JUDGE [illegible]

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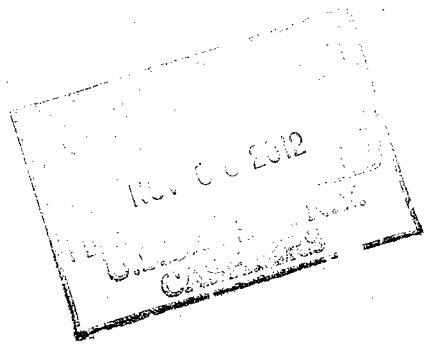

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
-against-	**COMPLAINT**
	ECF CASE
LEE COLE,	
LINDEN BOYNE,	
KEVIN B. DONOVAN, and	
TIMOTHY QUINTANILLA	
Defendants.	

Plaintiff Securities and Exchange Commission (the "Commission"), for its Complaint against defendants Lee Cole, Linden Boyne, Kevin B. Donovan, and Timothy Quintanilla, CPA (collectively, the "Defendants"), alleges as follows:

SUMMARY

1. Between 2006 and 2009, Lee Cole and Linden Boyne served, respectively, as the CEO and CFO of Electronic Game Card, Inc. ("EGMI"), a publicly-owned company that purported to be a seller of credit-card sized electronic games. Throughout

that period, Cole and Boyne repeatedly lied to the investing public about the company's operations and financial status.

2. At Cole's and Boyne's direction, EGMI claimed that it owned a bank account worth over $10 million, held millions of dollars in investments, and had millions of dollars in annual revenue. In fact – and unbeknownst to investors – the bank account did not exist, most of EGMI's purported investments were in closely-held entities affiliated with Cole and Boyne, and many of EGMI's purported contracts were phony. Cole and Boyne bolstered their lies by providing falsified documents to the company's outside auditors. As a result of its material misstatements, EGMI's outstanding common stock – which is now worthless – was once valued at over $150 million.

3. Those misrepresentations and others like them were just part of a scheme that Cole and Boyne orchestrated through EGMI to reap approximately $12 million in unlawful gains. While they were making material misrepresentations to inflate EGMI's stock price, Cole and Boyne were also secretly funneling millions of shares of EGMI stock to Gibraltar-based entities they secretly controlled (the "Gibraltar Entities") and directing the Gibraltar Entities to sell the shares. Proceeds of those sales were transferred to persons and entities associated with Cole and Boyne for their personal benefit or to EGMI itself.

4. Because they were company insiders who controlled more than 5% of EGMI's common stock, Cole and Boyne were required to report their holdings and transactions in EGMI securities – including the Gibraltar Entities' stock sales – by filing Schedules 13D and Forms 4 with the Commission. Cole and Boyne never did so. They knew EGMI's stock price would fall if the public knew that the company's CEO and

CFO were engaged in near-constant sales of EGMI stock and that such a disclosure would cause investors to ask legitimate questions about how Cole and Boyne had acquired such a large ownership stake in the company.

5. In February 2009 and at the direction of a significant new investor in EGMI, a company outsider – Kevin Donovan – replaced Cole as CEO. Donovan, however, fell far short of fulfilling his duties and obligations as CEO of a publicly traded company. While Donovan was not initially a direct participant in Cole's and Boyne's malfeasance, he eventually became aware of their fraud or recklessly disregarded it. From February to November 2009, Donovan received repeated warnings about highly suspicious activities, transactions, and financial accounting at EGMI that implicated Cole's and Boyne's conduct and character. Nevertheless, Donovan chose to participate in public earnings calls with securities analysts and investors in 2009 by simply reciting false financial numbers that he received from Cole and Boyne, without reviewing the information, taking any meaningful steps to confirm its veracity, or inquiring about highly suspicious facts and circumstances. Donovan stood by throughout 2009 as Cole and Boyne prepared, certified, and filed false financial statements with the Commission on behalf of the company he purported to lead.

6. At the direction of engagement partner Timothy Quintanilla, CPA, public accounting firm Mendoza Berger & Co., LLP ("Mendoza Berger") issued clean audit opinions for EGMI's year-end financial statements for 2006, 2007, and 2008, even though those statements were riddled with material misstatements and omissions. In those audit opinions, Mendoza Berger and Quintanilla knowingly or recklessly misrepresented that the firm had conducted audits of EGMI's financial statements "in

accordance with the standards of the Public Company Accounting Oversight Board (United States)" and that, in Mendoza Berger's opinion, those statements "present[ed] fairly, in all material respects, the financial position" of EGMI.

7. In fact, Mendoza Berger had not audited critical aspects of EGMI's financial statements, its work did not conform to the standards of the Public Company Accounting Oversight Board ("PCAOB"), and it had no meaningful basis to issue an opinion on EGMI's financial statements. In the course of reviewing financial statements prepared by Cole and Boyne, Quintanilla and the team he supervised failed to properly investigate a series of red flags, any number of which, if appropriately pursued, would have revealed large-scale fraud in EGMI's financial reporting.

VIOLATIONS

8. By virtue of the conduct alleged herein, defendants Cole and Boyne, directly or indirectly, singly or in concert, have engaged in acts, practices, schemes, and courses of business that violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77e(a), 77e (c), and 77q(a)]; Sections 10(b), 13(b)(5), 13(d), and 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78j(b), 78m(b)(5), 78m(d), and 78p(a)] and Rules 10b-5, 13a-14, 13b2-1, 13b2-2, 13d-1, 13d-2, 16a-2, and 16a-3 thereunder [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-1, 240.13b2-2, 240.13d-1, 240.13d-2, 240.16a-2, and 240.16a-3]; and Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C § 7243]. Cole and Boyne are liable pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] as aiders and abettors of EGMI's violations of Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), and 78m(b)(2)(A)] and Rules 10b-5, 12b-20, 13a-1 and 13a-13

thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13]. Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], they are also liable for the same violations as control persons of EGMI.

9. By virtue of the conduct alleged herein, defendant Donovan, directly or indirectly, singly or in concert, has engaged in acts, practices, schemes, and courses of business that violated Sections 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

10. By virtue of the conduct alleged herein, defendant Quintanilla, directly or indirectly, singly or in concert, has engaged in acts, practices, schemes, and courses of business that violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b), 10A(a)(1), and 10A(b)(1) of the Exchange Act [15 U.S.C. §§ 78j(b), 78j-1(b)(1), and 78j-1(b)(1)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Alternatively, he is liable under Section 20(e) of the Exchange Act for aiding and abetting Mendoza Berger's violations of Sections 10(b), 10A(a)(1), and 10A(b)(1) of the Exchange Act and Rule 10b-5 thereunder

11. Unless the Defendants are restrained and enjoined, they will again engage in the acts, practices, transactions, and courses of business set forth in this Complaint and in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

12. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The Commission seeks:

- Permanent injunctions enjoining the Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint (pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)]);
- Civil penalties against the Defendants (pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]);
- Orders barring Cole, Boyne, and Donovan (a) from acting as officers or directors of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] (pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)]), and (2) from participating in penny stock offerings (pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)]).
- Disgorgement of ill-gotten gains, plus prejudgment interest, from Cole, Boyne, and Quintanilla (including an order holding Cole and Boyne jointly and severally liable for disgorgement of the Gibraltar Entities' ill-gotten gains, plus prejudgment interest);
- Disgorgement of bonuses or other incentive-based or equity-based compensation that Cole and Boyne received and profits either realized

from the sale of EGMI securities (including an order holding them jointly and severally liable for disgorgement of any such bonus, compensation, or profits received or realized by any of the Gibraltar Entities) (pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C § 7243]); and

- Any other relief the Court may deem appropriate.

