

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
(Tampa Division)**

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U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA, FLORIDA

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,**

Plaintiff,

v.

SEBASTIAN CORRIERE,

Defendant,

**MARIA ROSA CORIERE a/k/a MARIA ROSA
GAROFALO, QUANTUM EQUITIES, INC., and
THE KINGS FELLOWSHIP, INC.**

Relief Defendants.

) **CASE NO.**

) **8:02-CV-666-T-17EAJ**

) **COMPLAINT FOR
INJUNCTIVE AND
OTHER RELIEF**

Plaintiff, United States Securities and Exchange Commission (the "Commission") alleges and states as follows:

NATURE OF THE COMPLAINT

1. Since at least January 2001, Sebastian Corriere ("Corriere") has raised approximately \$2.9 million through the sale of fictitious "prime bank" securities. Corriere has been fraudulently offering and selling participation interests in two non-existent high yield trading programs, telling investors that their funds will be used in connection with the trading of medium term notes. Corriere offered investors returns of 100% of their investment per week, and told them that their investment was "safe" and "risk-free." The investor funds, however, were not used for any trading program. Corriere has admitted that at least one of the programs for which he raised money was a scam.

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2. Nonetheless, Corriere continues to solicit new investors for these non-existent trading programs. Within the last few weeks, Corriere has approached numerous investors and potential investors, asking them for additional funds for various trading programs he is purporting to run in Africa. Unless immediately restrained and enjoined, Corriere will continue to defraud the investing public and place investor funds at serious risk of misuse.

3. The Commission brings this action to put an immediate stop to Corriere's fraudulent offer and sale of non-existent trading programs. The Commission seeks a temporary restraining order and preliminary and permanent relief enjoining Corriere from future violations of federal securities laws as well as an asset freeze against Corriere and the relief defendants Maria Rosa Corriere ("Maria Corriere"), Quantum Equities, Inc. ("Quantum Equities"), and The Kings Fellowship, Inc. ("The Kings Fellowship") to avoid dissipation of assets pending the resolution of this action, and for such other ancillary and equitable relief as is sought herein and may be appropriate.

DEFENDANT

4. Sebastian Corriere, age 63, resides at 665 Bay Esplanade, Apt 2, in Clearwater, Florida. He has no known means of support, but holds himself out as a preacher and a doctor of theology. Corriere was a director of two Florida corporations, The Kings Fellowship, Inc. and Quantum Equities, Inc. Both corporations have been administratively dissolved by the State of Florida.

RELIEF DEFENDANTS

5. Maria Rosa Corriere, age at least 80, is believed to be a resident of Clearwater, Florida. She is Corriere's mother.

6. Quantum Equities, Inc., was a Florida corporation with its principal place of business in Clearwater, Florida. In August 1996, the State of Florida administratively dissolved Quantum Equities' corporate registration because the company failed to file its annual report. Corriere continues to use the name Quantum Equities for certain business activities.

7. The Kings Fellowship, Inc., was a Florida non-profit corporation with its principal place of business in Clearwater, Florida. In August 1994, the State of Florida administratively dissolved The Kings Fellowship's corporate registration because the company failed to file its annual report. Corriere continues to use the name The Kings Fellowship, Inc. for certain business activities.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to the authority conferred on it by Section 20(b) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77t(b)] and Sections 21(d) and (e) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)].

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

9. Venue is appropriate pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77t(a)] and Section 21(d) of the Exchange Act [15 U.S.C. §§ 78u(d)], as Corriere, Maria Corriere, Quantum Equities, and The Kings Fellowship are found in the Middle District of Florida.

10. Corriere, directly and indirectly, has made, and continues to make, use of the means and instrumentalities of interstate commerce, the means and instruments of transportation

and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

FACTS

Offer and Sale of Participation Interests in Non-Existent Trading Programs

11. From at least January 2001 through to the present, Corriere has been offering and selling participation interests in at least two high yield private placements involving the trading of medium term notes or "MTNs."

