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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

BY: _____

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11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 vs.

17 PACIFIC ASIAN ATLANTIC
18 FOUNDATION; and SAMUEL M. NATT,

19 Defendants.

Case No. **CV 10-01214-GHK(LRG)**
COMPLAINT

20 Plaintiff Securities and Exchange Commission ("Commission") alleges as
21 follows:

22 **JURISDICTION AND VENUE**

23 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
24 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
25 77t(b), 77t(d)(1) & 77v(a). Defendants have, directly or indirectly, made use of the
26 means or instrumentalities of interstate commerce, or of the mails, in connection
27 with the transactions, acts, practices, and courses of business alleged herein in the
28 Central District of California and elsewhere.

1 **THE DEFENDANTS**

2 5. **Pacific Asian Atlantic Foundation** was incorporated in the state of
3 Nevada on September 17, 2002. PAAF purports to be a non-profit humanitarian
4 organization. PAAF has no assets or income. Its principal place of business is
5 Defendant Natt's home in Palos Verdes Estates, California.

6 6. **Samuel M. Natt** is the founding member, president, and chief
7 executive officer of PAAF. He is responsible for the day-to-day operations of
8 PAAF. Natt resides in Palos Verdes Estates, California.

9 **THE FRAUDULENT BOND OFFERINGS**

10 **A. The PAAF Oil and Gas Global Energy Bonds**

11 7. In or about December 2006, Defendant PAAF, at Defendant Natt's
12 direction, began a private placement offering of PAAF Oil and Gas Global Energy
13 Bonds, 2006 Series A, which would have become due on December 16, 2010.

14 8. Defendant Natt caused the PAAF bonds to state that the bonds would
15 pay a fixed interest rate of 10% per annum and "will be secured by oil and gas
16 reserves, productions; and an investment portfolio." All PAAF bonds are actually
17 unsecured. In addition, PAAF has never had any assets or other means of income
18 to make payments on the bonds. Consequently, PAAF has never made an interest
19 payment on the bonds nor does it appear to have the ability to do so.

20 9. In or about December 2006, Defendant Natt caused to be prepared,
21 and then reviewed and signed on behalf of PAAF an offering memorandum for the
22 bonds. This offering memorandum includes numerous material misrepresentations
23 and omissions.

24 10. Among other things, the offering memorandum falsely states that: (i)
25 PAAF would provide the funding for its various oil and gas projects so that
26 investors would incur no risk; (ii) the proceeds of the offering, reduced by certain
27 expenses, would be held in and secured by an investment trust; and (iii) the
28 company has the ability to pay all the principal and the 10% interest per year due

1 on the bonds. In fact, Defendant Natt did not intend that the investment proceeds
2 from the bond offering be placed in an investment trust; instead, he intended to use
3 them to finance PAAF's oil and gas projects, which he knew had a high level of
4 risk because they were in the developmental stage. The offering memorandum
5 also included misleading financial statements falsely stating that PAAF held \$5.3
6 billion in assets in 2006. The offering memorandum also omitted to state that
7 PAAF had no revenues or other financial resources to pay the principal or interest
8 on its bonds.

9 11. To give the bonds an aura of authenticity, on or about December 11,
10 2006, Defendant Natt caused the CUSIP Service Bureau ("CSB") to assign the
11 bonds CUSIP numbers by submitting to the CSB the PAAF offering memorandum,
12 including PAAF's misleading financial statements.

13 **B. The Defendants Offer The Bonds To Broker First Dunbar Securities**
14 **Corporation**

15 12. On or about June 29, 2007, Defendant Natt, on behalf of PAAF,
16 applied for a securities trading account at First Dunbar Securities Corporation
17 ("First Dunbar") a Commission registered broker-dealer, located in Boston,
18 Massachusetts. Defendant Natt falsely represented in PAAF's account application
19 that PAAF had over \$100,000 in annual income, over \$500,000 in net worth, and
20 over \$500,000 in assets available for investment.