JURISDICTION AND VENUE

13. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

14. Venue lies in this Court pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)], and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York and elsewhere, and were effected, directly or indirectly, by making the use of means or instrumentalities of transportation or communication in interstate commerce, or the mails, or the facilities of a national securities exchange. For example: until November 2008, EGMI maintained offices – which its filings with the Commission indicated were its principal executive offices – located in the Southern District of New York; Cole and Boyne held and attended meetings at such offices, and used such offices to transact business related to EGMI and to engage in conduct in furtherance of the violative conduct alleged herein; all Defendants attended one or more meetings of EGMI's board of directors in the Southern District of New York that

furthered the violative conduct alleged herein; Donovan transacted business with an investor relations professional located in the Southern District of New York with whom he consulted about EGMI's reports and statements to the investing public that form the basis for some or all of the violative conduct alleged herein; and during the time of the conduct at issue, shares of EGMI were quoted on the OTC Bulletin Board, a financial marketplace platform operated by the OTC Markets Group, Inc. from the Southern District of New York.

DEFENDANTS

15. **Lee Cole**, age 51, is a British citizen who, on information and belief, resides in Spain and England. He became a director of EGMI in 2003 and its CEO in 2006. Donovan replaced Cole as CEO on February 1, 2009, and Cole resigned his directorship on February 25, 2010. In connection with the scheme alleged in this Complaint, Cole acted in concert with, at the direction of, and/or with the knowledge of Boyne.

16. **Linden Boyne**, age 69, is a British citizen who, on information and belief, resides in Surrey, England. He served as EGMI's CFO and secretary and as a member of its board of directors from 2003 until September 1, 2009, when he was replaced as CFO and secretary by an individual residing in the United States ("Executive A"). After Executive A resigned from the CFO and secretary positions in October 2009 and until March 25, 2010, Boyne served as the company's interim CFO and secretary. In connection with the scheme alleged in this Complaint, Boyne acted in concert with, at the direction of, and/or with the knowledge of Cole.

17. **Kevin B. Donovan**, age 50, resides in Los Angeles, California. With the support of a significant EGMI shareholder and the company's executive chairman ("Shareholder A"), Donovan became EGMI's CEO on February 1, 2009, replacing Cole. After Shareholder A's death on November 2, 2009, Donovan became co-chairman of EGMI's board of directors. He resigned both positions on September 28, 2010, when EGMI filed for Chapter 7 bankruptcy protection.

18. **Timothy Quintanilla**, age 44, on information and belief, resides in Laguna Niguel, California. A certified public accountant licensed by the California Board of Accountancy, Quintanilla was a partner at Mendoza Berger and the engagement partner on that firm's audits of EGMI's 2006, 2007 and 2008 financial statements and its reviews of EGMI's quarterly financial statements during the same period.

RELEVANT PERSONS AND ENTITIES

19. **Electronic Game Card, Inc.** is a Nevada corporation that marketed patented, credit-card sized electronic games. Most recently headquartered in Irvine, California, it has maintained offices in New York City and London, England. During the relevant period, the company's shares were registered under Section 12(g) of the Exchange Act and dually quoted on the OTC Bulletin Board and Pink Sheets (now known as OTC Link), trading under the ticker symbol EGMI. On September 28, 2010, EGMI filed for Chapter 7 bankruptcy protection in the United States Bankruptcy Court for the District of Nevada.

20. **Mendoza Berger & Co., LLP** was, during the relevant period, a public accounting firm in Irvine, California, registered with the PCAOB and the California

Board of Accountancy. The firm filed for Chapter 7 bankruptcy protection in the United States Bankruptcy Court for the Central District of California on June 8, 2012.

21. **Shareholder A** was a former executive chairman of EGMI's board of directors. From late 2007 through early 2009, he acquired approximately 14% of EGMI's stock and installed a new management team, which included Donovan. He became executive chairman of EGMI's board in September 2008 and died on November 2, 2009.

FACTS

22. Now bankrupt, EGMI once billed itself as a developer and distributor of credit card-sized electronic games that could be programmed for entertainment purposes or for use by lotteries as alternatives to scratch-off tickets. When Cole became CEO of the company in 2006, he and Boyne took command of EGMI's operations and exercised complete authority over its finances.

23. Between 2006 through 2009, Cole and Boyne artificially inflated EGMI's stock price by preparing, certifying, and filing EGMI's materially false quarterly and annual financial statements with the Commission. The filings overstated the value of, or omitted material facts concerning, EGMI's assets, revenues, and investments, and understated the number of common shares the company had outstanding. Material misstatements and omissions in filings that were made with the Commission on EGMI's behalf include, but are not limited to, those identified in Exhibit A to this Complaint, which is incorporated herein by reference.

24. Although Cole was officially removed as an officer of EGMI in February 2009, he and Boyne continued to control the company's finances and records, which they

kept in their London office. Even while California-based Donovan and Executive A served as CEO and CFO, respectively, Cole and Boyne continued to certify the financial statements the company filed with the Commission. Shareholder A, Donovan, and Executive A made repeated demands for access to the company's key financial and business records (including its checkbooks, general ledgers, bank statements, brokerage account records, board meeting minutes, and its sales contracts), but Cole and Boyne rebuffed those requests.

25. In October 2009, Executive A traveled from the United States to London to review EGMI's records and to meet with Cole and Boyne. Cole and Boyne repeatedly frustrated his efforts to meet with EGMI's London-based bookkeeper. After obtaining access to certain records in Cole's and Boyne's office, he quickly found evidence of fraud at the company. In a series of written reports, Executive A recounted information to Donovan, Shareholder A, and others indicating that EGMI – under the direction of Cole and Boyne – had likely overstated the value of its assets and revenues, engaged in a large number of unexplained stock issuances, and underreported the number of its shares outstanding. After receiving a series of Executive A's reports, Shareholder A died suddenly.

26. The Defendants violated antifraud, registration, reporting, and other provisions of the federal securities laws in a number of ways: (a) in connection with misstatements and omissions of material fact in EGMI's financial statements and in other statements to the investing public, (b) in connection with Mendoza Berger's audits of EGMI's financial statements and false reports based on those audits; and (c) in connection with Cole's and Boyne's use and control of the Gibraltar Entities to

unlawfully receive and sell millions of dollars of EGMI shares. Each of these violations is discussed in greater detail below.

COLE AND BOYNE OVERSTATED AND FAILED TO DISCLOSE MATERIAL INFORMATION ABOUT EGMI'S PURPORTED ASSETS

27. Directly and indirectly, Cole and Boyne intentionally and materially overstated and omitted material facts concerning EGMI's assets (including its cash holdings, investments, and accounts receivable) in the annual and quarterly financial statements they prepared, certified, and filed with the Commission on EGMI's behalf from at least 2007 through 2009. Most significantly, Cole and Boyne – acting for EGMI – inflated the reported value of EGMI's assets by fabricating a bank account and failed to disclose in its filings with the Commission material information about the related-party nature of its supposed investments.

