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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	Case No.
v.	:	**COMPLAINT**
DAVID H. FREDERICKSON and THE LAW OFFICES OF DAVID H. FREDERICKSON	:	
Defendants.	:	

Plaintiff Securities and Exchange Commission ("Commission"), for its complaint against defendants David H. Frederickson ("Frederickson") and The Law Offices of David H. Frederickson ("Law Offices"), alleges as follows:

1. The Commission's address is: United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549. Defendants' address is: 901 Hermosa Avenue, Hermosa Beach, California, 90254.

SUMMARY OF ALLEGATIONS

2. In 2010 and 2011, Frederickson, a lawyer licensed in California, participated in and aided and abetted a high-yield investment scam perpetrated by Brett A. Cooper ("Cooper"). Frederickson, a sole practitioner practicing through his Law Offices, served as escrow agent in two bank instrument transactions in which Cooper defrauded investors out of a total of $350,000

by promising he could acquire and trade bank instruments in foreign "trading programs" that would produce extraordinary returns within as little as 60 days with no risk.[1] In fact, these trading programs were fictitious "prime bank" investments, and investors lost all their invested funds, which Cooper misappropriated for his personal use.

3. Frederickson had no basis to believe that such investments existed, but allowed two investors to deposit funds into his Law Offices' client trust account which he then wired out to Cooper's company Global Funding Systems, LLC ("Global Funding") or to other persons at Cooper's direction. Frederickson provided letters to these investors stating that their investments were secured by collateral owned by Global Funding, but Frederickson did nothing to verify the value, authenticity, or ownership of the collateral, which Cooper claimed to be seven sapphires valued at $376 million. By the time Frederickson served as escrow agent for the second of these investors, Frederickson had learned facts indicating that Cooper had affixed Frederickson's electronic signature to a forged escrow agreement that caused investor funds to be diverted to another Cooper company instead of sent to the Law Offices' escrow account. Moreover, Frederickson told this second investor that he had served as escrow agent for Cooper in numerous other successful bank instrument trading transactions. In fact, none of the bank instrument trading transactions had been successful.

4. Frederickson earned a total of $6,790 in escrow fees for these two investment transactions, and for the transaction involving the forged escrow agreement for which Frederickson provided no escrow services. These fees were paid from the funds of the defrauded investors.

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[1] The Commission filed a separate enforcement action against Cooper in the U.S. District Court for the District of New Jersey for his fraudulent conduct concerning the transactions alleged herein and other high-yield investment schemes that in total raised over $2 million from investors from November 2008 through March 2012.

5. By virtue of the foregoing conduct and as alleged further herein, Frederickson and his Law Offices, directly or indirectly, have engaged in transactions, acts, practices, and courses of business that violated Section 17(a)(1), (2), and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)(1), (2), and (3)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rules l0b-5(a), (b), and (c) [17 C.F.R. § 240.10b-5(a), (b), and (c)].

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

JURISDICTION AND VENUE

7. This 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]. The defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, practices and courses of business alleged in this Complaint.

8. This district is an appropriate venue for this action under Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The transactions, acts, practices, and courses of business constituting the violations alleged herein occurred in part within the District of New Jersey, and Cooper and the defendants have engaged in conduct within this district.

DEFENDANTS

9. **David H. Frederickson**, age 74, is an attorney licensed in California. He is a resident of Hermosa Beach, California. He has been a sole practitioner since 2000.

10. **The Law Offices of David H. Frederickson** is Frederickson's law firm and is located in Hermosa Beach, California. Frederickson has been the sole employee of his Law Offices since 2000.

RELATED PARTY AND ENTITIES

11. **Brett A. Cooper**, age 36, is believed to be a resident of Cinnaminson, New Jersey, and is the founder and principal of Global Funding Systems, LLC, Dream Holdings, LLC, and certain other entities. During the period of the misconduct alleged in this Complaint, Cooper resided in Moorestown, New Jersey.

