

GARY Y. LEUNG, (Cal Bar No. 302928)

Email: leungg@sec.gov

MANUEL VAZQUEZ (Cal. Bar No. 295576)

Email: vazquezm@sec.gov

Attorneys for Plaintiff
Securities and Exchange Commission
Michele Wein Layne, Regional Director
Lorraine Echavarria, Associate Regional Director
John W. Berry, Regional Trial Counsel
444 S. Flower Street, Ste. 900
Los Angeles, California 90071
Telephone: (323) 965-3998
Facsimile: (323) 965-3908

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

COMMODORE FINANCIAL
CORPORATION, CHRISTOPHER
SCHLEGEL, M&G CAP SERVICES,
and ANDRES CALVO,

Defendants.

Case No.

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC") alleges:

JURISDICTION AND VENUE

1. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

2. Venue is proper in this district under Section 22(a) of the Securities Act,

1 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a)
2 because certain of the transactions, acts, practices and courses of conduct constituting
3 violations of the federal securities laws occurred within this district.

4 **SUMMARY**

5 3. This case involves a \$7.5 million securities offering fraud orchestrated
6 by Defendants Commodore Financial Corporation (“CFC”) and Christopher Schlegel,
7 CFC’s chief executive officer. Schlegel and CFC offered and sold to investors
8 purported working interests in oil and gas wells located in Louisiana and Mississippi.
9 A “working interest” is a form of investment in oil and gas drilling operations in
10 which the holder pays a percentage of the costs associated with exploration, drilling,
11 and production, and receives in exchange a percentage share of any net profits
12 generated by the project.

13 4. Schlegel and CFC told investors that CFC was an experienced oil and
14 gas company with a proven track record of profitability, and that it was offering, for
15 investment, fractional shares of the working interests CFC had acquired in soon-to-be
16 profitable oil and gas properties. They told investors that the vast majority of
17 investor money – 80% to 90% – would be used to fund these operations. And when
18 soliciting investors for their second fraudulent securities offering, they told investors
19 that investment returns from CFC’s first oil and gas offering were imminent. These
20 representations were uniformly false.

21 5. Schlegel and CFC had no real experience in the oil and gas industry.
22 They had nothing to do with the track record of lucrative past projects described in
23 CFC’s offering materials; Schlegel and CFC simply passed them off – falsely – as
24 their own work. Last, Schlegel and CFC’s efforts to entice new investment in a
25 second oil and gas offering by claiming that CFC was “almost finished preparing
26 checks” for its earlier investors were false – at that time, CFC’s oil and gas interests
27 had not generated a single dollar of revenue.

28 6. Schlegel then misappropriated nearly half of the money raised from

1 investors. Instead of funding oil and gas operations, Schlegel siphoned
2 approximately \$3.5 million of the \$7.5 million raised for the exorbitant commissions
3 he paid to the unregistered salespeople marketing CFC's offerings to the investing
4 public, and for his own personal use (including, among other things, private jet
5 charters and casino expenses). Because CFC and Schlegel used only half of the
6 raised investor funds for investment in oil and gas operations, CFC, in very short
7 order, predictably fell behind in the operational costs that it owed to the company
8 operating the oil and gas projects CFC held working interests in. With those
9 obligations in arrears, the operator ceased paying CFC revenues from oil and gas
10 operations at the end of August 2014, and CFC's payments to its own investors ended
11 thereafter. To date, an approximate total of only \$249,000 of the \$7.5 million
12 invested has been returned to CFC investors (many of whom received no returns),
13 and all remaining funds are presently unaccounted for.

14 7. Through his company, M&G Cap Services ("M&G"), Defendant Andres
15 Calvo ran boiler rooms in California and Arizona that solicited the investors
16 defrauded by CFC, primarily through "cold calls" to "lead lists" of potential
17 investors. Neither Calvo, nor M&G, however, were registered with the SEC as a
18 broker-dealer, or otherwise associated with a registered broker-dealer. Moreover,
19 Calvo and M&G misrepresented their commission rates, including lying to one of
20 CFC's largest investors when they told him – in the course of soliciting his
21 substantial investment – that their sales operation would receive as a commission no
22 more than 10% of his investment.