28. In its year-end financial statements for 2006, 2007, and 2008, EGMI reported total assets of about $5.1 million, $10.6 million and $18.9 million, respectively. Of those amounts, approximately 53%, 32% and 44% purportedly consisted of cash held by EGMI in an account at the Gibraltar-based affiliate of a large, international banking entity ("Bank A"). The purported balance of that account was also knowingly incorporated into quarterly financial statements that Cole and Boyne prepared, certified, and filed for EGMI during that period.

29. In fact, EGMI held no assets in the Bank A account. Cole and Boyne covered up their lie by, directly or indirectly, creating fake bank statements for the account, forging written confirmations of its balance, and providing those documents to Mendoza Berger's audit teams. Cole and Boyne also directly or indirectly provided those falsified statements to Mendoza Berger in connection with Mendoza Berger's annual

audits and quarterly reviews of EGMI's financial statements. The written confirmations – each signed by a purported but unidentified representative of Bank A – falsely confirmed that EGMI's account at the bank held $2.7 million, $3.4 million, and $8.8 million on the last days of 2006, 2007, and 2008.

30. In addition, EGMI's year-end financial statements reported that the company held investments in third-party companies worth about $2.9 million and $6.5 million, respectively, on the last days of 2007 and 2008, *i.e.*, approximately 28% and 34% of EMGI's reported assets on those dates.

31. At a minimum, those disclosures – and related disclosures made in EGMI's quarterly financial statements during the same period – omitted material information concerning the investments, including the fact that a significant percentage of the purported value of EGMI's investment holdings – at least 88% on December 31, 2008, for example – was in closely-held companies affiliated with Cole, Boyne or their associates.

32. For example, EGMI's holdings on that date included investments in one entity for which Boyne was a director, another which was advised by a relative of Cole's, and two entities which shared an office with EGMI in London. (EGMI's filings with the Commission failed to disclose any relationship between those companies and Cole or Boyne.) Also, EGMI's financial statements failed to disclose – but should have disclosed under Generally Accepted Accounting Principles ("GAAP") – that EGMI had purchased at least some of its purported investments by issuing stock to entities controlled by or associated with Cole and Boyne.

33. In addition, from at least 2007 through 2009, Cole knowingly repeated or made statements reflecting the misstatements and omissions described in paragraphs 27 through 32 during conference calls with securities analysts that coincided with EGMI's annual and quarterly earnings announcements.

COLE AND BOYNE OVERSTATED AND FAILED TO DISCLOSE MATERIAL INFORMATION ABOUT EGMI'S PURPORTED REVENUES

34. In its 2008 Form 10-K, EGMI reported that it had revenues of about $6.0 million in 2007 (including $5.5 million of product sales) and $10.6 million in 2008 (reflecting product sales of $8.1 million). Hoping to elevate EGMI's stock price, Cole spoke on earnings calls and knowingly made false statements concerning the company's revenues, among other things. On those calls, he reported that the total number of game cards sold by EGMI in the second and third quarters of 2009 was "1.6 million" and "approximately 1.7 million," respectively, that the company's total royalty and recurring revenue during those quarters was "just over $1 million" and "approximately $2 million," and that the company expected an "extra bump" in its earnings from a "new product, which we're shipping third quarter."

35. Those statements – and related misstatements that Cole and Boyne knowingly made in Forms 10-Q they prepared, certified, and filed with the Commission in 2009 – materially overstated EGMI's actual and expected sales and revenues. They also omitted mention of the fact that most of those reported sales and revenues were attributable to EGMI's purported contracts with companies affiliated with Cole and Boyne.

36. Relatedly, financial statements filed on EGMI's behalf in 2009 failed, at minimum, to include material disclosures concerning EGMI's purported accounts

receivable balances. In particular, in violation of GAAP, they did not disclose that a material portion of the company's accounts receivable balance was money purportedly owed to EGMI by Gibraltar-based instruments of Cole and Boyne.

37. Although EGMI reported that it had multi-million dollar revenues in 2007 and 2008, these statements were false. Among other things, the China-based manufacturer of EGMI's product received no orders and manufactured no product for EGMI after June 2007. In June 2009, an executive of that manufacturer sent a letter to Donovan stating that his company was cancelling its agreement to produce EGMI game cards because it had "invested much costs for research and development on the [EGMI] projects and [had] received no orders in the last 2 years ...."

38. After Donovan was installed as CEO in February 2009, Cole and Boyne ignored or refused Donovan's requests for information concerning the sources of EGMI's purported revenues, including the identities of the companies with which EGMI supposedly had sales contracts. They also denied Donovan access to London-based files concerning those contracts.

39. Only after travelling to London in October 2009 was Executive A able to access EGMI's files concerning its purported customers. Based upon records he reviewed in Cole's and Boyne's offices, Executive A identified addresses for 14 of those 16 purported customers. Those records indicated that no less than 60% of EGMI's sales for the third quarter of 2009 arose from its purported contracts with nine of those 14 entities, each of which used one of two Gibraltar addresses. (Those two addresses were the same ones used by the Gibraltar Entities, the shell companies Cole and Boyne used to sell millions of shares of EGMI stock.)

40. Those nine purported clients were not actual customers but, instead, were instruments of Cole and Boyne. Even if EGMI's contracts with those nine entities were legitimate, EGMI would have been required to disclose in its filings with the Commission that it had contractual relationships with entities affiliated with Cole or Boyne. EGMI failed to do so. Similarly, Cole knowingly failed to mention those affiliations when he discussed EGMI's revenues during quarterly earnings calls in 2009.

COLE AND BOYNE UNDERSTATED THE NUMBER OF SHARES OF EGMI COMMON STOCK OUTSTANDING

41. As set forth in the table below, the number of shares of EGMI common stock issued and outstanding was materially understated in quarterly and annual financial statements that Cole and Boyne prepared, certified, and filed on four dates in 2009.

FILING DATE	DOCUMENT	COMMON SHARES ISSUED AND OUTSTANDING (REPORTED)	COMMON SHARES ISSUED AND OUTSTANDING (PER TRANSFER AGENT RECORDS)	% UNDER-STATEMENT
March 24, 2009	Form 10-K	57,109,428 (as of March 16, 2009)	60,503,460	5.6%
May 15, 2009	Form 10-Q	59,358,702 (as of May 4, 2009)	62,646,317	5.2%
August 14, 2009 (refiled as Form 10-Q/A on September 8, 2009)	Form 10-Q	60,843,297 (as of July 29, 2009)	66,936,146	9.1%

42. By using the company's SEC filings to understate the number of EGMI shares outstanding, Cole and Boyne falsely inflated each shareholder's apparent ownership interest in EGMI. When they did so, Cole and Boyne knew or were reckless

in not knowing that those numbers were false and that they were likely to inflate EGMI's stock price.

INFORMED OF IRREGULARITIES WITH EGMI'S FINANCIAL REPORTING, DONOVAN KNOWINGLY OR RECKLESSLY MADE MATERIAL MISSTATEMENTS DURING QUARTERLY EARNINGS CALLS

43. Even though he was CEO, Donovan did not sign or certify Forms 10-Q filed on EGMI's behalf, which were prepared at Cole's and Boyne's direction and signed by Cole as EGMI's "executive officer." However, Donovan did publicize the erroneous financial figures announced in those filings when he led earnings calls with securities analysts on May 14, August 6, and November 12, 2009.