The Lai Trading Program

12. From January 2001 through February 2001, Corriere raised over \$2.9 million from at least sixty investors for a "\$200 million dollar high yield private placement project" with David Lai, a Hong Kong businessman.

13. Corriere told investors he had a contractual agreement with Lai. According to the agreement, Corriere was pooling investor funds to pay for costs associated with making funds available to enter into a high yield private placement for the trading of MTNs.

14. He further told investors that for each \$1.5 million in investor funds Corriere raised, Lai would put up \$100 million of his own funds to be used by Blue Jay, Inc. of Alberta, Canada, a so-called trader of medium term notes.

15. Corriere also represented to investors that under the trading agreement between Lai and Blue Jay, Lai would make funds available for a high yield private placement trade for the purpose of receiving profits. Blue Jay would use the money to purchase discounted MTNs and sell them at a profit to "exit buyers."

16. Corriere told investors that the trading agreement was for a period of thirty days and to be renewed for eleven successive thirty-day periods.

17. Each investor entered into a “Participation Agreement” with Corriere to place funds in the high yield private placement. These Participation Agreements, which Corriere drafted, are investment contracts.

18. Corriere represented in the Participation Agreement that he had agreed to pay \$3 million for Lai’s costs for releasing \$200 million for trading in a high yield private placement program. The purpose of the program was to generate profits. The Participation Agreement also provided that the expected yield for the investor was 100 percent per week for the duration of the trading agreement, which was expected to last eleven months.

19. In the Participation Agreement, Corriere represented that he had done “due diligence” on the trading agreement.

20. Corriere told at least one investor that he had experience in these trading programs and that he had recently successfully closed on a trade.

21. Corriere told numerous investors that their initial investment was guaranteed and that it could not be lost. Corriere also told investors that these trading programs are “safe” investments.

22. Corriere instructed investors to wire their funds to a Bank of Montreal account in Vancouver, British Columbia, Canada, in the name of “Paul Formby in Trust.” Paul Formby is an attorney in Vancouver.

23. By mid-January 2001, approximately \$2.625 million in investor funds were sent to Formby’s trust account by Corriere investors. These funds came from investors located around the country and in Canada.

24. On January 17, 2001, Corriere entered into a “Profit Share Agreement” with Lai whereby he agreed to send Lai the \$2.625 million he had raised to date and Lai agreed to make

\$175 million available for trading with Blue Jay. According to the Profit Share Agreement, Corriere's profits were to be sent to his personal bank account at Huntington National Bank in Clearwater, Florida. In the Profit Share Agreement, Lai agreed to pay Corriere 50% of the profits received from trading. From those profits, Corriere was supposed to pay each investor each week.

25. Corriere instructed inventors to setup a bank account at Barclay Bank in the Turks and Caicos Islands, British West Indies so that he could distribute the funds "tax-free" to investors.

26. He also told investors that he could assist them in setting up Unincorporated Business Trusts Organizations or "UBTO(s)" in the United States, which would allow investors to receive profits from trading tax-free in the United States.

27. On information and belief, on or about January 19, 2001 Formby transferred \$2.625 million in investor funds to Lai's account at the Standard Chartered Bank in Hong Kong.

28. After transferring the money to Lai, Corriere did not distribute any proceeds from the trading agreement to the investors.

29. Instead, from February through August 2001, Corriere e-mailed status reports to his investors, telling them of various problems with the trading program and that the trades had not yet gone through. Corriere, however, continued to assure investors that the trades would come through, and represented that "success is assured."

30. In an August 15, 2001 status report, which Corriere sent by e-mail to investors, Corriere conceded to investors that the trading program with Lai was a scam. In the status report, Corriere acknowledged that over 800,000 high yield investment frauds are committed each year in the U.S.

31. In an October 2001 status report, which was also e-mailed to investors, Corriere told investors that while the Lai program did not work, he would pay them back through other trading programs.