12. **Global Funding Systems, LLC** is a limited liability company formed under the laws of Wyoming in September 2010. Global Funding was re-formed under the laws of North Carolina in April 2011. Cooper is the Managing Member of Global Funding.

13. The Commission named Cooper and Global Funding as relief defendants in SEC v. Milan Group, Inc., et al., 1:11-cv-02132-RMB (D.D.C. Nov. 30, 2011), an enforcement action alleging a separate prime bank scheme that occurred principally during 2010 and 2011.

14. **Dream Holdings, LLC** is a limited liability company formed under the laws of New Jersey in June 2010. Cooper is the Managing Member of Dream Holdings.

FACTS

A. Background

15. Starting in approximately 2008 and continuing through 2013, persons claiming to be seeking investors for the trading overseas of bank guarantees and medium term notes

contacted Frederickson to act escrow agent or "paymaster" to receive investor funds and disperse resulting trading profits.

16. Throughout this period, Frederickson had little knowledge of domestic and foreign securities and financial markets.

B. Defendants' Involvement in Cooper's Scheme

1. The Proposed Investment and Frederickson's Services

17. In approximately 2010, Pat Lewis and Cooper, persons unknown to Frederickson, contacted Frederickson to serve as escrow agent for a bank instrument trading program that Lewis and Cooper were arranging to solicit investor funds.[2] Cooper directed the investment scheme through his company Global Funding. Cooper claimed that he could acquire, monetize, leverage, and place into trade bank instruments in overseas markets to produce guaranteed profits for investors in a very short period of time with little or no risk.

18. Cooper asked Frederickson's Law Offices to enter into an escrow agreement with investors and Global Funding, which would incorporate the terms of the trading program contained in a memorandum of understanding ("MOU") or private placement agreement between the investors and Global Funding. Through these agreements, investor funds would be deposited into Frederickson's client trust account and thereafter transferred to Global Funding after Frederickson provided the investor with a "Collateral Guarantee" letter on his Law Offices' letterhead stating that their investment was guaranteed by gemstones which Frederickson would control through a power of attorney.

19. By October 2010, Cooper provided Frederickson with templates for the trading program which included an escrow agreement, the "Collateral Guarantee" letter, and a MOU,

[2] The Commission also named Pat Lewis and a company he controls, GPH Holdings LLC, as relief defendants in SEC v. Milan Group, Inc., et al., 1:11-cv-02132-RMB (D.D.C. Nov. 30, 2011).

which Frederickson slightly edited. Frederickson prepared a power of attorney by which Global Funding purported to control seven sapphires valued in excess of hundreds of millions of dollars. The MOU for the trading program promised returns of "no less than eight times" the invested funds in 60 days, guaranteed by the collateral, which could be drawn upon if the investor did not receive the promised returns within 90 days.

20. Frederickson never asked Cooper or Lewis how such enormous short-term returns were possible through the purported trading program being offered to investors. He did no due diligence concerning the validity of the purported trading program. Nor did Frederickson do any due diligence on Cooper, Lewis, or their involved companies.

21. In fact, the bank instruments and trading programs Cooper offered did not exist. None of the investors' funds Cooper raised was used to acquire any purported bank instruments or to participate in any trading programs. Rather, Cooper misappropriated the funds for his personal use.

2. The Alleged Collateral

22. Between September to December 2010, the gemstones purporting to provide the collateral for the Collateral Guarantee letter varied from being dozens of different stones valued at billions of dollars held in the name of Lewis's company, GPH Holdings LLC, to being seven sapphires valued at $376 million owned by Cooper's company, Global Funding. During this period, Lewis sent Frederickson multiple appraisals for gemstones and "Safekeeping Receipts" ("SKRs") from Sarasota Vault Depository in Sarasota, Florida where the stones were allegedly deposited.

23. For example, in September 2010, in an email to Frederickson and Cooper, Lewis provided Frederickson an appraisal for seven sapphires and a blank SKR from Sarasota Vault

Depository. The appraisal, dated June 8, 2009, purported to be from an appraiser in the United Kingdom and stated that the sapphires had a total of 5,023 carats and a value of $753 million. The appraisal indicated the sapphires were owned by GPH Holdings LLC.