44. During each earnings call, Donovan relayed the key financial figures to be reported in the company's upcoming filing with the Commission, reading from a script provided to him by Cole, Boyne, and EGMI's investor relations consultant. For example, on the November 12, 2009 call, Donovan stated:

- "We generated $2.9 million, or $0.04 per diluted share, in comprehensive net income applicable to common stock holders marking our eleventh consecutive profitable quarter."
- "The gross profits generated for the three months ended September 30, 2009, was at the record level of $3.3 million, generating a 78% gross margin."
- "Cash and equivalents on September 30, 2009, totaled $12.7 million, an increase of approximately $4.5 million from year-end December 31, 2008, and an increase of over $1.4 million from the period ended June 30, 2009."
- "Thus far the balance of the year is shaping up to deliver an acceleration in revenues and earnings to put us on target of hitting guidance of $16 million in revenues and $0.14 earnings per share."

45. Donovan made similar misstatements on the calls he led on May 14 and August 6, 2009. All of these statements were false for the reasons detailed above.

46. Cole and Boyne prepared, or directed the preparation of, EGMI's draft filings and conference call scripts, and provided them to Donovan by e-mail before they were to be filed or publicly relayed. Donovan retained ultimate authority over the statements he chose to make on the conference calls. Although he was provided an opportunity to comment on or object to the contents of the draft filings and scripts, Donovan never did so. In fact, Donovan never reviewed any document EGMI filed with the Commission, either before or after it was filed. Nor did Donovan take any meaningful steps to confirm the veracity of EGMI's financial statements and related representations.

47. When he made statements during the earnings calls alleged herein, Donovan was aware of or recklessly disregarded material misstatements and omissions in the conference call scripts. Throughout his tenure as CEO, Donovan was notified of numerous concerns surrounding the accuracy of EGMI's financial statements and incidents casting doubt upon the integrity of Cole and Boyne. Merely by way of example:

- Shortly after he became EGMI's CEO in February 2009, Donovan was told by at least one board member of serious concerns with the accuracy of significant entries on EGMI's balance sheet, notified of issues with the company's internal controls, and denied access to basic information about the company's finances and business (*e.g.*, checkbooks, names of company clients, copies of key contracts, board meeting minutes). Donovan sought – but was denied – control over the company's purported bank account at Bank A.

- In May 2009, a consultant informed Donovan of concerns that EGMI was valuing its investment in a publicly traded company at $1.8 million, when "on a mark to market [basis it] is worth approximately $700,000."

- By May 2009, Donovan was informed of outside board members' concerns with the accuracy of company's outstanding share count.

- In June 2009, a company consultant sent an e-mail to Donovan in which she noted that a web site was "hosting a pitch" on EGMI stock and indicated her concern that Cole and Boyne might be responsible for improperly promoting sales of the stock. "I really do hope that 'Gibralter' did not pay for this service," she wrote.

- In June 2009, Donovan attended a meeting of some EGMI board members that included a discussion of significant concerns with the accuracy of many aspects of the company's financial statements.

- In June 2009, Donovan received an unsolicited letter from the only manufacturer of EGMI products known to Donovan. In that letter, the manufacturer cancelled its agreement with EGMI because it had "received no orders in the last 2 years ...."

- In August 2009, Donovan and Executive A travelled to London to collect EGMI's records, which Cole and Boyne had long promised to deliver to the United States. Upon their arrival in England, Boyne told Donovan and Executive A that the documents were no longer in London because he had just sent them to Executive A in California. Subsequently, Executive A received a shipment of boxes from Boyne. Boyne sent that obviously incomplete set of records to Executive A only *after* the conversation with Boyne in London.

- In September 2009, Executive A e-mailed Donovan and others about his concern that EGMI had underreported its number of outstanding common shares by more than 11%. "[T]here appears to be a major discrepancy in the number of common shares outstanding," he wrote. "We must deal with this immediately."

- On October 14, 2009, Executive A reported in an e-mail to Donovan and others that EGMI had not filed tax returns for at least the years 2003 through 2007.

- In an October 28, 2009 e-mail to Donovan and an EGMI board member, Executive A reported that EGMI's draft financial statements included $750,000 in revenue that "DOES NOT meet revenue recognition standards." He also noted that at least nine of EGMI's 16 purported customers resided at one of two addresses in Gibraltar: "Look at the list of invoices. Note the addresses of customers. Apparently a number of them share the exact same office space. The sniff test on this is not good."

- In an October 29, 2009 e-mail to Donovan and others, Executive A – after referring to his concerns with the legitimacy of EGMI's reported revenues – noted, "I do not know how the Company intends to handle the 3rd quarter [Form 10-Q]. I'm just saying that to a financial exec, this would have huge red flags."

- In a November 3, 2009 e-mail to Donovan, Executive A wrote, "The only evidence of the [Bank A] account is one printed page that appeared to be from a jetink printer that had a total printed on it. There were no pages of what you would consider a normal bank statement showing activity/transactions. Nor have I seen any bank reconciliation. ... [Mendoza Berger] also told me that they were prevented from contacting the Registrar/Transfer Agent and never received a transcript such as the one I've shown Kevin [Donovan] and others. For an auditor to accept this restriction is not 'good practice.'"

MENDOZA BERGER AND QUINTANILLA FAILED TO CONDUCT AUDITS IN COMPLIANCE WITH APPLICABLE AUDIT STANDARDS AND MISREPRESENTED THEIR AUDIT WORK

48. At Quintanilla's direction, Mendoza Berger's audit opinions dated March 31, 2007, March 25, 2008 (amended April 8, 2008), and March 20, 2009 falsely stated that the firm had audited EGMI's 2006, 2007 and 2008 annual financial statements in accordance with standards established by the PCAOB and that, in Mendoza Berger's opinion, those statements "present[ed] fairly, in all material respects, the financial position" of EGMI. Mendoza Berger and Quintanilla knew or recklessly disregarded that these statements of material fact were false or misleading.

49. In fact, Mendoza Berger's "audits" were not audits at all. Mendoza Berger's supposed audit work was cursory, time-constrained, and plainly insufficient under applicable auditing standards, which "require[] the independent auditor to plan and perform his or her work with due professional care" and provide that "[a]uditors should be assigned to tasks and supervised commensurate with their level of knowledge, skill, and ability so that they can evaluate the audit evidence they are examining." PCAOB Standard AU §§ 230.02, 230.06 *Due Professional Care in the Performance of Work.*

50. Quintanilla was heavily involved in the flawed EGMI audits. Among other things, he supervised those audits and signed off on the sufficiency of the audit

work and procedures. Quintanilla was the only person permitted to authorize the signing and issuance of Mendoza Berger's audit reports for EGMI.

51. Quintanilla and Mendoza Berger violated applicable auditing standards by failing to properly supervise the audit teams assigned to the EGMI engagement, as required by PCAOB Standard AU § 311 *Planning and Supervision*. They also failed to properly train Mendoza Berger employees, and junior employees were often expected to complete audit tasks they lacked the training or experience to perform properly.

52. Members of the Mendoza Berger audit team had many concerns with the accuracy of EGMI's financial statements yet failed to perform or document work necessary to substantiate the audit opinions subsequently issued by Mendoza Berger, a violation of an auditor's responsibility "to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud." PCAOB Standard AU § 110.02 *Responsibilities and Function of the Independent Auditor*. Quintanilla was aware that EGMI failed to provide documents requested by audit staff, and that Mendoza Berger staff members were too overworked to perform required audit tasks and routinely voiced skepticism among themselves about the credibility of EGMI's financial reporting.