32. None of the investors whose funds were transferred to Lai have received a return on their investment or a refund of their principal.

33. Prior to the time he offered and sold interests in the Lai high yield private placement, Corriere had been advised by at least one person that the Lai investment appeared to be a scam.

34. There was no registration statement filed or in effect for the investment contracts that Corriere was and is offering and selling.

35. Corriere used and is using the means and instruments of communication in interstate commerce or of the mails to offer and sell the investment contracts. He solicited and is soliciting investors by telephone, facsimile, and e-mail. He sent the Participation Agreements to investors by mail and facsimile. At Corriere's behest, investors mailed and wired their investment funds to Paul Formby.

The 10-1 Joint Ventures Trading Program

36. After Formby transferred \$2.625 million to Lai, he continued to receive additional investor funds for the Lai investment from people solicited by Corriere. Formby received at least an additional \$282,996 from Corriere's investors.

37. Throughout March 2001, Corriere solicited those investors who had sent money to Formby, but had missed the Lai trade, to invest in 10-1 Joint Ventures. 10-1 Joint Ventures was a high yield private placement program. 10-1 Joint Ventures also involved the trading of MTNs.

Corriere told investors that 10-1 Joint Ventures offered the same return as the Lai investment and would pay back quicker.

38. Corriere offered investors the option of transferring their funds from Formby's account to 10-1 Joint Ventures. Several investors agreed, and Formby transferred \$282,996 from the people solicited by Corriere to 10-1 Joint Ventures. One investor whom Corriere solicited sent \$15,000 directly to 10-1 Joint Ventures.

39. Similar to the Lai investment, Corriere told investors that their principal was guaranteed and in at least one instance told an investor that the expected return of 100 percent per week was guaranteed.

40. On May 16, 2001, the Federal Bureau of Investigation ("FBI") seized funds in 10-1 Joint Ventures' bank accounts. The majority of those investors solicited by Corriere received a distribution in January 2002 from a court proceeding to distribute the funds seized by the FBI.

Corriere's Misappropriation of Investor Funds

41. In January 2001, Corriere received a \$30,000 check made out to Quantum Equities from an investor in the Lai private placement program. Corriere deposited the check into his Quantum Equities corporate bank account at Huntington National Bank in Clearwater, Florida on January 5, 2001. None of these funds went to the Lai investment. Instead, Corriere used some of these funds to pay his electric bill, water bill, and bank fees. On January 16, 2001, he transferred \$1,000 of those funds to The Kings Fellowship corporate account at the same bank. On January 18, 2001, he sent \$2,025 of these funds to Barclays Bank in the Turks and Caicos Inlands, British West Indies. And on April 30, 2001, well after the Lai investment, Corriere transferred at least \$12,000 of these funds to Maria Corriere's account at the Bank of America in Clearwater, Florida.

Misrepresentations and Omissions of Material Fact

42. From at least January 2001 to the present, Corriere, in connection with the offer and sale of investment contracts, made, and is making, numerous material misrepresentations, both orally and in writing to investors and potential investors.

43. Corriere has misrepresented, and is misrepresenting, that investor funds are to be used for overseas MTN trading programs. These programs, however, are in the nature of “prime bank” programs that do not exist. He also misrepresented to investors that they would earn returns of 100 percent per week on their investments. Investors, however, have received no return on their investment. Corriere also misrepresented to investors that he had recently completed such trades. Corriere, however, could not have completed and did not complete a trade in trading programs that do not exist. The Participation Agreement between Corriere and each investor also falsely represented that Corriere had conducted his own due diligence regarding the trading agreement with Lai and Blue Jay. Corriere did not conduct any meaningful due diligence, and in fact was advised prior to soliciting and selling these investments that the Lai program appeared to be a scam.

44. Corriere also misrepresented the risk level of the investment. Corriere promised investors that their investment was “safe” and told investors they could not lose their initial investment in either the Lai or 10-1 Joint Ventures trading programs. The vast majority of the investors, however, have lost their principal. Corriere told at least one investor that the returns from the MTN trading program involving 10-1 Joint Ventures were guaranteed. Neither that investor, nor any other investor, has received any returns from the purported trading programs.

