UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOHN ALLEN SNOBLE,

Defendant.

CIVIL ACTION FILE NO. 02 04 1089

JUDGE GRAHAM

MAGISTRATE JUDGE KEMP

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"), alleges the following:

SUMMARY

1. Beginning in at least 1999 and continuing into 2002 ("relevant period"), Defendant John Allen Snoble ("Snoble") and other senior officials of National Century Financial Enterprises, Inc. ("National Century") defrauded investors who invested billions of dollars in securities issued by wholly owned subsidiaries of National Century. The subsidiaries sold the securities for the stated purpose of purchasing and servicing medical accounts receivable through National Century.

2. Senior National Century officials improperly "advanced" to health-care providers $1 billion or more of the capital raised from investors without receiving required medical accounts receivable in return. These advances were essentially unauthorized, unsecured loans to distressed or defunct health-care providers—some of which were partly or wholly owned by

National Century or its principals. The unsecured advances were inconsistent with representations made by senior National Century officials in offering documents provided to investors.

3. Senior National Century officials then took deliberate steps to conceal the fraud from trustees, investors, potential investors, and auditors by, among other things, repeatedly transferring funds between the subsidiaries' bank accounts to mask reserve-account shortfalls of as much as $400 million; recording $1 billion or more in non-existent or ineligible medical accounts receivable on the books of National Century's subsidiaries; creating and distributing false offering documents, monthly investor reports, and accounting records to trustees, investors, potential investors, and auditors; and misrepresenting the status of the programs' cash accounts and collateral base to trustees, investors, potential investors, and auditors.

4. On various occasions, Defendant Snoble aided the scheme to defraud by executing unsecured advances, by executing fraudulent fund transfers, and by providing independent auditors with materially misleading information in connection with yearly audits of National Century.

5. The Commission brings this action pursuant to Section 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77t(b)] and Sections 21(d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78u(d)] for a judgment permanently restraining and enjoining Defendant Snoble, ordering disgorgement of unlawful profits, imposing a civil penalty, prohibiting Defendant Snoble from acting as an officer or director of any reporting company, and for other relief.

6. Defendant Snoble directly and indirectly, has engaged and, unless enjoined, will continue to engage in transactions, acts, practices, and courses of business which constitute violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] promulgated thereunder.

JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa].

8. Defendant Snoble, directly and indirectly, has made use of the means and instruments of transportation and communication in interstate commerce, of the means and instrumentalities of interstate commerce, and of the mails in connection with the transactions, acts, practices, and courses of business alleged herein, within the jurisdiction of the Southern District of Ohio and elsewhere.

THE DEFENDANT

9. During the relevant period, Defendant Snoble resided in Columbus, Ohio and was employed by National Century as its Vice-President and Controller.

RELEVANT ENTITIES

10. National Century was a privately held Ohio corporation headquartered in Dublin, Ohio.

11. During or prior to the relevant period, National Century organized NPF VI, Inc. ("NPF VI") and NPF VIII, Inc., which name was changed to NPF XII, Inc. ("NPF XII") in

February 1999. Both NPF VI and NPF XII are Ohio corporations and wholly owned subsidiaries of National Century.

BACKGROUND

12. National Century, through NPF VI, NPF XII, and various other wholly owned subsidiaries, engaged in the business of purchasing and servicing medical accounts receivable from health-care providers.

13. From 1991 through August 2002, National Century utilized NPF VI, NPF XII, and other wholly owned subsidiaries to purchase medical accounts receivable and to issue and sell notes secured by those medical accounts receivable.

14. During the relevant period, Defendant Snoble and other senior National Century officials, on behalf of National Century, controlled and directed the activities of NPF VI and NPF XII.

15. NPF VI and NPF XII financed their purchases of medical accounts receivable by selling notes to institutional investors in several states outside Ohio. The notes were secured by medical accounts receivable owned by NPF VI and NPF XII.

16. During the relevant period, NPF VI and NPF XII financed their purchases of medical accounts receivable by issuing notes totaling at least $3.25 billion in a series of at least sixteen private placements.

17. As of November 2002, approximately $3 billion in notes issued by NPF VI and NPF XII were outstanding and held by investors.

18. The terms of each private placement of notes sold by NPF VI and NPF XII were contained in a set of agreements, including master indenture agreements, supplemental indenture

agreements, note purchase agreements, and sales and sub-servicing agreements ("the program agreements").

19. The program agreements required that National Century, through a wholly owned subsidiary, disburse offering proceeds to health-care providers only in return for medical accounts receivable which satisfied certain standards set out in the program agreements ("eligible receivables").

20. The program agreements also required that, through wholly owned subsidiaries, National Century maintain certain prescribed amounts of purchased medical accounts receivable as collateral for the notes; that National Century require health-care providers to replace or buy back medical accounts receivable that aged beyond 180 days ("defaulted accounts receivable"); and that National Century comply with strict concentration requirements in assembling the pools of medical accounts receivable that secured the notes.

21. In addition, the program agreements required that bank accounts ("reserve accounts") be opened and funded to protect the programs against the risk of loss from, among other things, defaulted accounts receivable and shortfalls caused by Medicare and Medicaid offsets. The program agreements required that NPF VI and NPF XII maintain in the reserve accounts amounts collectively equal to 17% of the purchase prices paid for medical accounts receivable.

