

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
ABATEMENT CORP. HOLDING COMPANY LIMITED,)
)
Defendant, and)
)
BRENDA M. DAVIS)
INTERNATIONAL BALANCED FUND,)
)
Relief Defendants.)
)

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges:

I. INTRODUCTION

1. From at least as early as 2004 through his death on May 15, 2014, Joseph Laurer and Abatement Corp. Holding Company Limited defrauded investors into providing money to Laurer based on the representation he would be putting their money into Abatement’s bond fund. According to Laurer, the fund would pay a guaranteed fixed return, with no risk to principal because of insurance from the Federal Deposit Insurance Corporation (“FDIC”), the Securities Investor Protection Corporation (“SIPC”), or both. In fact, neither the FDIC nor SIPC provided any form of insurance for funds invested with Laurer, and he bought no bonds with investors’ money.

2. By at least as early as 2007, Laurer was operating a full-fledged Ponzi scheme: he was putting virtually no new investor money into securities. Instead, he used investors’ funds

to pay returns to investors, fund investor withdrawals, and pay personal expenses. During the period between November 2004 and May 2014, approximately 50 people provided \$4,656,000 to Laurer to invest.

3. At the time of Laurer's death, approximately \$900,000 remained at a bank account Abatement maintained in the Turks and Caicos Islands. Another \$82,000 remains in a domestic bank account held by International Balanced Fund, another Laurer-controlled entity.

4. Among the personal expenses Laurer paid were \$456,560 to purchase real estate in his wife's name, \$594,000 directly to his wife, and premiums on a half million dollar life insurance policy paid to his wife after he died.

5. By engaging in this conduct, Abatement and Laurer violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5.

6. The Commission respectfully requests the Court enter: (a) an order freezing the assets of Defendant and Relief Defendants, until further order of the Court; (b) an order directing Defendant and Relief Defendants to pay disgorgement with prejudgment interest; (c) an order directing Defendant and Relief Defendants to provide a sworn accounting of all proceeds received; and (d) an order directing Defendant and Relief Defendants to repatriate any funds held at any bank or other financial institution not subject to the jurisdiction of the Court.

II. DEFENDANT AND RELIEF DEFENDANTS

A. Defendant

7. Abatement is a company formed in 1994 under the laws of the Turks & Caicos Islands ("TCI"). In 1994, Laurer caused Abatement to open accounts at (a) Turks & Caicos

Banking Company (“TCBC”), a TCI-based bank (the “Abatement TCBC Account”), and (b) Charles Schwab & Co., Inc. (the “Abatement Schwab Account”). In June 2009, the Abatement Schwab Account was closed and its securities were transferred to the Abatement TCBC Account, which remains open. Laurer controlled Abatement, represented himself as its director and secretary, and was the signatory on the Abatement TCBC Account and the Abatement Schwab Account.

B. Relief Defendants

8. International Balanced Fund (“IBF”) is a Delaware corporation formed in 1994. Laurer was IBF’s sole director. In 1994, Laurer caused IBF to open an account at a predecessor to Bank of America (the “IBF Account”), with Laurer as the sole signatory and with a Key Largo, Florida post office box as the address.

9. Brenda Davis, 64, resides in Homestead, Florida. Davis and Laurer were married from December 25, 2007 through Laurer’s death on May 15, 2014.

III. OTHER RELEVANT PARTY

10. Lauer, 69 at the time of his death, resided at all relevant times in Homestead, Florida and used the alias Josef von Laurer. Laurer was a member of the City of Homestead’s General Employee Pension Board and was President of the South Dade chapter of AARP.

IV. JURISDICTION AND VENUE

11. The Court has jurisdiction over this action 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.

12. This Court has personal jurisdiction over Defendant and Relief Defendants, and venue is proper in the Southern District of Florida, because: (a) many of Abatement’s acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the

Southern District of Florida and Laurer, who controlled Abatement, resided in the Southern District of Florida; (b) IBF's sole director, Laurer, resided in the Southern District of Florida; and (c) Davis is a resident of the Southern District of Florida.