23 8. As a result of the conduct alleged herein, Defendants Schlegel, CFC,
24 Calvo and M&G have violated the antifraud provisions of the Securities Act and the
25 Exchange Act, Defendants Calvo and M&G have violated the broker-dealer
26 registration provisions of Section 15 of the Exchange Act, and all Defendants have
27 violated the securities registration provisions of Section 5 of the Securities Act.

28 9. With this Complaint, the SEC seeks permanent injunctive relief against

1 Defendants from violations of the antifraud and registration provisions of the federal
2 securities laws, disgorgement of ill-gotten gains along with prejudgment interest, and
3 civil penalties.

4 **DEFENDANTS**

5 10. Christopher Schlegel, 35, resides in Rancho Santa Margarita, California.
6 Schlegel is the president and chief executive officer of CFC. He has never been
7 registered with the SEC in any capacity. He has never held any securities licenses.

8 11. CFC is a California corporation organized in August 1984. CFC is
9 based in Rancho Santa Margarita, California. At all relevant times, CFC was
10 controlled by Schlegel, its president and chief executive officer. Schlegel is CFC's
11 only employee. CFC and its securities are not registered with the SEC in any
12 capacity.

13 12. Andres Calvo, 32, resides in Scottsdale, Arizona. Calvo is the manager
14 of M&G and the sole signatory on its bank account. He is not registered with the
15 SEC in any capacity and holds no securities licenses.

16 13. M&G is an Arizona limited liability corporation formed in June 2012
17 and based in Scottsdale, Arizona. At all relevant times, M&G was controlled by
18 Calvo. M&G is not registered with the SEC in any capacity.

19 **FACTUAL ALLEGATIONS**

20 **A. CFC's Unregistered Offering**

21 **1. Background**

22 14. From January 2013 through June 2014, CFC raised about \$7,535,000
23 from at least 84 investors through an unregistered offer and sale of purported working
24 interests in oil and gas wells located in Louisiana and Mississippi. These 84 investors
25 resided in multiple states, including California.

26 15. Defendants offered and sold securities in the form of investment
27 contracts which purportedly assigned CFC's oil and gas working interests to
28 investors. They sold these securities to investors and potential investors in three

1 phases.

2 16. A “working interest” is a form of investment in oil and gas drilling
3 operations. The holder of a working interest is responsible for paying a percentage of
4 the costs associated with exploration, drilling, and production. The holder of a
5 working interest is correspondingly entitled to a percentage share of any net profits
6 generated by the oil and gas development.

7 17. During “Phase 1,” which took place from January to September 2013,
8 Defendants offered a 1% oil and gas working interest in about five wells purportedly
9 located in a field called, “Stark Salt Dome.” During this phase, Defendants raised
10 money from about 56 investors.

11 18. During “Phase 2,” which spanned from September 2013 to June 2014,
12 Defendants offered 1% oil and gas working interests in about five wells located,
13 according to Defendants, in fields called “Milestone Forks” and “Horseshoe Lake.”
14 During this phase, Defendants raised money from about 48 investors, some of whom
15 had previously invested in Phase 1.

16 19. “Phase 3” lasted only a single month, in June 2014. In that time,
17 Defendants raised money from a family of two investors. In a private placement
18 memorandum provided to these investors by CFC and Schlegel, CFC offered oil and
19 gas working interests, in an amount to be determined later, for certain unspecified oil
20 and gas wells located in various Louisiana and Mississippi counties. CFC and
21 Schlegel abruptly ended their Phase 3 sales efforts in June 2014, when government
22 authorities began contacting CFC’s investors.