21 13. On July 11, 2007, Defendant Natt provided a First Dunbar registered
22 representative with the misleading offering memorandum for the bonds, which
23 included PAAF's false financial statements.

24 14. On July 13, 2007, Defendant Natt attempted to deposit four PAAF
25 bonds with a combined purported face value of \$1.65 billion dollars with First
26 Dunbar by mailing the bonds to First Dunbar's clearing agent, Winslow, Evans &
27 Crocker, Inc. PAAF issued the bonds to itself for no consideration at Defendant
28 Natt's direction.

1 15. Defendant Natt had informed the First Dunbar registered
2 representative by telephone before he attempted to deposit the bonds that he
3 wanted to deposit the bonds in PAAF's First Dunbar account and then sell the
4 bonds into the open market. In the alternative, Defendant Natt intended to use the
5 bonds as collateral so that PAAF could borrow against the securities on margin.

6 16. To induce First Dunbar to accept the bonds for deposit, Defendant
7 Natt misrepresented and omitted material facts to the First Dunbar registered
8 representative concerning the PAAF bonds. Specifically, Defendant Natt
9 misrepresented, among other things, that the PAAF bonds were valid debt
10 securities issued by PAAF in a legitimate private placement offering in exchange
11 for consideration. Defendant Natt failed to disclose that: (i) the PAAF bonds were
12 worthless; and (ii) PAAF had no assets, revenues, or other financial resources to
13 pay interest on the bonds.

14 17. Neither First Dunbar nor its clearing agent, Winslow, Evans &
15 Crocker, Inc., permitted Defendant Natt to deposit the PAAF bonds in PAAF's
16 First Dunbar account.

17 **C. The Defendants Offer The Bonds To Broker UBS Financial Services,**
18 **Inc.**

19 18. Defendant Natt, on behalf of PAAF, opened a brokerage account at a
20 Los Angeles, California branch of UBS Financial Services, Inc. ("UBS"), a
21 Commission registered broker-dealer, on or about February 22, 2007. Defendant
22 Natt falsely represented in PAAF's account opening documents that PAAF had an
23 annual income of \$3.6 million and a net worth of \$5.3 billion.

24 19. On or about July 22, 2007, Defendant Natt met with UBS registered
25 representatives and attempted to deposit three PAAF bonds with a combined
26 purported face value of \$1.5 billion in PAAF's UBS trading account. PAAF issued
27 the bonds to itself for no consideration at Defendant Natt's direction.

28 20. On or about July 22, 2007, Defendant Natt sent an e-mail to a UBS

1 registered representative that included the misleading offering memorandum in
2 support of the bonds and PAAF's false financial statements.

3 21. Defendant Natt intended to deposit the bonds in PAAF's UBS account
4 and then use the bonds as collateral so that PAAF could borrow against the
5 securities on margin. In the alternative, Defendant Natt intended to sell the bonds
6 for profit.

7 22. To induce UBS to accept the bonds for deposit, Defendant Natt
8 misrepresented and omitted material facts concerning the PAAF bonds to the UBS
9 registered representatives with whom he was dealing. Specifically, Defendant Natt
10 falsely claimed, among other things, that the PAAF bonds were valid debt
11 securities issued by PAAF in a legitimate private placement offering in exchange
12 for consideration. Defendant Natt failed to disclose that: (i) the PAAF bonds were
13 worthless; and (ii) PAAF had no assets, revenues, or other financial resources to
14 pay interest on the bonds.

15 23. UBS refused to permit Defendant Natt to deposit the bonds into
16 PAAF's UBS securities account.

17 24. Undeterred, on or around November 8, 2007, Defendant Natt
18 attempted to deposit four PAAF bonds with a combined purported face value of \$2
19 billion dollars in PAAF's UBS securities account by mailing the bonds to a
20 registered representative at UBS branch office in Boston, Massachusetts. PAAF
21 issued these bonds to itself for no consideration at Defendant Natt's direction.