53. An auditor working on the EGMI engagement wrote an e-mail to Mendoza Berger partners Henry Mendoza and James Berger after the completion of the audit of EGMI's 2008 financial statements in which he expressed serious concerns regarding the audit. He wrote:

> The audit team "encountered significant scope limitations from the client and various red flags that lead [*sic*] us to be very skeptical about the client. For example, I had brought up to Tim [Quintanilla] that the client was sketchy as we had to confirm material bank accounts and receivable

> transactions to offshore P.O. Boxes. We were worried during the audit that there may be a misappropriation of assets and have also found very little outside information on their customers to substantiate if any of their customers even exist. ... I significantly doubt the Company has any operations at all and believe it was more likely used as a vehicle to perform any of the following: to fraudulently raise money from investors and steal it or to launder dirty money into the Company to make it clean."

54. The failures in Mendoza Berger's audits were so severe that, shortly before an anticipated inspection of Mendoza Berger by the PCAOB in September and October 2009, select employees of the firm were instructed – with Quintanilla's knowledge – to see that the EGMI audit files were in order, which consisted of creating and backdating documents to conceal known holes in the audit. This both demonstrates Quintanilla's knowledge that the audit was deficient and constitutes a violation of PCAOB Auditing Standard No. 3, which governs the preparation and maintenance of audit work papers and provides that a "complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the [audit opinion] release date."

55. Merely by way of example, paragraphs 56 through 63 identify specific deficiencies and failures in the audits of EGMI's financial statements for 2006, 2007, and 2008.

56. Cash held in the purported account at Bank A represented between one-third to more than one-half of EGMI's purported assets at the ends of years 2006 through 2008. A high degree of scrutiny should have been applied to that account because (1) the Bank A account was understood to be EGMI's main operating account, into which most of the company's revenues were deposited and from which most costs and expenses were paid; (2) the audit team determined that the "inherent risk" of EGMI materially

misstating the value of its cash assets was high and that this risk required the use of "extended procedures" to audit each of EGMI's cash accounts; and (3) the Bank A account statements Boyne provided were suspicious on their face – one included an arithmetical error and all were strangely formatted and punctuated, providing an ending balance, but no account detail, such as deposits into or withdrawals from the account. Despite those facts, Mendoza Berger's audit team conducted no more than a cursory review of the account.

57. Mendoza Berger never received a Bank A account statement showing deposits into or withdrawals from that account. Nevertheless, its workpapers inexplicably refer to tasks that could not have been performed without such a statement, *e.g.*, one audit workpaper notes that an "adjusting entry for disbursements [was] mailed before year end and subsequently cleared on January [Bank A] bank statement"; another notes that Mendoza Berger "examined the invoice, noting amount, date and description, also traced those amounts back to the [Bank A] bank statements to check for clearance, W/O/E [without exception]." That failure and other failures to obtain or review materials violated PCAOB Standard AU § 326.01 *Evidential Matter*, which stated "sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit."

58. Prior to EGMI's issuance of its Form 10-Q in November 2009, Boyne e-mailed Quintanilla a purported statement for the Bank A account in Microsoft Word format. A member of the audit team talked to Quintanilla about the authenticity concerns

this raised, but the audit team did not pursue the matter further or otherwise act to address those concerns.

59. Mendoza Berger received purported audit confirmations from Bank A regarding the account's existence and balance for 2006, 2007, and 2008. Mendoza Berger audit staff should have, but did not, take required steps that would have shown that the confirmation was phony. These steps include independently verifying that the address for Bank A given by management, in this case by Boyne, was current and accurate, and controlling the delivery and receipt of the confirmations. Instead, the audit staff blindly relied on Boyne's false representation that Bank A had an office at a particular address in Spain, and allowed EGMI to deliver the confirmations. Unsurprisingly, the audit confirmations that Mendoza Berger received back were false and never signed by anybody actually affiliated with Bank A. By failing to direct the subject confirmation forms to a person at Bank A who had knowledge of EGMI's purported account, Mendoza Berger's audit team violated the applicable auditing standard, which provides that "[t]he auditor should direct the confirmation request to a third party who the auditor believes is knowledgeable about the information to be confirmed ...." PCAOB Standard AU § 330.26 The Confirmation Process.

60. Mendoza Berger's audit team failed to identify any issue with the accuracy of EGMI's reported share count in its 2008 year-end financial statement and failed to take audit steps that would have detected the company's material misstatement of that figure.

61. During Mendoza Berger's audit of EGMI's 2008 financial statements, a member of the Mendoza Berger audit team became suspicious when he noticed that

invoices sent to EGMI's purported clients included identical terms and that those clients were clustered at two addresses in Gibraltar. The team member raised his concern with Quintanilla and, using Quintanilla's computer to conduct a series of Google searches, the two were unable to find any information about a number of EGMI's purported clients. No one on the audit team pursued the matter further or otherwise acted to address the concerns this raised about the legitimacy of EGMI's reported revenues.

62. Mendoza Berger's workpapers indicate that it tested the accuracy of the accounts receivable value reported in EGMI's 2008 Form 10-K by relying upon confirmations and invoices, some of which were denominated in US dollars, others which were denominated in British pounds. Those workpapers indicate that a member of the audit team added the dollar-denominated amounts to those denominated in pounds, but did not convert pounds to dollars before doing so. Nonsensically, the resulting sum matched the accounts receivable balance (reported in dollars) in the Form 10-K.

63. By no later than October 2009, Mendoza Berger's audit team was aware that EGMI had not filed state or federal tax returns for the years 2002 through 2007, a fact the firm had failed to note during its year-end audits for 2006, 2007, and 2008. The audit team did not pursue the matter further or otherwise act to address the concerns it raised about the accuracy of EGMI's financial reporting and disclosures or about management's integrity and truthfulness.

COLE AND BOYNE IMPROPERLY ISSUED EGMI SHARES TO ENTITIES THEY CONTROLLED AND SOLD THEM ON THE OPEN MARKET

64. Between 2006 and 2009, Cole and Boyne knowingly and improperly directed the issuance of millions of shares of EGMI stock to over a dozen Gibraltar-based

entities they controlled (the Gibraltar Entities) and directed those entities' sales of about 20 million EGMI shares, generating proceeds of about $12 million.

65. The Gibraltar Entities were controlled by or otherwise affiliated with Cole and Boyne. For example: Boyne and Cole's brother-in-law exercised investment authority over assets in Gibraltar Entities' accounts; at least $1.7 million in proceeds from the Gibraltar Entities' sales of EGMI stock was wired to another issuer for which Cole and Boyne served as officers; at least $35,000 in EGMI stock sale proceeds was wired by one of the Gibraltar Entities to Cole's sister; and Cole's brother-in-law had check writing privileges on at least one Gibraltar Entity brokerage account and signed documents used to open brokerage accounts in the names of the Gibraltar Entities.

66. Between 2006 and 2009, Cole and Boyne used a number of false or fraudulent mechanisms to cause over 11 million shares of EGMI stock to be issued directly or indirectly to the Gibraltar Entities.

67. EGMI registered the issuance of 3,184,175 shares to five consultants on Forms S-8 dated July 16, 2007; August 23, 2007; January 23, 2008; April 25, 2008; and July 3, 2008. Form S-8 is a short-form registration statement that may be used to register an issuance of shares to employees and consultants who provide certain "*bona fide* services" to the registrant, but not to register a distribution of shares to the public. In those Forms S-8 – each signed by Cole and Boyne – EGMI falsely "certifie[d] that it ha[d] reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...." In fact, one or more of the five consultants did not provide *bona fide* services to EGMI in exchange for these shares. Within five to 31 days of their issuance to those purported consultants and at the direct or indirect request of Cole and Boyne, the

S-8 shares were transferred to Gibraltar Entities' brokerage accounts. Then they were promptly sold to the public.