23 **2. Defendants’ solicitation of investors**

24 20. Defendants, directly and indirectly, solicited investors through various
25 salespeople in boiler rooms run by Calvo, CFC’s internet website, written materials,
26 electronic mail, word-of-mouth, and in-person communications. Defendants offered
27 and sold CFC’s oil and gas investment opportunities to investors across the United
28 States.

1 21. Schlegel drafted, edited, and controlled all of the content published on
2 CFC's website.

3 22. CFC's website described its oil and gas investment opportunities as
4 follows:

5 Commodore Financial Corporation offers unique oil and natural
6 gas investment opportunities through direct participation
7 programs. Our investment programs enable investors to
8 participate in monthly cash flow, as well as the unique tax benefits
9 associated with oil and natural gas investing. These benefits
10 where [sic] once only available to the industry professionals but
11 are now open to individual investors looking for an industry to
12 grow their money with.

13 23. CFC and Schlegel further provided, directly and indirectly, investors and
14 potential investors with written materials detailing the oil and gas projects for which
15 their investment was sought, describing their projected annual returns on investment,
16 and listing past oil and gas projects in which CFC had successfully achieved
17 substantial investment gains.

18 24. Schlegel was solely responsible for reviewing these materials and
19 making a final decision on what should be provided to investors and potential
20 investors.

21 25. CFC and Schlegel also solicited investors through two boiler room
22 operations run by Calvo, one in Irvine, California, and the other in Scottsdale,
23 Arizona.

24 26. In these boiler rooms, Calvo supervised a group of salespeople who
25 marketed, on Schlegel and CFC's behalf, purported assignments of CFC oil and gas
26 working interests to investors and potential investors.

27 27. At Schlegel's direction and under Calvo's supervision, these salespeople
28 "cold-called" potential investors using contact information obtained from lead lists.

1 They then used written sales scripts drafted and provided by Schlegel to pitch
2 investors on CFC investment opportunities, and also gave investors and potential
3 investors copies of CFC's offering materials. Calvo's salespeople further participated
4 in taking investors' orders once they decided to invest with CFC.

5 28. Schlegel paid Calvo, through Calvo's company M&G, transaction-based
6 compensation in the form of sales commissions. Calvo and M&G received
7 approximately \$1.7 million in connection with the \$7.5 million raised from CFC
8 investors (about 23% of investor funds).

9 29. Last, both Schlegel and Calvo directly spoke with investors and potential
10 investors, over the phone and in person, to solicit their investment.

11 **3. Terms of the CFC offering**

12 30. In order to invest in the CFC offering, CFC and Schlegel required
13 investors to execute a standard participation agreement.

14 31. For Phase 1, the CFC participation agreement ("Phase 1 Participation
15 Agreement") represented that CFC "owns [a] 44% Working Interest in Starks Salt
16 Dome Area Joint Venture and is offering Working Interest participation in the Joint
17 Venture[.]"

18 32. Under the terms of the Phase 1 Participation Agreement, investors paid a
19 flat amount – \$57,150.00 – in exchange for a 1% working interest in about five wells
20 to be developed by the "Starks Salt Dome Area Joint Venture."

21 33. Although investors would not be formally assigned their purported
22 working interest upon payment, the agreement stated that investors would eventually
23 receive their 1% working interest within "60 days after the completion of the last well
24 drilled or the receipt of assignment from the leaseholder, whichever is later."

25 34. Under the terms of the Phase 1 Participation Agreement, investors would
26 receive 75% of the net revenue generated by their 1% working interest, should any
27 profits be realized from the Stark Salt Dome Joint Venture.

28 35. The Phase 1 Participation Agreement further stated that CFC reserved

1 for itself “full authority to manage [the] Stark Salt Dome Joint Venture.”

2 36. The standard CFC participation agreement for Phase 2 (“Phase 2
3 Participation Agreement”) was substantially similar to the Phase 1 Participation
4 Agreement.