22. The program agreements also required, with minor exceptions, that the reserve accounts be fully funded at all times.

23. Under the program agreements, moneys held in the reserve accounts could be used for only certain specified, limited purposes.

24. NPF VI and NPV XII were further required by the program agreements to document the status of the reserve accounts once each month, for the benefit of the investors.

THE SCHEME TO DEFRAUD

25. During the relevant period, National Century personnel systematically defrauded the purchasers of notes issued by NPF VI and NPF XII.

26. First, senior National Century officials created shortfalls in the reserve accounts and collateral base by advancing over time $1 billion or more in offering proceeds to certain health-care providers without receiving eligible medical accounts receivable in return. Some of these advances were made to health-care providers wholly or partly owned by National Century or its principals.

27. Second, senior National Century officials took deliberate steps to conceal the reserve and collateral shortfalls from trustees, investors, potential investors, and auditors. Among other things, senior National Century officials regularly transferred funds between the NPF VI and NPF XII reserve accounts in order to mask reserve-account shortfalls of as much as $400 million.

28. Third, National Century personnel overstated the collateral securing the notes by recording at least $1 billion in non-existent or ineligible medial accounts receivable as collateral, and then falsely reporting that collateral as eligible receivables to trustees, investors, potential investors, and auditors.

29. Fourth, National Century personnel created false offering documents, false monthly investor reports, and false accounting records to conceal their misuse of offering proceeds. The false documents were then provided to trustees, investors, potential investors, and auditors.

30. Finally, senior National Century officials misrepresented the status of the reserve accounts and collateral base in personal contacts with trustees, investors, potential investors, and auditors.

DEFENDANT SNOBLE'S ROLE IN THE SCHEME TO DEFRAUD

31. During the relevant period, Defendant Snoble executed many of the more than $1 billion in uncollateralized advances of investor funds to health-care providers.

32. During the relevant period, Defendant Snoble took deliberate steps to mask reserve-account shortfalls from trustees, investors, potential investors, and auditors by executing improper fund transfers between the reserve accounts for NPF VI and NPF XII.

33. During the relevant period, Defendant Snoble supervised the creation of monthly "exposure spreadsheets" and other documents which were used by Defendant Snoble and other senior managers to track National Century's unsupported advances and collateral shortfalls.

34. In connection with National Century's 1999, 2000, and 2001 audits, Defendant Snoble, together with other senior National Century officials, provided National Century's independent auditors with collateral, receivables, and cash information that was misleading in the context in which it was presented.

35. Defendant Snoble represented to the NPF VI program trustee that an unaudited NPF VI financial statement for 2000 presented fairly the financial position of NPF VI when he knew the financial statement was materially misleading.

COUNT I

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

36. Paragraphs 1 through 35 are realleged and incorporated by reference herein.

37. By the conduct alleged above, Defendant Snoble, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, employed devices, schemes, or artifices to defraud.

38. Defendant Snoble acted with scienter when he engaged in the conduct alleged in paragraphs 36 through 37 above.

39. By reason of the activities alleged in paragraphs 36 through 38 above, Defendant Snoble violated Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

COUNT II

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

40. Paragraphs 1 through 35 are realleged and incorporated by reference herein.

41. By the conduct alleged above, Defendant Snoble, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the 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 and engaged in transactions, practices or courses of business which would and did operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

42. By reason of the activities alleged in paragraphs 40 through 41 above, Defendant Snoble violated Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§77q(a)(2) and (3)].

COUNT III

Violations of 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]

43. Paragraphs 1 through 35 are realleged and incorporated by reference herein.

44. By the conduct alleged above, Defendant Snoble, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce or by the use of the mails, directly or indirectly, employed devices, schemes, and artifices to defraud, made untrue statements of material facts and 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 engaged in acts, practices or courses of business which would and did operate as a fraud and deceit upon the purchasers and sellers of such securities.

45. Defendant Snoble acted with scienter when he engaged in the conduct alleged in paragraphs 43 through 44 above.

46. By reason of the activities alleged in paragraphs 43 through 45 above, Defendant Snoble violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendant Snoble committed the violations charged and alleged herein.

II.

Permanently enjoin Defendant Snoble from violating Sections 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. §§77q(a)(1), (2) and (3)].

III.

Permanently enjoin Defendant Snoble from violating Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

IV.

Order Defendant Snoble to pay into the registry of this Court disgorgement of his ill-gotten gains from his illegal conduct, gained directly or indirectly from the conduct complained of herein, together with prejudgment interest thereon.

V.

Order Defendant Snoble to pay to the Commission a civil penalty pursuant to 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)].

VI.

Order that Defendant Snoble be barred from acting as an officer or director of any issuer securities of which are registered pursuant to Section 12 of the Exchange Act [15 U.S.C. §78l],

pursuant to Section 20(e) of the Securities Act [15 U.S.C. §77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)] as a result of his violation of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

VII.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and to 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 the Court.

VIII.

Grant an Order for such further relief as the Court may deem appropriate.

Respectfully Submitted,

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