24. In early October 2010, in an email to Frederickson and Cooper, Lewis provided Frederickson an SKR dated February 3, 2010, which identified that GPH Holdings LLC had on deposit 156 rubies and sapphires with a total of 30,745.9 carats. The SKR stated that Appraisal Certificates dated February 2, 2010 valued the gemstones at $4.6 billion. Also in early October 2010, Lewis emailed Frederickson and Cooper yet another appraisal, this one dated October 4, 2010 from a Florida appraiser, stating that a different entity owned 39 rubies with a total of 10,250 carats and a value of $1.3 billion.

25. Finally, in November and December 2010, Lewis emailed Frederickson and Cooper an Appraisal Certificate dated November 19, 2010 from a different appraiser (in Chula Vista, CA) stating that Cooper's company Global Funding owned seven sapphires with a total of 5,023 carats valued at $376 million, and that "this collection is truly the largest in existence currently in a private collection." Lewis also emailed Frederickson and Cooper a different SKR stating that Global Funding has on deposit the seven sapphires and the Appraisal Certificate attesting to their value of $376 million.

26. Although Frederickson was going to provide investors with letters promising that gemstones owned by Global Funding guaranteed their investments, and despite the fact that the SKRs and appraisals Frederickson received showed different ownership of various gemstones with different valuations, Frederickson did nothing to verify the value or authenticity of any of the foregoing gemstones, or Lewis's or Cooper's claimed ownership and control of them. Nor did Frederickson ask Cooper or Lewis why they needed to raise funds from investors given that

Lewis and Cooper purportedly owned such valuable gemstones.

3. The First Escrow Transaction

27. In December 2010, at Cooper's request, Frederickson served as the escrow agent for a $150,000 investment by an investor ("Investor One") with Cooper's company Global Funding. The escrow agreement, entered into between Frederickson's Law Offices, Investor One, and Global Funding, provided that Frederickson would receive all documents reflecting the terms of the investment and incorporated all documents and agreements related to the escrow. Cooper affixed Frederickson's electronic signature to the escrow agreement, which Frederickson had not authorized but learned about shortly thereafter.

28. Investor One wired $150,000 to the Law Offices' client trust account and then Frederickson provided the investor with a Collateral Guarantee letter. After retaining $1,290 as his escrow fee, Frederickson wired the balance out at Cooper's direction: $73,710 to Cooper's company Dream Holdings and $75,000 to Patrick Lewis's company Perk My Interest Inc.

29. The terms of the trading agreements between Global Funding and Investor One, which Frederickson read, stated that Global Funding would provide a $100 million "Bank Guarantee" in the form of a "tradable Certificate of Debt". Profits from the "trade program" were guaranteed to be at least six times (600%) the funds placed in escrow by the investor for "a minimum of $900,000". The MOU for the transaction guaranteed payment of those profits within 60 days, while the private placement agreement promised payment within 90 days—that is, by at least March 2011. If the profits were not paid within 90 days, the investor could collect the amount owed under the Collateral Guarantee.

30. The Collateral Guarantee letter stated that "the integrity of funds deposited in escrow by Investor ('Investor Funds') is guaranteed by collateral having a value of three (3)

times the dollar amount placed in escrow" and that the collateral "consists of certain described semi-precious gemstones which have an appraised value in excess of Ten Million Dollars" held at the Sarasota Vault Depository in favor of Global Funding. The letter stated that Frederickson's Law Offices "holds a Power of Attorney which grants the power to authorize a call against said collateral" under the terms of the trading agreement. Frederickson signed the letter on his Law Offices' letterhead.

31. Investor One never received its $150,000 investment or any returns thereon from Cooper's sham transaction.

4. The Forged Escrow Transaction

32. In May 2011, Frederickson was contacted by a representative of another investor who was seeking the return for the investor of $250,000. The complaining investor believed the funds had been sent to Frederickson's Law Offices' client trust account pursuant to a purported escrow agreement between the Law Offices and the investor.

