lowest loss ratios"; and (d) a sample PCI bond that included reinsurance endorsements which represent that the bond will be reinsured under "the provisions of PCI's bouquet of reinsurance treaties" and lists 18 reinsurers (rated "A" or better by A.M. Best) that currently underwrite such treaties. After A&O began marketing its life settlement offerings, PCI continued providing A&O with updated copies of D&B reports and "audited" financial statements.

73. PCI continued to provide materially false and misleading information to A&O even after the due diligence phase. For example, in a May 2007 letter from PCI to A&O, PCI reaffirmed the supposed existence of PCI's reinsurance coverage. The letter states that PCI's life settlement bonds "will be declared and reinsured under the provisions of PCI's bouquet reinsurance treaties that are currently in force and effect," and that PCI's "bouquet of reinsurers share a minimum of 90% of such bonds by participations according to their treaties." The letter identifies ten reinsurance companies that PCI represented "will reinsure all policies in part or whole." Additionally, PCI routinely emailed its materially false "audited" financial statements

to A&O and, upon information and belief, A&O periodically purchased or received D&B reports that contained PCI's updated financials and ratings. A&O representatives also met with Vargas and traveled to Costa Rica. PCI's website also continuously touted the falsely-obtained D&B rating and PCI's misleading description of the rating.

74. A&O created promotional materials for its life settlement products that reflected the misrepresentations it obtained from PCI, and then provided those materials to its sales agents to distribute to potential investors. A&O's website, echoing statements on PCI's website, emphasized the crucial role of the bonding company in its life settlement offerings:

How can a bond increase my investment's security?
We utilize the reinsurance bond to convert the investment from an unknown into a certain maturity date. This innovation allows you to have much more control and eliminates cash flow volatility. It acts as an additional collateral enhancement to portfolios as well as a mitigation of the ability for repayment. If you did not have the bond your annual return could be significantly reduced if the insured lives beyond the anticipated date of death as projected by the life expectancy report. If the insured should outlive the policy's expiration date, the bond will pay you the entire death benefit.

75. A&O sales agents repeated the false and misleading information received from A&O (and originally generated by PCI) in marketing these bonded life settlements to investors. One Minnesota-based sales agent received a D&B report (with the false 5A-S rating) and a sample bond reflecting PCI's supposed reinsurance certifications. After confirming the accuracy of the D&B rating with a PCI employee, the sales agent generated several different bonded life settlement marketing brochures that emphasized PCI's D&B rating and its reinsurance. The sales agent provided this information to prospective investors and ultimately convinced thirteen people to invest a total of approximately \$3 million in the A&O offering. In another instance, a North Carolina-based sales agent informed a customer that PCI had D&B's "highest rating" and

was reinsured “by some of the biggest companies around,” including AIG and Swiss Re. As a result, the customer invested \$254,000 in the A&O offering.

2. ASA’s Repetition of PCI’s Misleading Representations

76. As part of ASA’s due diligence, PCI provided ASA with similar documents to those that it provided to A&O: pages from PCI’s website that discussed its D&B 5A-S rating; a copy a D&B report dated October 19, 2004 that was based on the “audited” financial statements; and a sample PCI bond that included similar reinsurance endorsements. Additionally, in September 2007, two months before PCI issued its bond, Vargas caused PCI to provide ASA with an “audited” financial statement for PCI’s Fiscal Years 2006 and a 2007 D&B report that reflected the same 5A-S rating.

77. ASA provided this false information to sales agents who, in turn, forwarded it to investors. In one instance, a sales agent specifically used the PCI bond to sell the remaining investor slots in the ASA offering. In December 2007, the sales agent convinced a Texas couple – who had previously declined to invest because a bonding company was not in place – to participate in the ASA offering by emphasizing PCI and its 5A-S rating, which he described as the “highest financial rating available” from D&B.

78. In bonding the life insurance policy underlying ASA’s offering in late 2007, PCI and Vargas violated a cease-and-desist order issued by the Texas Department of Insurance in 2006 that prohibited PCI from engaging in unauthorized insurance business in Texas. PCI and Vargas similarly ignored a Texas State Securities Board’s cease-and-desist order against PCI in 2008. Rather than stop doing business in Texas, PCI instead authorized a Texas company to serve as its representative in the U.S. and asked potential Texas-based customers to use an address outside of Texas when conducting its PCI-related business.

D. Investors Traded As A Result Of PCI's Misleading Representations

79. PCI's fraudulent representations induced investors to purchase life settlement investments. Many investors around the country lost (or, over the next several years, stand to lose) money from such investments as a result of PCI's representations. Some of these investors were in the Eastern District of Virginia.

E. Defendants' Fraudulent Actions Are Continuing

80. PCI's potential obligations to its bondholders will increase dramatically in the years that lie immediately ahead. PCI bonded approximately \$67 million worth of life insurance policies that reached their life expectancy termination date in 2010. It bonded more than \$115 million, \$180 million and \$168 million of life insurance policies that will reach their termination dates in 2011, 2012, and 2013, respectively. As the investment amount reaching the life expectancy date increases, so does PCI's exposure.

81. Recently, PCI has been forced to use incoming premiums on a new life settlement offering to make partial payments on claims lodged against PCI bonds on investments in which the policyholder outlived his or her life expectancy. For example, in April 2010, PCI used money from the Premium Reinsurance Reserve Account maintained by a U.S. escrow agent at TD Bank to make a partial payment under a settlement agreement that Vargas reached with the Trustee in the A&O bankruptcy case pending in federal bankruptcy court in Chicago. Using new premiums to pay its bond obligations raises the continued specter that PCI lacks the financial wherewithal to meet its dramatically increasing obligations.