45. In at least one instance, Corriere misrepresented the use of investor funds. Corriere told one investor that his \$30,000 would be used in the Lai trading program. Contrary to his

representation, the investor's funds were not used for the trading program but were instead used to pay bills and were diverted to Maria Corriere's bank account.

46. These misrepresentations and omissions are material and go to the heart of the investment. A reasonable investor would want to know that the scheme in which he or she invested did not exist, that the investment was not risk-free, that they may lose the entirety of their initial investment, that the investment would not generate returns, that Corriere had not done due diligence on the trade, that Corriere had not recently completed a successful trade, and that investor funds would not be used for the represented purpose.

47. Corriere knew or was reckless in not knowing that high yield investments programs offering such fantastic returns do not exist. He knew, or was reckless in not knowing, that the returns he promised could not be generated by the fraudulent trading program and were not going to be paid. Corriere knew, or was reckless in not knowing, that he had not done any significant due diligence on the Lai program and that in at least one instance, he misdirected funds intended for the Lai program to a corporate bank account he alone controlled. He later admitted to investors that the Lai program was a scam, and that hundreds of thousands of such programs are fraudulent, yet he continues to solicit investors for the same type of trading programs.

Ongoing Solicitation

48. From January 2002 to the present, Corriere has solicited numerous investors and potential investors for additional funds for trading programs or to pay costs associated with trading programs.

49. On information and belief, Corriere was in Africa until approximately March 31, 2002. While in Africa and since he has returned to the United States, he has solicited several investors by telephone and e-mail. He told investors that he needs additional funds to pay taxes and

legal fees to release over \$124 million in Africa for a trading program. In some instances, Corriere is seeking "loans" from investors, but is offering exorbitant returns ranging from \$10,000 to \$100,000 for each \$1,000 invested.

50. In soliciting investors for these so-called "loans," Corriere faxed to several investors what he called a proof of funds for over \$124 million, which he stated was going toward a trading program.

51. On March 12, 2002, Corriere sent an e-mail to a potential investor, offering him some sort of partnership interest. Corriere asked for an investment of \$10,000 to \$20,000, and offered a return of \$1 million.

52. Corriere has raised new investor funds as a result of his recent solicitations.

ROLE OF THE RELIEF DEFENDANTS

53. Each of the Relief Defendants has received the proceeds from the fraudulent sale of participation interests for high yield private placements for no or inadequate consideration.

COUNT I

Violation of Section 5(a) and (c) of the Securities Act Act [15 U.S.C. § 77e(a) and (c)]

54. The Commission realleges and repeats its allegations set forth at paragraphs 1-53 of this Complaint as if fully restated herein.

55. During the period at least from October 2000 through March 2001, and possibly other times, Corriere, directly and indirectly, and notwithstanding that there was no applicable exemption: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of

sale or delivery after sale, carried and/or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; and (iii) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

56. No registration statement was filed with the Commission in connection with Corriere's sale of participation interests in high yield private placement programs.

57. By reason of the activities described herein, Corriere violated and is violating Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

COUNT II

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

58. The Commission realleges and repeats its allegations set forth at paragraphs 1-53 of this Complaint as if fully restated herein.

59. At all relevant times, Corriere, in the offer and sale of securities in the form of investment contracts, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, has employed devices, schemes and artifices to defraud, as more fully described above.

60. At all relevant times, Corriere has made false and misleading statements of material fact or has omitted to state material facts to investors and prospective investors concerning, among other things, the use of investor proceeds, the risk of the investment, and the very existence of the trading programs being offered.

61. At all relevant times, Corriere knew, or was reckless in not knowing, that the statements or omissions described herein were materially false or misleading.