33. The previous month on April 1, 2011, at Cooper's request, Frederickson had signed and provided to Cooper an escrow agreement involving this investor. That agreement was a three-way agreement between Frederickson's Law Offices, Cooper's company Global Funding, and the investor, for the investor to submit $250,000 to Frederickson's escrow account by April 5, 2011. This agreement contained no bank information identifying where the investor should send the funds. Although Frederickson signed that agreement and provided it to Cooper on April 1st, neither Cooper nor the investor had signed the agreement, and Frederickson never received funds from this investor.

34. Frederickson obtained the purported escrow agreement from the complaining investor's representative. The escrow agreement purported to be solely between the investor and

the Law Offices. The escrow agreement contained Frederickson's electronic signature and wire instructions which indicated the investor was to wire $250,000 to a Bank of America account having the name "DHF LLC" and described as an "Attorney/Client Trust-IOLTA" account.

35. Frederickson had never seen or signed this escrow agreement, nor had he received funds from this investor in his escrow account.

36. When Frederickson questioned Cooper about the escrow transaction, Cooper acknowledged that the bank account information contained in the investor's escrow agreement was for one of Cooper's other companies, Dream Holdings LLC, for which Cooper maintained an account at Bank of America. Cooper also acknowledged that Dream Holdings received the $250,000 from the investor on or about April 5, 2011. Incredibly, however, Cooper denied knowing how the bank account information for Dream Holdings had been included in the investor's escrow agreement. He also denied having altered or caused to be altered the original escrow agreement Frederickson had signed and provided to Cooper for this investor.

37. All of these circumstances, including the fact that Cooper had affixed Frederickson's electronic signature to another escrow agreement in the past without Frederickson's authorization, clearly indicated that Cooper had forged the escrow agreement in order to obtain the investor's funds directly while making it appear that the investor was sending funds to an attorney escrow account for safekeeping.

38. Although Frederickson never received any funds from this investor and never acted as escrow agent for Cooper and this investor, Frederickson asked for and received from Cooper a $2,500 escrow fee.

5. The Second Escrow Transaction

39. On June 22, 2011, Cooper emailed to a prospective investor ("Investor Two") a

memorandum of understanding for a bank guarantee trading program, a letter outlining the terms of the investment, and an escrow agreement between the investor, Global Funding, and Frederickson's Law Offices. The investment, described as a "Short-Term Guaranteed High-Yield Investment Program" for the purchase and trade of a "One Hundred Million Euro Bank Guarantee", promised a 1,000% return within 60 days on a $200,000 investment, with the principal and return guaranteed and secured by gemstones, and funds administered by an outside attorney through an escrow account. The escrow agreement contained Frederickson's electronic signature, affixed by Cooper, without Frederickson's authorization.

40. To allay Investor Two's concern for the validity of the transaction and veracity of Cooper, Cooper asked Frederickson to provide Cooper a generic "comfort letter" for the prospective investor. Cooper provided the language for the letter, which Frederickson edited. Frederickson understood that the letter was being used by Cooper to solicit an investor for Cooper's high-yield bank guarantee trading program.

41. Also on June 22, 2011, Investor Two emailed Frederickson telling him that Cooper had identified him as an escrow agent for a potential transaction and asking him to speak to him by telephone. In the email exchange, Investor Two asked Frederickson to call him the next day (June 23) and asked whether Frederickson was going to provide him a letter.

42. Frederickson emailed Cooper the letter, dated June 22, 2011, which Frederickson signed on the Law Offices' letterhead. The letter was addressed to "Whom it May Concern" and regarding "Collateral Guarantee" and "Private Placement Memorandum ('PPM')" involving Cooper's company "Global Funding Systems, LLC ('GFS')". The letter stated:

> "This will confirm that GFS has never had a collateral call on any of their PPM programs that my office has taken part in. The integrity of the funds deposited by Investor ("Investor Funds") is guaranteed by collateral having a value of four (4) times the dollar amount placed in the program. While I hold the Power of Attorney and the ability to call

should a need arise from a failure to perform, this need has never arisen."