22 25. Defendant Natt again intended to deposit the bonds into PAAF's UBS
23 account and then use the bonds as collateral so that PAAF could borrow against the
24 securities on margin. In the alternative, Defendant Natt intended to sell the bonds
25 for profit.

26 26. To induce UBS to accept the bonds for deposit, Defendant Natt
27 misrepresented and omitted material facts concerning the PAAF bonds to the UBS
28 registered representative with whom he was dealing. Specifically, Defendant Natt

1 falsely claimed, among other things, that the PAAF bonds were valid debt
2 securities issued by PAAF in a legitimate private placement offering in exchange
3 for consideration. Defendant Natt failed to disclose that: (i) the PAAF bonds were
4 worthless; and (ii) PAAF had no assets, revenues, or other financial resources to
5 pay interest on the bonds.

6 27. Once again, UBS refused to permit Defendant Natt to deposit the
7 bonds into PAAF's UBS securities account.

8 **D. The Defendants Offer The Bonds To Broker Primevest Financial**
9 **Services, Inc.**

10 28. On or about November 1, 2007, Defendant Natt, on behalf of PAAF,
11 applied for a new securities trading account at the Atlanta, Georgia branch office
12 of Primevest Financial Services, Inc. ("Primevest"), a Commission registered
13 broker-dealer, and proposed to fund the account with two PAAF bonds with a
14 combined purported face value of \$1 billion. PAAF issued these bonds to itself for
15 no consideration at Defendant Natt's direction.

16 29. Defendant Natt falsely represented to Primevest in PAAF's account
17 opening documents that PAAF had an annual income of up to \$399,000 and an
18 estimated net worth of up to \$2.9 million.

19 30. In or about November 2007, Defendant Natt instructed a Primevest
20 registered representative by telephone to deposit the bonds in PAAF's brokerage
21 account so that PAAF could use the bonds as collateral and borrow against them
22 on margin. Defendant Natt also told the registered representative that he intended
23 to sell the bonds for profit.

24 31. To induce Primevest to accept the bonds for deposit, Defendant Natt
25 misrepresented and omitted material facts concerning the PAAF bonds to the
26 registered representative. Specifically, Defendant Natt falsely claimed, among
27 other things, that the PAAF bonds were valid debt securities issued by PAAF in a
28 legitimate private placement offering in exchange for consideration. Defendant

1 Natt failed to disclose that: (i) the PAAF bonds were worthless; and (ii) PAAF had
2 no assets, revenues, or other financial resources to pay interest on the bonds.
3 Defendant Natt also advised the Primevest registered representative that the bonds
4 could be verified by the CSB with the CUSIP number.

5 32. Primevest refused to permit Defendant Natt to deposit the bonds into
6 PAAF's Primevest securities account.

7 **E. The Defendants Offer the Bonds to Third Parties**

8 33. Between April 2007 and March 2009, PAAF, at Defendant Natt's
9 direction, issued approximately \$97 billion in PAAF bonds for no consideration to
10 at least 20 third parties who were generally business entities.

11 34. Defendant Natt expected that these third parties would serve as
12 middle-men who would assist PAAF in depositing its bonds at various broker-
13 dealers and financial institutions. Defendant Natt instructed the third parties by
14 telephone, e-mail, and/or written correspondence to open accounts with various
15 broker-dealers and/or financial institutions and then deposit the PAAF bonds into
16 those accounts. Once accepted, Defendant Natt instructed the third parties to use
17 the PAAF bonds to either secure a line of credit from the broker-dealer or financial
18 institution or to sell the bonds into the market. Defendant Natt promised to split
19 any returns obtained from the bonds up to 50% between the third parties and
20 PAAF.

21 35. In inducing the third parties to assist PAAF in monetizing the bonds,
22 Defendant Natt provided some of the third parties with the misleading offering
23 memorandum and PAAF's false financial statements. To further the aura of the
24 bonds authenticity, Defendant Natt also provided some of the third parties with the
25 CSB confirmation letter of the CUSIP number.