68. Cole and Boyne also knowingly facilitated their fraudulent stock issuance scheme by directly or indirectly falsifying or forging documents, including minutes of EGMI's board meetings (signed by Boyne as company secretary), to indicate that EGMI's board had approved issuances of stock. Those shares were subsequently sold by the Gibraltar Entities. Cole and Boyne provided those falsified minutes to an attorney who prepared opinion letters that were necessary to effect fraudulent stock transfers. In addition, Boyne falsely represented to EGMI's transfer agent that the Gibraltar Entities were not affiliates of EGMI and that those entities had held EGMI securities for a time period sufficient to satisfy the provisions of Securities Act Rule 144, which allows for the public resale of restricted and control securities. By making those misrepresentations, Cole and Boyne were able to sell shares to the public without restriction.

69. For example, between December 2006 and July 2009, EGMI issued at least 6,663,987 EGMI shares to Sterling FCS, an entity that shared EGMI's London office and was controlled by or under common control with Cole and Boyne. The provision of those shares to Sterling FCS was not fully disclosed to investors, and Sterling FCS did not provide full consideration for them. Although EGMI's filings with the Commission indicated that Sterling FCS provided EGMI with Cole's and Boyne's executive services pursuant to a contract that paid Sterling FCS $16,667 per month, the value of the shares issued to Sterling FCS far exceeded the amount required by that contract: 4.5 million of those shares were sold on the market for over $3 million.

70. Throughout most of 2007, 2008, and 2009, the Gibraltar Entities collectively owned more than 5% of the outstanding common shares of EGMI, and Cole and Boyne had the power to dispose or to direct the disposition of those shares. Nevertheless, EGMI's annual financial statements for 2006 through 2008 falsely or misleadingly reported that Cole owned no shares of EGMI stock and that Boyne owned just 300,000 shares of the company in 2006 and 2007. Despite these facts and despite the fact that Cole and Boyne were officers and directors of EGMI when they were directing the issuance of EGMI shares to and sale of those shares by the Gibraltar Entities, no filing or disclosure was made with the Commission to accurately reflect the Gibraltar Entities' ownership or sale of EGMI securities.

CLAIMS FOR RELIEF

CLAIM I
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder
(Against all Defendants)
(Direct Liability)

71. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

72. As alleged herein, all of the Defendants, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or with reckless disregard for the truth: (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 statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged

in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities and upon other persons.

73. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

CLAIM II
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder
(Against Cole and Boyne)
(Aiding and Abetting Liability)

74. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

75. Based upon the conduct alleged herein, EGMI violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

76. As alleged herein, Cole and Boyne were generally aware that their roles in connection with such violations were part of an overall activity that was improper, and provided substantial assistance to EGMI in committing such violations.

77. By reason of the foregoing and pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Cole and Boyne, singly or in concert, directly or indirectly, each aided and abetted, and unless enjoined and restrained will continue to aid and abet, violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

CLAIM III

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

(Against Cole and Boyne)

(Control Person Liability)

78. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

79. Based upon the conduct alleged herein, EGMI violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

80. As alleged herein, Cole and Boyne, directly or indirectly controlled EGMI and were culpable participants in EGMI's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Cole and Boyne are therefore liable as control persons for EGMI's violations of those provisions.

CLAIM IV

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

(Against Quintanilla)

(Aiding and Abetting Liability)

81. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

82. Based upon the conduct alleged herein, Mendoza Berger violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

83. As alleged herein, Quintanilla was generally aware that his role in connection with such violation was part of an overall activity that was improper, and provided substantial assistance to Mendoza Berger in committing such violation.

84. By reason of the foregoing and pursuant to Section 20(e) of the Exchange Act, Quintanilla, singly or in concert, directly or indirectly, aided and abetted, and unless

enjoined and restrained will continue to aid and abet, violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

CLAIM V
Violations of Section 17(a) of the Securities Act
(Against Cole, Boyne, and Quintanilla)

85. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

86. As alleged herein, Cole, Boyne, and Quintanilla, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (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 operated or would operate as a fraud or deceit upon purchasers of securities

87. By reason of the foregoing, Cole, Boyne, and Quintanilla, singly or in concert, directly or indirectly, violated, and unless enjoined and restrained will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

CLAIM VI
Violations of Section 17(a)(1) and 17(a)(3) of the Securities Act
(Against Donovan)

88. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

89. As alleged herein, Donovan, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth employed devices, schemes or artifices to defraud and engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities

90. By reason of the foregoing, Donovan, singly or in concert with others, directly or indirectly, violated, and unless enjoined and restrained will continue to violate, Section 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)].

CLAIM VII
Violations of Sections 5(a) and 5(c) of the Securities Act
(Against Cole and Boyne)

91. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

92. The shares of EGMI referenced in paragraphs 64 through 70 above as having been sold by Cole and Boyne through the Gibraltar Entities constitute "securities" within the meaning of Section 2(a)(l) of the Securities Act [15 U.S.C. § 77b(a)(I)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

93. At all relevant times, shares of EGMI referenced in paragraphs 64 through 70 above as having been directly and indirectly sold by Cole and Boyne through the Gibraltar Entities were not registered in accordance with the provisions of the Securities Act and no exemption from such registration was applicable.

94. By reason of the foregoing, Cole and Boyne, and each of them, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities when no registration statement had been filed or was in effect as to such securities and when no exemption from registration was available.

95. By reason of the foregoing, Cole and Boyne each violated, and unless enjoined and restrained by this Court will continue to violate, Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)].

CLAIM VIII
Violations of Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 Thereunder
(Against Cole and Boyne)

96. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

97. Pursuant to Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rules 13d-l and 13d-2 thereunder [17 C.F.R. §§ 240.13d-1 and 240.13d-2], persons who are directly or indirectly the beneficial owners of more than 5% of the outstanding shares of a class of voting equity securities registered under the Exchange Act are required to file a Schedule 13D within ten days of the date on which their ownership exceeds five percent, and to notify the issuer and the Commission of any material increases or decreases in the percentage of beneficial ownership by filing an amended Schedule 13D. The Schedule 13D filing requirement applies both to individuals and to two or more persons who act as a group for the purpose of acquiring, holding, or disposing of securities of an issuer.

98. Cole and Boyne were beneficial owners of more than 5 percent of EGMI's for at least a portion of 2007 through 2009. In addition to any EGMI securities that Cole and Boyne each held in his own name, Cole and Boyne were each also a beneficial owner of the EGMI securities held by the Gibraltar Entities, as a result of the investment authority that each, for reasons set forth more fully above, held over those securities.

99. Cole, Boyne, and the Gibraltar Entities were sufficiently interrelated that they constituted a group for the purposes of Exchange Act Section 13(d) and the Schedule 13D filing requirements.

100. Accordingly, Cole and Boyne were each under an obligation to, but did not, file with the Commission true and accurate reports with respect to their ownership of EGMI securities, including those held by the Gibraltar Entities, as well as any material increases or decreases in the percentage of such ownership, pursuant to Exchange Act Section 13(d) and Rules 13d-l and 13d-2 thereunder.