13. In connection with the conduct alleged in this Complaint, Abatement and Laurer, directly and indirectly, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

V. ABATEMENT AND LAURER'S FRAUDULENT SCHEME

14. Beginning at least as early as 2004 and continuing into 2014, Laurer solicited investors, most of whom were friends, relatives, and acquaintances from the Homestead area.

15. As part of the solicitations, Laurer provided a variety of written materials to prospective investors relating to purported entities and funds with names similar to Abatement and IBF. The written materials contained similar representations.

16. Laurer and Abatement provided at least two prospective investors a document soliciting an investment in the "International Balanced Bond Fund," which was managed by "Abatement (Bank) Corporation Holding Company, Ltd." The document stated that IBBF invested in a portfolio of triple-A rated corporate and government bonds "guaranteed by the US Securities Investment [sic] Protection Corporation."

17. Laurer and Abatement provided several other investors a pamphlet entitled "IBFGp/Abatement Corp.," which touted the availability of several funds, including the "IBB Fund (IBBF) and the IB Fund (IBF)." The pamphlet stated that funds were not held offshore and that "[a]ll investments are guaranteed via the F.D.I.C. or the S.I.P.C."

18. Laurer and Abatement maintained websites—initially with the domain name www.abatementcorp.com, and later www.ibfgp.com. The abatementcorp site referred to “The International Balanced Bond Fund (IBBF)” and the “The International Balanced Fund (IBF)” as two of “ABATEMENT[’S] MUTUAL FUNDS AND SERVICES.” This site stated IBBF would invest in US corporate and government bonds and investments were FDIC and SIPC guaranteed.

19. The ibfgp website also referred to the IBF and IBBF funds, and stated that “[i]n 1992 the IBFGp and its affiliates established offices in the British West Indies and in Delaware, USA. Since that time the IBFGp has served its clients via AB corporation and the IBF.” The site stated the IBBF Fund is tax free and invests in “the best US listed corporate and government bonds.” The site’s “Frequently Asked Questions” section stated:

- Q. Are my investments guaranteed?
 A. Yes. All investments are guaranteed via the F.D.I.C. or the S.I.P.C.

20. Laurer and Abatement also made oral representations to investors, telling them one or more of the following: (a) the investor could receive a guaranteed fixed interest rate, ranging from approximately four to six percent, (b) there was no risk to principal due to FDIC or SIPC insurance, (c) IBBF invested in corporate and government bonds, and (d) returns would be tax free.

21. Based on these representations, during the period November 2004 through May 2014, approximately 50 people provided \$4,656,000 to Laurer and Abatement to invest, which Laurer deposited as follows:

Period	Account	Amount (approximate)
November 2004 to June 2009	Abatement Schwab Account	\$1,553,000
January 2008 to March 2014	IBF Account	\$1,331,000
January 2013 to May 2014	Abatement TCBC Account	\$1,772,000

The IBF Account also received \$1,418,000 in net transfers from the Abatement TCBC Account.

22. The representations Laurer and Abatement made were false:

a. neither the Federal Deposit Insurance Corporation nor the Securities Investors Protection Corporation guaranteed investor funds;

b. a substantial amount of investor funds were held offshore in the Abatement TCBC Account; and

c. Abatement was not investing in bonds.

23. Laurer and Abatement also failed to disclose that by at least as early as 2007, Laurer was operating a Ponzi scheme. From July 2007 through May 2014, Laurer and Abatement received \$3,959,000 in investor funds, bought no bonds at all, and sold more securities than they purchased. Instead, Laurer used investor money to pay purported “returns” to investors, fund investor withdrawals, finance his living expenses, pay substantial sums to Davis, purchase real estate in Davis’s name, and pay the premiums on a \$500,000 life insurance policy naming Davis as the beneficiary issued by John Hancock Life Insurance Company (USA) (“Hancock”).