26 36. Moreover, to induce these third parties to deposit the bonds with a
27 broker-dealer and to induce the broker-dealer to accept the bonds for value,
28 Defendant Natt misrepresented and omitted material facts concerning the PAAF

1 bonds to these third parties and broker-dealers. Specifically, Defendant Natt
2 falsely claimed, among other things, that the PAAF bonds were valid debt
3 securities issued by PAAF in a legitimate private placement offering in exchange
4 for consideration. Defendant Natt failed to disclose that: (i) the PAAF bonds were
5 worthless; and (ii) PAAF had no assets, revenues, or other financial resources to
6 pay interest on the bonds.

7 37. No known broker-dealer or financial institution has accepted the
8 PAAF bonds for deposit from the third parties.

9 **FIRST CLAIM FOR RELIEF**

10 **Violations of Section 17(a)(1) of the Securities Act**
11 **(Against Both Defendants)**

12 38. The Commission realleges and incorporates by reference paragraphs 1
13 through 37 above.

14 39. Defendants PAAF and Natt, and each of them, by engaging in the
15 conduct described above, directly or indirectly, in the offer of securities by the use
16 of means and instruments of transportation and communication in interstate
17 commerce or by the use of the mails, with scienter, have employed and are
18 employing devices, schemes, and artifices to defraud.

19 40. By engaging in the conduct described above, Defendants have
20 violated and unless restrained and enjoined will continue to violate, Section
21 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

22 **SECOND CLAIM FOR RELIEF**

23 **Violations of Section 17(a)(3) of the Securities Act**
24 **(Against Both Defendants)**

25 41. The Commission realleges and incorporates by reference paragraphs 1
26 through 37 above.

27 42. Defendants PAAF and Natt, and each of them, by engaging in the
28 conduct described above, directly or indirectly, in the offer of securities by the use

1 of means and instruments of transportation and communication in interstate
2 commerce or by use of the mails, have engaged in transactions, practices, or
3 courses of business which have operated or will operate as a fraud or deceit upon
4 prospective purchasers of securities.

5 43. By engaging in the conduct described above, Defendants have
6 violated and unless restrained and enjoined will continue to violate, Section
7 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

8 **PRAYER FOR RELIEF**

9 WHEREFORE, the Commission respectfully requests that the Court:

10 **I.**

11 Issue findings of fact and conclusions of law that Defendants committed the
12 alleged violations.

13 **II.**

14 Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently
15 enjoining Defendants PAAF and Natt, and their officers, agents, servants,
16 employees, and attorneys, and those persons in active concert or participation with
17 any of them, who receive actual notice of the order by personal service or
18 otherwise, and each of them, from violating Sections 17(a)(1) and 17(1)(3) of the
19 Securities Act, 15 U.S.C. §§ 77q(a)(1) & 77q(a)(3).

20 **III.**

21 Order Defendant Natt to pay a civil penalty under Section 20(d) of the
22 Securities Act, 15 U.S.C. § 77t(d).

23 **IV.**

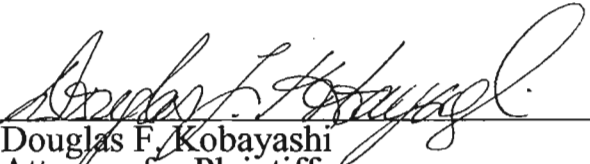
24 Retain jurisdiction of this action in accordance with the principles of equity
25 and the Federal Rules of Civil Procedure in order to implement and carry out the
26 terms of all orders and decrees that may be entered, or to entertain any suitable
27 application or motion for additional relief within the jurisdiction of this Court.

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V.

Grant such other and further relief as this Court may determine to be just and necessary.

DATE: February 18, 2010



Douglas F. Kobayashi
Attorney for Plaintiff
Securities and Exchange Commission

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