62. By reason of the activities described herein, Corriere violated and is violating Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III

Violations of Section 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. § 77q(a)(2) and § 77q(a)(3)]

63. The Commission realleges and repeats its allegations set forth at paragraphs 1-53 of this Complaint as if fully restated herein.

64. At all relevant times, Corriere, in the offer and sale of securities in the form of investment contracts, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, has obtained property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and have engaged in transactions, practices or courses of business which have operated as a fraud and deceit upon purchasers of securities.

65. By reason of the activities described herein, Corriere violated and is violating Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT IV

Violations of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)]
and Rule 10b-5 [17 C.F.R. 240.10b-5] thereunder

66. The Commission realleges and repeats its allegations set forth at paragraphs 1-53 of this Complaint as if fully restated herein.

67. At all relevant times, Corriere, in connection with the purchase and sale of securities in the form of investment contracts, directly and indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails, has employed schemes and artifices to defraud; has made untrue statements of material fact and has 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; and has engaged in acts, practices and courses of business which operated, and are operating, as a fraud and deceit upon the investors.

68. At all relevant times, Corriere knew or was reckless in not knowing that the statements or omissions described herein were materially false or misleading.

69. By reason of the activities described herein, Corriere violated and is violating Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

1. Grant a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Corriere, his agents, servants, employees, attorneys, and those persons in active concert or participation with him who receive actual notice of the Temporary Restraining Order and the Order of Permanent Injunction by personal service or otherwise, from directly or indirectly, engaging in the acts, practices or courses of business described above, or in conduct of a similar purport and object, from violating:

A. Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)];

- B. Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)];
- C. Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3)]; and
- D. Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

2. Grant an Order requiring Sebastian Corriere, Maria Rosa Corriere, Quantum Equities, and The Kings Fellowship to disgorge all profits or proceeds that they have received as a result of the acts and courses of conduct complained of herein, with prejudgment interest.

3. Grant an Order restraining and enjoining Sebastian Corriere, Maria Rosa Corriere, Quantum Equities, and The Kings Fellowship, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Temporary Restraining Order, the Order of Preliminary Injunction and the Order of Permanent Injunction by personal service or otherwise, and each of them, from directly or indirectly:

- A. transferring, selling, assigning, pledging, dissipating, concealing or otherwise disposing of in any manner, any funds, assets, or other property belonging to, or in the possession, custody or control of Sebastian Corriere, Maria Rosa Corriere, Quantum Equities, and The Kings Fellowship wherever located; and

B. destroying, mutilating, concealing, altering or disposing of in any manner, any of the books, records, documents, correspondence, brochures, manuals, obligations or other property of or pertaining to sale of participation interests in high yield trading programs, wherever located.

4. Grant a Temporary Restraining Order and Orders of Preliminary and Permanent Injunction in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure requiring that Sebastian Corriere, Maria Rosa Corriere, Quantum Equities, and The Kings Fellowship each must provide this Court and the Commission's counsel with:

- A. an accounting of all assets and funds received, directly or indirectly, from individuals who invested monies in the programs described herein, or in similar investments offered, directly or indirectly, by Corriere, the uses to which such funds were put, and the amounts of any remaining funds and their location; and
- B. an accounting of the assets and liabilities for Sebastian Corriere, Maria Rosa Corriere, Quantum Equities, and The Kings Fellowship.

5. Grant an Order directing Sebastian Corriere to pay civil fines and/or penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78(d)(3)].

6. Grant an Order requiring Corriere to surrender his passport and prohibiting him from traveling outside of the United States until five (5) business days after he provides the SEC's counsel and the Court with an accounting of all his assets and liabilities.

7. Grant a Temporary Restraining Order and Orders of Preliminary and Permanent Injunction in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure requiring that Sebastian Corriere and Quantum Equities take all necessary steps to repatriate to the United States of America all assets and funds which are held by them or which are under their direct or indirect control, jointly or singly. Corriere and Quantum Equities must provide a written description of all such funds and assets so repatriated to this Court and to the SEC's counsel.

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

9. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

Dated: April 18, 2002



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