

2. Defendants offered and sold minimum \$100,000 investment contracts to share in returns from an “asset growth program” that promised to trade in “1st Tier Medium-Term Bank Notes.” Investors were told that their money would be deposited into one of three banks, either United Bank, in Arlington, Virginia, Banco Bilbao Vizcaya Argentaria (“BBVA”) or Great Florida Bank (“GFB”), both located in Miami, Florida. The defendants told investors that their money would remain in a segregated account, controlled by the investor, and that said account would “remain in full equity value or greater than full equity value.” Investors were promised a rate of return that varied between 4% and 6% per month, with some investors being promised as much as 10% per month.

3. No market for trading in instruments such as “1st Tier Medium-Term Bank Notes” at rates of return promised by the defendants exists. Investment programs based upon trading in these notes are designed generally, and were designed by the defendants in this instance, for fraudulent purposes. The defendants have engaged in a fraud upon investors, because they either knew, or were reckless in not knowing, that trading in instruments such as “1st Tier Medium Term Bank Notes” never took place, that the promised returns came from other investors’ contributions and not from any trading in bank notes, and that there was no guarantee insuring against risk of loss.

4. The defendants did not use the investors’ money to finance the purchase of “1st Tier-Medium-Term Notes.” Instead, investors’ money was transferred from the individual accounts established and maintained for the investors to large, commingled accounts controlled only by the defendants. From these accounts, defendants wired money to banks and entities unrelated to the purported investment program. Pinkett, Stevenson and Byer transferred at least \$12 million of these investor funds to themselves and at least \$1.9 million to the relief defendants, Terry Martin, CD2E, Inc., Winchell Corporation, M&M Technologies, Robert Lowrey and SZE Coast Operating Corp. (collectively “Relief

Defendants”). Pinkett and Stevenson each received approximately \$5 million, and Byer received approximately \$2 million. Pinkett, Byer and Stevenson also used the funds to pay other investors, finders and other individuals or entities with no involvement in any trading program.

5. Defendants, directly and indirectly, are now and have been engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. § 78j(b)) and Rule 10b-5 (17 C.F.R. § 240.10b-5).

6. Defendants, directly and indirectly, are now and have been engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Sections 5 and 17(a) of the Securities Act of 1933 (15 U.S.C. §§ 77(e) and 77q(a)).

7. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act of 1933 (15 U.S.C. § 77t(b)) and Sections 21(d) and (e) of the Securities Exchange Act of 1934 (15 U.S.C. § 78u(d) and (e)) for an order permanently restraining and enjoining defendants and granting other equitable relief.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 (15 U.S.C. § 77v(a)), Section 21(e) of the Securities Exchange Act of 1934 (15 U.S.C. § 78u(e)), and Section 27 of the Securities Exchange Act of 1934 (15 U.S.C. § 78aa). Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices and courses of business alleged in this First Amended Complaint.

9. Venue lies in this Court pursuant to Section 22(a) of the Securities Act of 1933 (15 U.S.C. § 77v(a)) and Section 27 of the Securities Exchange Act of 1934 (15 U.S.C. § 78aa),

because certain of the conduct alleged in this First Amended Complaint took place within the Eastern District of Virginia.

10. Upon information and belief, defendant Pinkett is a resident of Arlington, Virginia. He conducts business in Arlington, Virginia, at defendant IFC, and certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within the Eastern District of Virginia. In addition, IFC – the offeror of the fraudulent investments – is a Virginia company with offices in this District and Division.

DEFENDANTS

11. Malcolm Cameron Boyd Stevenson: Defendant Stevenson was a resident of Abbotsford, British Columbia. He was an authorized signatory for IFC.

12. Daniel Eric Byer: Defendant Byer was a resident of Abbotsford, British Columbia. Byer solicited clients for investment with IFC.

13. Preston David Pinkett II: Defendant Pinkett listed a residence in Arlington, Virginia. He was an officer and director and authorized signatory for IFC.

14. International Fiduciary Corp., S.A.: Defendant IFC is a Virginia corporation with offices in Arlington, Virginia. IFC is also incorporated in Belize and has offices in Miami, Florida and Washington, D.C. Defendant Pinkett was a director, and also chairman and CEO. IFC was incorporated in July 2003. IFC maintained a password-protected website.

15. On November 1, 2006, in a Temporary Notice and Order issued by the British Columbia Securities Commission, an agency of the Canadian Province of British Columbia (“BCSC”), the BCSC alleged that the defendants were illegally selling fictitious prime bank securities to residents of British Columbia and ordered them to cease trading the IFC investments.