5 37. The Phase 2 Participation Agreement represented that CFC “owns [a]
6 20% Working Interest in Horseshoe Frio Phase II Joint Venture and is offering
7 Working Interest participation in the Joint Venture, which is located in Louisiana.”

8 38. Under the terms of the Phase 2 Participation Agreement, investors paid a
9 higher flat amount – \$100,000 – in exchange for a 1% working interest in about five
10 wells to be developed by the “Horseshoe Frio Phase II Joint Venture.”

11 39. Once again, investment did not trigger an immediate assignment of the
12 supposed 1% working interest; instead, the Phase 2 Participation Agreement provided
13 that investors would eventually receive their 1% working interest within “60 days
14 after the completion of the last well drilled or the receipt of assignment from the
15 leaseholder, whichever is later.”

16 40. Under the terms of the Phase 2 Participation Agreement, investors would
17 receive 75% of the net revenue generated by their 1% working interest, should any
18 profits be realized from the Horseshoe Frio Phase II Joint Venture.

19 41. The Phase 2 Participation Agreement similarly stated that CFC reserved
20 for itself “full authority to manage [the] Horseshoe Frio Phase II Joint Venture.”

21 42. The only investors in Phase 3 executed the same form Phase 2
22 Participation Agreement as the Phase 2 investors.

23 **B. Schlegel’s and CFC’s Fraudulent Scheme to Misappropriate and Misuse**
24 **Investor Proceeds**

25 43. Schlegel and CFC told prospective and existing investors that 80% to
26 90% of their investment would be used for oil and gas operations.

27 44. The CFC participation agreements confirmed this representation by
28 providing that investors were purchasing working interests in order to “participate in

1 the reentry, reworking and or [*sic*] drilling and completion attempt” of various oil and
2 gas wells identified for development by CFC.

3 45. In private placement memoranda provided to certain investors – who
4 received these materials only subsequent to their investment – CFC projected that
5 80% (for Phase 1) and 88% (for Phase 2) of investor proceeds would be spent on oil
6 and gas acquisition, operations, and hedging activities.

7 46. Because of these representations, CFC’s investors believed that their
8 money would be used in a manner consistent with the basic nature of their
9 investment. They believed that CFC would apply investor funds towards operating
10 the oil and gas properties that CFC had marketed to them, with the goal of ultimately
11 extracting oil and gas from those properties, which would in turn generate investment
12 gains.

13 47. Schlegel and CFC, however, defrauded their investors by
14 misappropriating and misusing nearly half of all investor funds.

15 48. Schlegel had signatory authority over all bank accounts held by CFC and
16 its affiliates. With that authority, Schlegel misappropriated and misused
17 approximately 47% of all investor funds.

18 49. Of the more than \$7.5 million raised from investors, Schlegel diverted
19 \$1.813 million to himself through cash withdrawals and transfers to his personal
20 accounts. This amount included amounts spent in Las Vegas casinos and private jet
21 charters.

22 50. Of the more than \$7.5 million raised from investors, Schlegel paid
23 \$1.725 million in commissions to Calvo and M&G.

24 51. Only about 48% – or approximately \$3.586 million – of the money given
25 to CFC by its investors was actually used by CFC to fund oil and gas operations.

26 52. However, in order to receive its share of net revenue from operations
27 pursuant to CFC’s working interests in certain oil and gas properties – working
28 interests that CFC claimed to have then sold 1% shares of to its investors – CFC had

1 to pay its corresponding share of operational expenses to the third-party operator who
2 was actually performing the necessary development work.

3 53. In fall 2014, CFC fell behind on the operational expenses it owed to the
4 third-party operator.

5 54. Thereafter, the operator ceased paying CFC its full share of net revenue
6 from operations.

7 55. Once the operator stopped paying CFC its full share of net revenue from
8 operations, CFC stopped paying its investors their purported investment returns.

9 56. In June 2014, after government authorities began contacting CFC's
10 investors, Schlegel closed all of CFC's bank accounts, and took possession of those
11 funds through a series of unusual cashier's check transactions.