43. The collateral referred to in this letter was the purported sapphires Global Funding claimed to own, but which Frederickson had done nothing to verify. In addition, Frederickson knew or should have known by this time that the 600% return of at least $900,000 Cooper guaranteed to Investor One within 90 days, by March 2011, had not paid out in any amount, even though it was supposed to be paid through Frederickson's escrow account. Frederickson also knew by this time of at least two other investors who were seeking return of their investments made with or through Cooper, though these investments did not involve "collateral" guarantees by Frederickson.

44. On June 23, 2011, Cooper emailed the comfort letter to Investor Two.

45. Also on June 23, 2011, Frederickson spoke to Investor Two by telephone. During the call, Frederickson stated generally that he provided escrow services for Cooper in connection with bank instrument trading transactions and that he held power of attorney over collateral guaranteeing investor funds. In addition, among other information, Frederickson told Investor Two that Frederickson had participated in numerous bank instrument transactions with Cooper, all of which had been successful. In fact, none of the bank instrument trading programs Frederickson had been involved with as escrow agent for Cooper had been successful.

46. On or about June 23, 2011, Investor Two then wired $200,000 to the Law Offices' client escrow account. At Cooper's direction, Frederickson retained a $3,000 fee for the transaction and wired $197,000 to Global Funding.

47. On June 24, 2011, Cooper sent Frederickson the signed escrow agreement for the transaction with Investor Two, showing that Frederickson's electronic signature had been affixed to the agreement without his authorization.

48. Investor Two never received his $200,000 investment or any returns thereon from Cooper's sham transaction.

FIRST CLAIM FOR RELIEF

Each Defendant Violated Exchange Act Section 10(b) and Rule 10b-5

49. The Commission realleges paragraphs 1 through 48 above.

50. Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce, and by use of the mails, directly and indirectly: (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 the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

51. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes, and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices, and courses of business. In engaging in such conduct, the defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud, or with a severely reckless disregard for the truth.

52. By reason of the foregoing, each defendant has violated and aided and abetted the violation of, and, unless restrained and enjoined, will continue to violate and aid and abet the violation of Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Each Defendant Violated Securities Act Section 17(a)

53. The Commission realleges and incorporates by reference Paragraphs 1 through 52 above.

54. Each defendant, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) has employed, is employing, or is about to employ devices, schemes or artifices to defraud; (b) has obtained, is obtaining or is about to obtain money or property by means of untrue statements of material fact and 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) has engaged, is engaged, or is about to engage in transactions, acts, practices and courses of business that operated or would operate as a fraud upon purchasers of securities.

55. By reason of the foregoing, each defendant has violated and aided and abetted the violation of, and, unless restrained and enjoined, will continue to violate and aid and abet the violation of Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Enter judgment in favor of the Commission finding that the defendants violated the federal securities laws and Commission rules as alleged in this Complaint;

II.

Permanently enjoin the defendants from further violations of the federal securities laws and Commission rules alleged against them in this Complaint;

III.

Order all defendants and relief defendants to disgorge, as the Court may direct, all ill-gotten gains received or benefits in any form derived from the illegal conduct alleged in this Complaint, together with pre-judgment interest thereon;

IV.

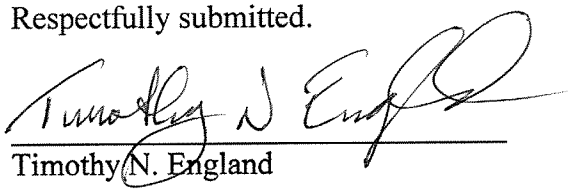
Order all defendants to pay civil monetary penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];

V.

Grant such other equitable and legal relief as may be appropriate or necessary for the benefit of investors pursuant to Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(5)].

Date: September 27, 2013

Respectfully submitted.



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