101. By reason of the foregoing, Cole and Boyne each violated, and, unless enjoined and restrained will continue to violate, Section 13(d) of the Exchange Act and Rules 13d-l and 13d-2 thereunder.

CLAIM IX
Violations of Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 Thereunder
(Against Cole and Boyne)

102. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

103. Pursuant to Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. §§ 240.16a-2 and 240.16a-3], persons who are directors or officers of an issuer of securities registered under the Exchange Act are

required to timely and accurately to file Forms 3, 4, and 5 with the Commission disclosing information about their holdings and trading in the corresponding issuer's securities.

104. As set forth more fully above, Cole and Boyne each violated Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder because each owned and traded EGMI securities with respect to which each failed to file Form 4s with the Commission.

105. By reason of the foregoing, Cole and Boyne each violated, and unless enjoined and restrained will continue to violate, Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder.

CLAIM X
Violations of Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2 Thereunder
(Against Cole and Boyne)

106. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

107. Cole and Boyne violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] by, directly or indirectly, knowingly circumventing or knowingly failing to implement a system of internal accounting controls at EGMI or knowingly falsifying a book, record, or account described in Exchange Act Section 13(b)(2) [15 U.S.C. § 78m(b)(2)]. In addition, Cole and Boyne violated Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1] by, directly or indirectly, falsifying or causing to be falsified, the books, records or accounts of EGMI subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]. Furthermore, Cole and Boyne violated Exchange Act Rule

13b2-2 [17 C.F.R. § 240.13b2-2] by making, or causing to be made, materially false or misleading statements or omissions to an accountant or auditor.

108. By reason of the foregoing, Cole and Boyne each violated and unless enjoined and restrained by this Court will continue to violate these provisions.

CLAIM XI
Violations of Exchange Act Rule 13a-14
(Against Cole and Boyne)

109. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

110. From at least March 31, 2007, until at least November 15, 2009, Cole and Boyne each certified EGMI reports filed on Forms 10-Q and Form 10-K pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7241] and Exchange Act Rule 13a-14 promulgated thereunder [17 C.F.R. § 240.13a-14], stating that: based upon his knowledge, the reports did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; based upon his knowledge, the financial statements and information contained in each report fairly presented in all material respects the financial condition, results of operations and cash flows of the issuer; and they had disclosed to EGMI's auditors and its audit committee any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls.

111. Cole and Boyne each certified reports that: contained untrue statements of material fact and omitted to state material facts necessary to make the statements made therein, in light of the circumstances under which the statements were made, not

misleading; falsely represented that the financial statements and information contained in each report fairly presented in all material respects the financial condition, results of operations and cash flows EGMI; and falsely stated that they had disclosed to EGMI's auditors and its audit committee any fraud, whether or not material, that involved management or other employees who have a significant role in EGMI's internal controls.

112. By reason of the foregoing, Cole and Boyne each violated Rule 13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002.

CLAIM XII
Violations of Exchange Act Section 13(a)
and Rules 12b-20, 13a-1, and 13a-13 Thereunder
(Against Cole and Boyne)
(Aiding and Abetting Liability)

113. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

114. Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 13a-1 and 13a-13 thereunder [17 C.F.R. §§ 240.13a-1 and 240.13a-13] require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports. Exchange Act Rule 12b-20 [17 C.F.R. § 240.12b-20] provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.

115. Based upon the conduct alleged herein, EGMI violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13 as a result of the inclusion of false and misleading financial statements in the following EGMI reports filed with the Commission (and in any amendments to those reports filed with the

Commission): (1) Forms 10-KSB for the years ended December 31, 2006, and December 31, 2007; (2) Form 10-K for the year ended December 31, 2008; (3) Forms 10-QSB for the quarters ended March 31, 2007, June 30, 2007, and September 30, 2007; and (4) Forms 10-Q for the quarters ended March 31, 2008, June 30, 2008, September 30, 2008, March 31, 2009, June 30, 2009, and September 30, 2009.

116. As alleged herein, Cole and Boyne were generally aware that their roles in connection with such violations were part of an overall activity that was improper, and provided substantial assistance to EGMI in committing such violations.

117. By reason of the foregoing, Cole and Boyne aided and abetted EGMI's violations of, and unless restrained and enjoined, will aid and abet further violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13.

CLAIM XIII
Violations of Exchange Act Section 13(a)
and Rules 12b-20, 13a-1, and 13a-13 Thereunder
(Against Cole and Boyne)
(Control Person Liability)

118. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein

119. Based upon the conduct alleged herein, EGMI violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13 as a result of the inclusion of false and misleading financial statements in the following EGMI reports filed with the Commission (and in any amendments to those reports filed with the Commission): (1) Forms 10-KSB for the years ended December 31, 2006, and December 31, 2007; (2) Form 10-K for the year ended December 31, 2008; (3) Forms 10-QSB for the quarters ended March 31, 2007, June 30, 2007, and September 30, 2007; and (4)

Forms 10-Q for the quarters ended March 31, 2008, June 30, 2008, September 30, 2008, March 31, 2009, June 30, 2009, and September 30, 2009.

120. As alleged herein, Cole and Boyne, directly or indirectly controlled EGMI and were culpable participants in EGMI's violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13. Pursuant to Section 20(a) of the Exchange Act, Cole and Boyne are therefore liable as control persons for EGMI's violations of those provisions.

CLAIM XIV
Violations of Section 13(b)(2)(A) of the Exchange Act
(Against Cole and Boyne)
(Aiding and Abetting Liability)

121. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

122. Based on the conduct alleged herein, EGMI violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

123. As alleged herein, Cole and Boyne were generally aware that their roles in connection with such violations were part of an overall activity that was improper, and provided substantial assistance to EGMI in committing such violations.

124. By reason of the foregoing, Cole and Boyne aided and abetted EGMI's violation of, and unless restrained and enjoined, will aid and abet further violations of Section 13(b)(2)(A) of the Exchange Act.

CLAIM XV
Violations of Section 13(b)(2)(A) of the Exchange Act
(Against Cole and Boyne)
(Control Person Liability)

125. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein

126. Based on the conduct alleged herein, EGMI violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

127. As alleged herein, Cole and Boyne, directly or indirectly controlled EGMI and were culpable participants in EGMI's violations of Section 13(b)(2)(A) of the Exchange Act. Pursuant to Section 20(a) of the Exchange Act, Cole and Boyne are therefore liable as control persons for EGMI's violation of those provisions.

CLAIM XVI
Violations of Sections 10A(a)(1) and 10A(b)(1) of the Exchange Act
(Against Quintanilla)
(Direct Liability)

128. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

129. Section 10A(a)(1) of the Exchange Act [15 U.S.C. § 78j-1(a)(1)] requires, among other things, that each audit conducted by a registered public accounting firm and required by the Exchange Act include, in accordance with generally accepted auditing standards, as may be modified or supplemented from time to time by the Commission: (a) procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts, and (b) procedures designed to identify related party transactions that are material to the financial statements or otherwise require disclosure therein.

130. Quintanilla supervised and directed Mendoza Berger's audits of EGMI's financial statements for the years 2006 through 2009, which audits failed to include such procedures.