12 57. Except for two investors who were refunded their investment after
13 lodging complaints, no CFC investor has been returned his or her principal
14 investment.

15 58. As for investment returns, CFC paid 55 of its investors a total of only
16 \$249,136.02 in purported returns. 29 of CFC's investors have never received any
17 return on their investment.

18 59. In all, CFC raised approximately \$7.535 million from its investors. With
19 CFC having paid its investors only about \$249,136.02 in supposed returns, more than
20 \$7 million in investor funds are presently unaccounted for.

21 60. In furtherance of the fraudulent scheme, Schlegel and CFC also engaged
22 in deceptive acts to create the false appearance that CFC was an experienced, Texas-
23 based operation.

24 61. To further the illusion of CFC as an oil and gas operator native to the
25 Southwest, Schlegel used "internet protocol" phones to make it falsely appear as
26 though the salespeople marketing CFC investments were calling potential investors
27 from Dallas, Texas, when those salespeople were in fact located in California or
28 Arizona.

62. In addition, Schlegel formed limited liability companies – which served no other purpose than to hold the bank accounts in which investors were deposited – in the state of Texas, again to create the illusion of legitimate, Texas-based oil and gas operations.

C. Schlegel’s and CFC’s Material Misrepresentations

63. In connection with the offerings discussed above, Schlegel and CFC also misrepresented, among other things: (1) the extent of Schlegel and CFC’s expertise in the oil and gas projects within the southwest United States; (2) Schlegel and CFC’s past track record of allegedly profitable oil and gas developments; and (3) the purportedly imminent investment returns soon to be paid to Phase 1 investors during Defendants’ solicitation of investors for Phase 2 of the CFC offering.

64. A reasonable investor in the offerings would have considered it important in making their investment to know, among other things, that their funds had been misappropriated for CFC and Schlegel’s personal use, that CFC and Schlegel lacked the industry expertise they claimed to have, that CFC’s claimed rates of return, operating history, and success in connection with Phase 1 were false, and that in exchange for their substantial monetary investment, CFC would not in fact be assigning them legal title to a working interest in the oil and gas developments identified by CFC as the object of their investment.

65. Schlegel knew these material representations were false when made, or was reckless or negligent in not knowing of their falsity.

1. CFC website

66. On CFC’s website, Schlegel and CFC made the following representations to investors and potential investors regarding their investment with CFC:

a) Schlegel and CFC touted their “Over 50 Years [sic] Experience in the Oil & Natural Gas Industry,” and described that experience as a record of “undeniable success and respect in the Oil and Gas industry.”

1 b) Schlegel and CFC claimed that “[t]he team at CFC is operating on
2 projects in Texas, Oklahoma, Kansas, and Louisiana” and that CFC was an “Oil and
3 Natural Gas exploration company with headquarters in Dallas Texas.”

4 c) Schlegel and CFC listed, under “Current & Past Oil & Natural
5 Gas Projects,” development work purportedly carried out by CFC involving hundreds
6 of wells in 16 different oil fields, some dating back to 1979.

7 d) Schlegel and CFC further described CFC’s expertise in the oil and
8 natural gas industry as including “state-of-the-art technology, exploration and
9 extraction from both on-shore and off-shore projects and future development.”

10 67. All of these statements were misleading, false and/or deceptive, and
11 made by Schlegel and CFC in furtherance of a fraudulent scheme.

12 68. Neither CFC nor Schlegel had any real experience in the oil and gas
13 industry. Schlegel and CFC did not conduct business operations, in any meaningful
14 way, in the state of Texas.

15 69. CFC and Schlegel also had no substantive involvement in any of the
16 “Current & Past Oil & Natural Gas Projects” which CFC’s website emphasized as its
17 own track record of success.

18 **2. CFC’s offering materials**

19 70. In CFC’s offering materials, Schlegel and CFC made the following
20 representations to investors and potential investors regarding their investment with
21 CFC:

22 a) In the executive summary for Phase 1, CFC and Schlegel claimed
23 a projected annual return of 100% and a projected return on investment in just 13
24 months.