24. Laurer and Abatement lulled their clients into a false sense of security by timely paying returns, honoring requests for withdrawals, and providing investors with written statements purporting to show the value of the investments without disclosing Laurer’s misappropriation of the investors’ funds. For example, the statements for the period ending December 31, 2013 show accounts for 38 investors with a total value of approximately \$4,044,000. In fact, at the time, the total combined value of the Abatement TCBC Account and the IBF Account was approximately \$1,355,000.

25. Abatement and Laurer knew the representations they made to investors were false and materially misleading. Laurer was the sole director of Abatement and IBF and the sole

signatory on their accounts. Laurer personally solicited investors, who provided their funds directly to Laurer or deposited them in accordance with Laurer's instructions. Laurer therefore knew (a) he and Abatement were not investing in bonds, (b) Abatement funds were being held offshore, (c) Laurer was misappropriating investor funds for Davis's benefit, and (d) the statements Laurer and Abatement were providing to investors did not reflect actual account values. Laurer and Abatement also had no basis to believe the FDIC or SIPC were insuring investors' principal against loss.

26. As of June 30, 2014, the Abatement TCBC Account contained cash in the amount of \$567,900.71 and securities valued at \$333,893.01.

27. As of June 30, 2014, the balance in the IBF Account was \$82,563.35.

28. Davis benefited from Laurer's fraud as follows:

- a. In August 2007, Laurer used \$394,341.42 from the Abatement Schwab Account towards the purchase of a residence in Davis's name in Homestead, Florida, which Davis still owns. This payment represented approximately 96% of the property's purchase price.
- b. In August 2008, Laurer used \$60,218.93 from the Abatement Schwab Account and \$2,000 from the IBF Account towards the purchase of a condominium in Davis's name in Homestead, Florida, which Davis still owns. These payments represented approximately 96% of the property's purchase price.
- c. During the period May 5, 2009 through May 15, 2014, Davis negotiated at Capital Bank checks drawn on the IBF Account signed by Laurer and payable to Davis, resulting in a net benefit to her of \$594,468.76.
- d. In Spring 2004, Laurer purchased a \$500,000 life insurance policy from John Hancock, naming Davis as the beneficiary. From the inception of the policy through Laurer's death, the premiums on the policy totaled \$72,502. Laurer paid at least 66% of the premiums from either the Abatement Schwab Account or the IBF Account. On July 25, 2014, Hancock paid Davis the death benefit of \$510,867.40.

VI. CLAIMS FOR RELIEF

COUNT 1

Section 17(a)(1) of the Securities Act

29. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

30. Abatement and Laurer, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly employed devices, schemes, or artifices to defraud.

31. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT 2

Section 17(a)(2) of the Securities Act

32. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

33. Abatement and Laurer, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly obtained money or property by means of untrue statements of material facts and omissions 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.

34. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT 3

Section 17(a)(3) of the Securities Act

35. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

36. Abatement and Laurer, in the offer or sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchasers.

37. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT 4

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

38. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

39. Abatement and Laurer, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, employed devices, schemes or artifices to defraud in connection with the purchase or sale of securities.

40. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(a), 17 C.F.R. § 240.10b-5(a).

COUNT 5

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

41. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

42. Abatement and Laurer, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, 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.

43. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b).

COUNT 6

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

44. The Commission adopts by reference paragraphs 1 through 28 of this Complaint.

45. Abatement and Laurer, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, engaged in acts, practices, and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

46. By reason of the foregoing, Abatement and Laurer directly or indirectly violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(c), 17 C.F.R. § 240.10b-5(c).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I. Declaratory Relief

Declare, determine and find that Abatement and Laurer committed the violations of the federal securities laws alleged herein.

II. Sworn Accounting and Disgorgement

Issue an Order directing Defendant and Relief Defendants to provide a sworn accounting of all proceeds received and disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts and/or courses of conduct alleged in this Complaint.

III. Repatriation Order

Issue an Order directing Defendant and Relief Defendants to repatriate any funds held at any bank or other financial institution not subject to the jurisdiction of the Court.

IV. Asset Freeze

Issue an Order freezing the assets of Defendant and Relief Defendants, until further Order of the Court.

V. Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI. Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

September 10, 2014

Respectfully submitted,

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