131. Section 10A(b)(1) of the Exchange Act [15 U.S.C. § 78j-1(b)(1)] requires that after detecting or otherwise becoming aware of information indicating that an illegal act may have occurred, a public accountant conducting an audit of a public company such as EGMI must: (a) determine whether it is likely that an illegal act occurred and, (b) if so, determine what the possible effect of the illegal act is on the financial statements of the issuer, and (c) if the illegal act is not clearly inconsequential, inform the appropriate level of management and assure that the audit committee of the client or its board of directors is adequately informed about the illegal act detected. If neither management nor the audit committee takes timely and appropriate remedial action in response to the auditor's report, the auditor is obliged to take further steps, including reporting the likely illegal act to the Commission.

132. In the course of conducting and supervising audits of EGMI's financial statements for the years 2006 through 2009, Quintanilla became aware of information indicating that illegal acts had or may have occurred but failed to determine whether it was likely that fraud had occurred, failed to determine the effect of that possible illegal act on EGMI's financial statements, and failed to inform EGMI's board or management of those problems.

133. By reason of the foregoing, Quintanilla violated Sections 10A(a)(1) and 10A(b)(1) of the Exchange Act.

CLAIM XVII
Violations of Sections 10A(a)(1) and 10A(b)(1) of the Exchange Act
(Against Quintanilla)
(Aiding and Abetting Liability)

134. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

135. Based upon the conduct alleged herein, Mendoza Berger violated Sections Sections 10A(a)(1) and 10A(b)(1) of the Exchange Act.

136. As alleged herein, Cole and Boyne were generally aware that his role in connection with such violations was part of an overall activity that was improper, and provided substantial assistance to Mendoza Berger in committing such violations.

137. By reason of the foregoing and pursuant to Section 20(e) of the Exchange Act, Quintanilla, singly or in concert, directly or indirectly, aided and abetted, and unless enjoined and restrained will continue to aid and abet, violations of Sections 10A(a)(1) and 10A(b)(1) of the Exchange Act.

CLAIM XVIII
Violations of Section 304 of the Sarbanes-Oxley Act of 2002
(Against Cole and Boyne)

138. The Commission repeats and realleges paragraph 1 through 70 of this Complaint as if fully set forth herein.

139. Based on the conduct alleged herein and beginning on or before the filing of its Form 10-KSB for the year ended December 31, 2006, EGMI was required to prepare an accounting restatement due to its material noncompliance, as a result of misconduct, with financial reporting requirements under the securities laws.

140. During the 12-month period following the first public issuance or filing with the Commission (whichever occurred first) of the financial documents identified in

paragraph 113, Cole and Boyne directly or indirectly received bonuses or other incentive-based or equity-based compensation and realized profits from the sale of EGMI securities. Neither Cole nor Boyne have reimbursed EGMI for such bonuses or compensation, and the Commission has not exempted them, pursuant to Section 304(b) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(b)], from the application of Section 304(a) of the Sarbanes-Oxley Act [15 U.S.C. § 7243(a)].

141. By reason of the foregoing, Cole and Boyne each violated Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C § 7243].

RELIEF SOUGHT

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

I.

Permanently restraining and enjoining each of the Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(u)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)];

II.

Ordering each of the Defendants to pay civil monetary penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(u)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

III.

Prohibiting Cole, Boyne, and Donovan from acting as an officer or director of any public company, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)];

IV.

Prohibiting Cole, Boyne, and Donovan from participating in an offering of penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)];

V.

Ordering Cole and Boyne to disgorge, with prejudgment interest, all ill-gotten gains received as a result of the conduct alleged in this Complaint (including all ill-gotten proceeds from their transactions in EGMI stock) and holding them jointly and severally liable for disgorgement of the Gibraltar Entities' ill-gotten proceeds from sales of EGMI stock, with prejudgment interest;

VI.

Ordering Quintanilla to disgorge, with prejudgment interest, all fees and payments he received directly or indirectly from EGMI;

VII.

Ordering Cole and Boyne to reimburse EGMI for bonuses or other incentive-based or equity-based compensation he received and profits he realized from the sale of EGMI securities (including an order holding Cole and Boyne jointly and severally liable for reimbursement of any such bonus, compensation, or profits received or realized by any of the Gibraltar Entities), pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C § 7243]; and

VIII.

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

Dated: New York, New York
November 8, 2012

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EXHIBIT A

MISREPRESENTATIONS IN OMISSIONS IN EGMI SEC FILINGS PREPARED AND CERTIFIED BY COLE AND BOYNE

FILING DATE	DOCUMENT	MISREPRESENTATIONS AND OMISSIONS
April 5, 2007	Form 10-KSB	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares Cole and Boyne beneficially own; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
May 15, 2007	Form 10-QSB	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
July 16, 2007	Form S-8	EGMI "certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...."; incorporates by reference misrepresentations and omissions in Form 10-KSB for the period ending December 31, 2006, and Form 10-QSB for the period ending May 31, 2007.
August 14, 2007	Form 10-QSB	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
August 23, 2007	Form S-8	EGMI "certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...."; incorporates by reference misrepresentations and omissions in Form 10-KSB for the period ending December 31, 2006, and Form 10-QSB for the period ending May 31, 2007.
November 14, 2007	Form 10-QSB	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.

FILING DATE	DOCUMENT	MISREPRESENTATIONS AND OMISSIONS
November 26, 2007	Form 10-QSB/A	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
January 23, 2008	Form S-8	EGMI "certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...."; incorporates by reference misrepresentations and omissions in Form 10-KSB for the period ending December 31, 2006, and Forms 10-QSB for the periods ending March 31, 2007, June 30, 2007, and September 30, 2007.
March 26, 2008	Form 10-KSB	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares Cole and Boyne beneficially own and compensation paid directly and indirectly to Cole, Boyne, and Sterling FCS; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
April 15, 2008	Form 10-KSB/A	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares Cole and Boyne beneficially own and compensation paid directly and indirectly to Cole, Boyne, and Sterling FCS; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
April 25, 2008	Form S-8	EGMI "certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...."; incorporates by reference misrepresentations and omissions in Forms 10-KSB and 10-KSB/A for the period ending December 31, 2007.
May 14, 2008	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
July 3, 2008	Form S-8	EGMI "certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8...."; incorporates by reference misrepresentations and omissions in Forms 10-KSB and 10-KSB/A for the period ending December 31, 2007.
August 8, 2008	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.

FILING DATE	DOCUMENT	MISREPRESENTATIONS AND OMISSIONS
November 17, 2008	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, and stockholders' equity; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
March 24, 2009	Form 10-K	Materially overstates cash and cash equivalents, total current assets, total assets, stockholders' equity, revenue, investments, and accounts receivable; materially understates number of shares of common stock issued and outstanding, number of shares Cole and Boyne beneficially own and compensation paid directly and indirectly to Cole, Boyne, and Sterling FCS; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
May 15, 2009	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, stockholders' equity, revenue, investments, and accounts receivable; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
August 14, 2009 (refiled as Form 10-Q/A on September 8, 2009)	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, stockholders' equity, revenue, investments, and accounts receivable; materially understates number of shares of common stock issued and outstanding; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
November 20, 2009	Form 10-Q	Materially overstates cash and cash equivalents, total current assets, total assets, stockholders' equity, revenue, investments, and accounts receivable; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.
November 23, 2009	Form 10-Q/A	Materially overstates cash and cash equivalents, total current assets, total assets, stockholders' equity, revenue, investments, and accounts receivable; omits mention of Cole's and Boyne's control over or association with Gibraltar Entities and related party transactions.