25 b) That executive summary also listed, under the heading, “Track
26 Record,” seven different CFC oil and gas projects, all of which were represented to
27 be enormously profitable. According to the executive summary, more than 60 wells
28 had produced in excess of 55 million barrels of oil, resulting on “ROI To Date” that

1 ranged from “17.87:1” (for the least profitable project listed) up to “60.88:1” (for the
2 most profitable project listed). In short, CFC’s Phase 1 executive summary claimed
3 past oil and gas investment returns exceeding 6000%.

4 71. All of these statements were misleading, false and/or deceptive, and
5 made by Schlegel and CFC in furtherance of a fraudulent scheme.

6 72. The track record portrayed in CFC’s offering materials was misleading
7 and deceptive because it had no basis in truth. Although some of the identified
8 projects had taken place, CFC and Schlegel had nothing to do with them. They
9 merely passed the work of others off as their own. Other projects listed in CFC’s
10 offering materials had never even taken place.

11 73. With respect to all of the projects identified in CFC’s offering materials,
12 the “ROI To Date” figures cited by CFC were also false and misleading. Those
13 figures were simply concocted by Schlegel and CFC and had no factual basis
14 whatsoever.

15 **3. Claims of imminent investment returns when marketing Phase 2**

16 74. In February 2014, to solicit investment for Phase 2 of the CFC offering,
17 Schlegel sent a letter to existing investors stating that CFC was “almost finished
18 preparing checks” for Phase 1, and encouraged them to invest in Phase 2. At the
19 same time, Schlegel directed Calvo’s boiler room salespeople marketing Phase 2 to
20 tell existing investors seeking updates on their investment that they would be
21 receiving their Phase 1 distribution checks in the near term, with the same goal of
22 spurring their interest in investing with the next phase of the CFC offering.

23 75. These statements were misleading, false and/or deceptive, and made by
24 Schlegel and CFC in furtherance of a fraudulent scheme.

25 76. As of February 2014, CFC had not received any net revenue from the oil
26 and gas operations that it held working interests in. Accordingly, it was impossible
27 for CFC to have “almost finished preparing checks” to Phase 1 investors.
28

D. Calvo and M&G's Material Misrepresentation

77. In connection with the offerings discussed above, Calvo and M&G misrepresented the percentage of commissions that Calvo's boiler room operation would receive from CFC and Schlegel.

78. Calvo repeatedly told a potential investor that he would receive no more than a 10% sales commission from CFC and Schlegel. The investor later invested \$400,000 of his and his family's money with CFC.

79. This representation was false. In the aggregate, CFC and Schlegel paid M&G and Calvo a total of about \$1.725 million, or 23% of the funds raised from investors, with initial commissions of up to 38% in March of 2013, an average of 26% for the rest of 2013, and 20% for most of 2014.

80. Calvo and M&G's misrepresentation was material because a reasonable investor in the offering would have considered it important in making their investment to know that a substantial portion of their investment would be lost upfront to a sales agent in the form of a commission. Larger sales commissions mean that less of the investor's money will be used for investment, and they therefore diminish the opportunity for greater returns on investment.

81. Calvo knew these material representations were false when made, or was reckless or negligent in not knowing of their falsity.

E. Lack of Registration

82. Defendants have directly and indirectly offered and sold CFC's oil and gas investment opportunities through interstate commerce to investors residing in multiple states, including California.

83. Each of the Defendants was a necessary participant and substantial factor in the offer or sale of CFC's purported oil and gas working interests.

84. Defendants have not registered with the SEC any offering of any kind by CFC.

85. No registration statement has ever been filed with the SEC for the offer

1 or sale of CFC's purported oil and gas working interests.

2 86. Neither Calvo nor M&G is registered with the SEC as a broker or dealer.
3 Nor is Calvo associated with a registered broker or dealer.