82. While A&O and ASA are no longer engaged in life settlement offerings, upon information and belief, PCI is continuing to market its bonds in connection with ongoing bonded life settlement offerings by other issuers. For example, in 2010, and as part of an effort to obtain

additional business, PCI and Vargas represented to life settlement issuers in the Netherlands that PCI maintained its supposed “bouquet” of reinsurance. As part of these efforts, Vargas instructed Castillo to issue a letter certifying that PCI has made payments to purchase such reinsurance.

CAUSES OF ACTION

FIRST CLAIM **(AS TO ALL DEFENDANTS)**

Violations of Section 10(b) of the Exchange Act and Rule 10-5

83. Paragraphs 1 through 82 are realleged and incorporated by reference.

84. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

85. As a part of and in furtherance of their scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

86. Defendants made the referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.

87. For these reasons, Defendants have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM
(AS TO ALL DEFENDANTS)

Violations of Section 17(a) of the Securities Act

88. Paragraphs 1 through 82 are realleged and incorporated by reference.

89. Defendants, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

90. As part of and in furtherance of this scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

91. Defendants made the referenced misrepresentations and omissions knowingly, recklessly or negligently disregarding the truth.

92. For these reasons, Defendants have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM

(AS TO CASTILLO ONLY)

Aiding and Abetting Violations of Exchange Act Section 10(b) and Rule 10b-5 and Section 17(a) of the Securities Act

93. Paragraphs 1 through 82 are realleged and incorporated by reference.

94. If Castillo did not violate Exchange Act Section 10(b) and Rule 10b-5 and Securities Act Section 17(a), in the alternative, Castillo, knowingly or recklessly provided substantial assistance to defendants PCI and Vargas in connection with their violations of Exchange Act Section 10(b) and Rule 10b-5 and Securities Act Section 17(a).

95. For these reasons, pursuant to Exchange Act Section 20(e) [15 U.S.C. § 78t(e)], Castillo aided and abetted and, unless enjoined, will continue to aid and abet violations of Exchange Act Section 10(b) and Rule 10b-5 and Securities Act Section 17(a).

FOURTH CLAIM

(AS TO RELIEF DEFENDANT DESARROLLOS COMERCIALES RONIM S.A)
Constructive Trust

96. Paragraphs 1 through 82 are realleged and incorporated by reference.

97. Relief Defendant Desarrollos Comerciales Ronim, S.A. was and is PCI's managing general agent. Bondholder and investor premium payments for the PCI bonds were directed to, among other destinations, bank accounts that Desarrollos Comerciales Ronim maintained in its name in Costa Rica. Where Desarrollos Comerciales Ronim opened and maintained accounts as PCI's agent and received and held funds for PCI, those funds should be frozen and held in constructive trust for the benefit of the investor-victims.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court grant the following relief:

I.

Temporarily, preliminarily, and permanently enjoin Defendants from violating, or aiding and abetting violations of, Section 10(b) and Rule 10b-5 of the Exchange Act and Section 17(a) of the Securities Act.

II.

Enter an Order immediately freezing the assets of Defendants and the Relief Defendant and directing that all financial or depository institutions comply with the Court's Order. Furthermore, order that Defendants immediately repatriate any funds held at any bank or other financial institution not subject to the jurisdiction of the Court, and that they direct the deposit of such funds in identified accounts in the United States, pending conclusion of this matter.

III.

Order that Defendants shall file with the Court and serve upon Plaintiff Commission and the Court, within 10 days of the issuance of this order or three days prior to a hearing on the Commission's motion for a preliminary injunction, whichever comes first, an accounting, under oath, detailing all of their assets and all funds or other assets received from investors and from one another.

IV.

Order that Defendants be restrained and enjoined from destroying, removing, mutilating, altering, concealing, or disposing of, in any manner, any of their books and records or documents

relating to the matters set forth in the Complaint, or the books and records and such documents of any entities under their control, until further order of the Court.

V.

Order the appointment of a receiver for Defendants, for the benefit of investors, to marshal, conserve, protect, and hold funds and assets obtained by the Defendants and their agents, co-conspirators, and others involved in this scheme, wherever such assets may be found, or, with the approval of the Court, dispose of any wasting asset in accordance with the application and proposed order provided herewith.

VI.

Order that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents, and the taking of depositions on 72 hours' notice.

VII.

Order Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

VIII.

Order civil penalties against Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for their securities law violations.

IX.

Order that Defendants immediately surrender their passports to the Clerk of this Court, to hold until further order of this Court.

X.

Order such further relief as this Court may deem just and proper.

Dated: January 19, 2011

Respectfully submitted,

Robert P. McIntosh
Office of the United States Attorney
Eastern District of Virginia
600 E. Main Street, 18th Floor
Richmond, VA 23219
Tel.: 804-819-5400
Email: Robert.McIntosh@usdoj.gov

Local Counsel for Plaintiff

-and-

Charles J. Felker
Suzanne J. Romajas (pro hac admission pending)
Michael S. Fuchs
Mika M. Donlon
SECURITIES AND EXCHANGE COMMISSION
100 F Street, NE
Washington, DC 20549-4030
Tel: 202-551-4473 (Romajas)
Email: RomajasS@sec.gov

Counsel for Plaintiff