RELIEF DEFENDANTS

16. Terry Martin: Terry Martin is a resident of Canada. He is not alleged to

have engaged in any federal securities laws violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

17. CD2E, Inc.: CD2E is a corporation controlled by Terry Martin. This corporation, based in Lynden, Washington, maintains a bank account at Bank of America. This corporation is not alleged to have engaged in any federal securities laws violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

18. Winchell Corporation: Winchell is a corporation controlled by Terry Martin. This corporation, based in Ferndale, Washington, maintains a bank account at Bank of America. This corporation is not alleged to have engaged in any federal securities laws violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

19. M & M Technologies: M&M Technologies is a corporation controlled by Terry Martin. This corporation, based in Lynden, Washington, maintains bank accounts at Wells Fargo Bank. This corporation is not alleged to have engaged in any federal securities laws violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

20. Robert Lowrey: Robert Lowrey is a resident of British Columbia, Canada. He is not alleged to have engaged in any federal securities laws violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

21. SZE Coast Operating Corporation: SZE Coast is a corporation which lists Robert Lowrey as its secretary. SZE Coast was incorporated in 2005 and is based in Ferndale, Washington. This corporation is not alleged to have engaged in any federal securities laws

violations, but holds or controls funds that represent fruits of violations committed by the defendants which are the subject of this Amended Complaint.

THE NATURE OF THE FRAUDULENT OFFERING

22. The defendants have been offering and selling securities in the form of investment contracts to the general public. The defendants have offered and sold, and are continuing to offer and sell, these securities through the use of the telephone, the mails and other means and instruments of interstate commerce.

23. Each investment contract offered and sold by the defendants constitutes a “security” pursuant to Section 2(1) of the Securities Act of 1933 (15 U.S.C. §77b(1)) and Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. § 78c(a)(10)). The money provided to the defendants is consideration for a contract, transaction or scheme whereby the investors make an investment of money in a common enterprise offered, sold and/or promoted by the defendants with the expectation of profits through the efforts of others.

24. From at least April 2004, the defendants have been marketing investments in an “asset-growth program” in which individuals or entities invest funds with the defendants in order to participate in returns from a program that trades in instruments such as “1st Tier Medium-Term Bank Notes.” Investors were falsely told their money would be pooled and used as collateral to finance the purchase of “1st Tier Medium-Term Bank Notes.” Investors were falsely told that they would be paid a rate of return on a pro rata basis generated from profits from the bond trading activities of a “bond trader” associated with IFC who purchased and sold the “1st Tier Medium-Term Notes.”

25. Investors were falsely told, orally and through written offering documents that their investments with the defendants would remain owned by the investors in segregated accounts under their control. Investors were also led to believe that their investments in defendant IFC would be used only as collateral for trades done by the “bond trader” and

therefore would remain in insured bank accounts.

26. The defendants solicited the investors to invest in these arrangements with defendant IFC by executing agreements.

27. Investors were told that the minimum investment in the scheme is \$100,000, and to date at least \$40 million has been invested in the scheme with one or more of the defendants.

28. Investor funds have not been used to finance trading in bank or other instruments as represented to investors. In addition, investors' funds have not been maintained under their control in segregated accounts. Rather, investors' funds were transferred by defendant Pinkett to commingled accounts controlled only by the defendants and used for other purposes.

29. Fraudulent schemes that purport to offer investments in fictitious securities and financial instruments (including medium-term bank notes or MTNs), sometimes referred to as "prime bank instruments," that are allegedly sold by the world's leading banks or "prime banks" have proliferated over the past ten years. Such "prime bank" investment schemes are fraudulent and "prime bank instruments" do not exist.

30. From at least April 2004 to the present, one or more of the defendants made these representations to investors orally, and then followed up by having the investors execute a three-page contract on IFC letterhead. One version of the contract bore the subject line: "Asset Growth Program" and in certain instances referred to an introduction made by Byer or another finder. Pinkett and Stevenson executed the contract as authorized signatories of IFC. The contract repeated the false claims about a trading program involving "1st Tier Medium-Term Bank Notes" and about segregated investor bank accounts. Pinkett and Stevenson prepared the documents intending that the documents be used to solicit the investments into IFC.

31. Between July 2005 and November 2006, Byer solicited numerous clients to invest in the IFC trading program through the making of the representations described in paragraphs 24

through 30, at about the time of investment, including the following clients:

- a. Investor #1, who invested \$200,000 on or about July 28, 2005, and additional investments totaling \$170,000 made throughout late 2005 and 2006.
- b. Investor #2, who invested \$100,000 on or about October 13, 2005, and seven additional investments totaling \$492,000 made throughout 2006.
- c. Investor #3, who invested \$115,000 on or about March 30, 2006, and an additional investment of \$50,000 made in July 2006.
- d. Investor #4, who invested \$100,000 on or about October 24, 2006.

32. Between April 2004 and November 2006, Stevenson solicited numerous clients to invest in the IFC trading program through the making of the representations described in paragraphs 24 through 30, at about the time of investment, including the following clients:

- a. Investor #5, who invested \$100,000 on or about November 20, 2005, and six additional investments totaling \$194,000 made throughout 2006.
- b. Investor #6, who invested \$300,000 on or about April 13, 2006.
- c. Investor #7, who invested \$1,000,000 on or about September 20, 2006.