4 **F. Calvo's and M&G's Broker-Dealer Activities**

5 87. Calvo and M&G solicited CFC investors, provided those investors with
6 CFC's offering materials, and participated in taking investors' orders, and therefore
7 induced the purchase or sale of securities.

8 88. Calvo and M&G received transaction-based compensation in the form of
9 commissions on sales of CFC securities.

10 **FIRST CLAIM FOR RELIEF**

11 **Fraud in Connection With the Sale of Securities**

12 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**
13 **(against all Defendants)**

14 89. The SEC realleges and incorporates by reference paragraphs 1 through
15 88 above.

16 90. Defendants, by engaging in the conduct described above, directly or
17 indirectly, in connection with the purchase or sale of a security, by the use of means
18 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
19 national securities exchange, with scienter, made untrue statements of a material fact
20 or omitted to state a material fact necessary in order to make the statements made, in
21 the light of the circumstances under which they were made, not misleading.

22 91. By engaging in the conduct described above, Defendants violated, and
23 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange
24 Act, 15 U.S.C. §78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. §240.10b-5(b).

SECOND CLAIM FOR RELIEF

Fraud in the Offer and Sale of Securities

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

(against all Defendants)

92. The SEC realleges and incorporates by reference paragraphs 1 through 88 above.

93. Defendants, by engaging in the conduct described above, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, with scienter, obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

94. By engaging in the conduct described above, Defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

THIRD CLAIM FOR RELIEF

Fraud in Connection With the Sale of Securities

Violations of Section 10(b) of the Exchange Act and

Rules 10b-5(a) and (c) Thereunder

(against Defendants Schlegel and CFC)

95. The SEC realleges and incorporates by reference paragraphs 1 through 88 above.

96. Defendants Schlegel and CFC, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

a. employed devices, schemes, or artifices to defraud; or

- b. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

97. By engaging in the conduct described above, Defendants Schlegel and CFC violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and (c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

FOURTH CLAIM FOR RELIEF

Fraud in the Offer and Sale of Securities

Violations of Sections 17(a)(1) and (3) of the Securities Act (against Defendants Schlegel and CFC)

98. The SEC realleges and incorporates by reference paragraphs 1 through 88 above.

99. Defendants Schlegel and CFC, by engaging in the conduct described above, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, with scienter:

- a. employed devices, schemes, or artifices to defraud; or
- b. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

100. By engaging in the conduct described above, Defendants Schlegel and CFC violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and (3) of the Securities Act, 15 U.S.C. § 77q(a)(1) and (3).

FIFTH CLAIM FOR RELIEF

Sale of Unregistered Securities

Violations of Sections 5(a) and 5(c) of the Securities Act (against all Defendants)

101. The SEC realleges and incorporates by reference paragraphs 1 through 88 above.

102. Defendants, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

103. No registration statement has been filed with the SEC or has been in effect with respect to any of the offerings alleged herein, and no exemption from registration applies.

104. By engaging in the conduct described above, Defendants have violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

SIXTH CLAIM FOR RELIEF

Failure to Register as a Broker or Dealer

Violations of Section 15(a) of the Exchange Act

(against Defendants Calvo and M&G)

105. The SEC realleges and incorporates by reference paragraphs 1 through 88 above.

106. Defendants Calvo and M&G, by engaging in the conduct described above, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as brokers or dealers in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without complying with any of the exemptions promulgated under Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

107. By engaging in the conduct described above, Defendants Calvo and M&G violated, and unless restrained and enjoined will continue to violate, Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

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

II.

Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendants, and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), 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, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c), and Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

III.

Order Defendants to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest.

IV.

Order Defendants to pay civil penalties under 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).

V.

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

VI.

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

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2 Dated: September 30, 2015

3 /s/ Gary Y. Leung
4 GARY Y. LEUNG
5 MANUEL VAZQUEZ
6 Attorneys for Plaintiff
7 Securities and Exchange Commission
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