33. Between April 2004 and November 2006, Pinkett made misrepresentations to each of the clients described in paragraphs 31 and 32 in the solicitation of those clients' investments in the IFC trading program through the making of the misrepresentations in the "comfort letter" more fully described in paragraph 36.

34. While IFC solicited at least 15 U.S. investors, most of its investors resided in the Pacific Northwest, primarily in the Canadian province of British Columbia.

MISREPRESENTATIONS AND OMISSIONS MADE TO INVESTORS AND POTENTIAL INVESTORS

35. As part of and in furtherance of their fraudulent scheme, the defendants and their agents, in the offer and sale of the securities, have misrepresented and omitted to state the following material facts:

- a. misrepresented that IFC had "developed a business relationship with an international bank that operates an asset growth program by buying and selling 1st Tier Medium-Term Bank Notes;"
- b. misrepresented that investors' funds would "always remain owned by the

Depositor and the Depositor remains in full control of those funds;”

c. misrepresented that investors’ accounts “shall remain in full equity value or greater than full equity value;”

d. misrepresented that IFC maintained a banking relationship with Banco Bilbao Vizcaya Argentaria (“BBVA”) in Miami, Florida.

e. misrepresented that Pinkett had a “5 year affiliation with the International Monetary Fund.”

f. misrepresented that investors would receive regular monthly returns from participation in a program that traded bank notes;

g. misrepresented that investments in IFC were safe and secure, and protected against risk under insurance provided by the Federal Deposit Insurance Corporation;

h. omitted to disclose that investors’ money was completely moved out of individual investor accounts without prior notice, and moved into accounts under the sole control of the defendants where money was wired to banks and entities unrelated to the purported investment program.

i. omitted to disclose that investor funds were used to pay investors’ monthly returns.

36. The misrepresentations contained in paragraphs 34(a) through 34(e) were contained in the “Asset Growth Program comfort letter” prepared and signed by Pinkett and Stevenson and given to investors by Byer or other finders at the time the investment was solicited. The misrepresentations contained in paragraphs 34(f) and 34 (g) were made by Byer and Stevenson orally to investors at the time the investment was solicited.

37. Also at the time of investment, investors were provided with a bank signature card for a bank account in the name of IFC, which Stevenson, Byer and Pinkett represented was to remain under the sole signatory authority of the investor. However, with respect to every IFC account

opened to receive investor funds, the signature card executed by the investor, which contained the investor's signature and personal contact information, and transmitted to IFC was not submitted to the bank. Rather, Pinkett submitted to the bank a signature card that gave him sole signatory authority over the accounts.

IFC DID NOT APPLY THE INVESTORS FUNDS AS PROMISED

38. After executing the contract for the IFC "asset growth program," at least 140 investors sent their investments in amounts of \$100,000 or more to United Bank in Arlington, Virginia.

39. In another instance, an investor sent \$1,000,000 to Great Florida Bank in Miami, Florida after executing the contract for the IFC "asset growth program."

40. At least one investor made his contribution from (and received ponzi payments in return to) his U.S. bank account in Blaine, Washington in the United States.

41. From April 2004 to the present, Pinkett opened at least 182 separate bank accounts at United Bank that would purportedly house the investors' initial investment.

42. Contrary to the representations made to the investors in the Asset Growth Program "Comfort Letter," the investor funds did not always remain in the account owned by the investor, nor did the account remain in full equity value or greater than full equity value. Rather, with respect to initial investments sent to United Bank, the money from an individual investor's separate account was almost immediately transferred by Pinkett into one of two larger accounts at United Bank maintained by IFC. Pinkett fully controlled both of these larger United Bank accounts. Only a nominal amount of money remained in each of the separate bank accounts that housed the investors' initial investment. Funds from one investor deposited in Great Florida Bank were also under the exclusive control of Pinkett, contrary to the representations made by Pinkett and Stevenson to the investor in the Asset Growth Program "Comfort Letter."

43. Funds transferred into the larger accounts were used by Pinkett to make monthly

payments to prior investors, in order to maintain investor confidence and perpetuate the scheme. Pinkett, sometimes at the direction of Byer and Stevenson, also caused funds to be transferred out of the account unrelated to any legitimate investment purpose, including transfers to personal accounts in the name of or controlled by each of Pinkett, Byer and Stevenson, and to pay apparent finders, and other individuals or entities with no apparent involvement in any trading program, including at least \$500,000 to Lowrey and his entity, and \$1.5 million to Martin and his entities. In addition, IFC has wired money from these two larger accounts to banks in New York, Canada, Hong Kong, and Thailand despite the representation to investors that the money would remain in one of three banks in Virginia and Florida.

FIRST CAUSE OF ACTION

(Violations of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934)

44. Plaintiff repeats and realleges Paragraphs 1 through 4 and 22 through 43 above.

45. Defendants, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities in violation of Section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. §78j(b)) and Rule 10b-5 (17 C.F.R. § 240.10b-5).

46. By reason of the foregoing, defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 and unless restrained and enjoined will continue to do so.

