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ORIGINAL

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
NOV 17 2006
CLERK, U.S. DISTRICT COURT
By _____ Deputy

**IN THE UNITED STATES DISTRICT COURT**
**FOR THE NORTHERN DISTRICT OF TEXAS**
**DALLAS DIVISION**

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|---|---|---|
| **SECURITIES AND EXCHANGE COMMISSION,** | § | |
| | § | |
| **Plaintiff,** | § | |
| | § | |
| **vs.** | § | |
| | § | 3-06CV2136-P |
| **ABC VIATICALS, INC.,** | § | |
| **C. KEITH LAMONDA,** | § | **Civil Action No.:** |
| **and JESSE W. LAMONDA, JR.,** | § | |
| | § | |
| **Defendants,** | § | |
| | § | |
| **and** | § | |
| | § | |
| **LAMONDA MANAGEMENT FAMILY** | § | |
| **LIMITED PARTNERSHIP,** | § | |
| **STRUCTURED LIFE SETTLEMENTS, INC.,** | § | |
| **BLUE WATER TRUST,** | § | |
| **and DESTINY TRUST** | § | |
| | § | |
| **Relief Defendants.** | § | |

## COMPLAINT

The United States Securities and Exchange Commission ("Commission") files this complaint against Defendants ABC Viaticals, Inc., C. Keith LaMonda and Jesse W. LaMonda and Relief Defendants LaMonda Management Family Limited Partnership, Structured Life Settlements, Inc., Blue Water Trust and Destiny Trust and would respectfully show the Court as follows:

## SUMMARY

1. From 2001 through the present, C. Keith LaMonda and his brother Jesse have engaged in a scheme to fraudulently offer and sell securities through their life settlement

companies ABC Viaticals, Inc. ("ABC" or the "Company"), or, in its prior incarnation, Accelerated Benefits Corporation. ABC has raised at least $100 million from over 4,100 investors worldwide by offering fractional interests in life insurance policies, guaranteeing returns from 27% to 150%. Among other things, ABC claims that investor funds are controlled by an independent escrow agent and that funds to pay insurance premiums through the life expectancy of the insured are segregated at the time policies are purchased. In truth, investor funds are simply pooled in an escrow account under ABC's, or its principals' complete control. Due to the absence of any meaningful internal controls, including any efforts to calculate profits or calculate the premium reserves needed, ABC currently faces at least a $4.4 million shortfall in funds needed to continue to pay the premiums due on the insurance policies over the next two to three years. Despite the foregoing, the LaMondas have transferred at least $9.6 million to themselves or entities they control since the scheme began and caused investor funds to be used to pay expenses incurred by trust entities established for their own benefit. As a result, the Company must continue to raise new investor funds in order to pay existing premium obligations, which puts current policies at risk of lapsing and investors at risk of losing their entire investment.

2. The LaMondas, in an effort to set their offerings apart from other companies offering similar investments, claimed to purchase financial guarantee bonds on the policies in order to "fix" the return (both date and amount) of the life settlement investments. ABC told investors that the bond would "activate" if the insured was still alive at the end of the projected life expectancy period and that the bonding company would purchase the policy for the full face amount allowing investors to receive their principal and promised return on time and in full. ABC, however, made materially misleading statements and omissions concerning the bonds that

purportedly guarantee the investments. These material misstatements and omissions are, in part, behind one bonding company's recent refusal to perform on $45 million of bonds that came due starting in July 2006. Beyond failing to fully inform investors about the true nature of the purported bonds, ABC's principals, Keith LaMonda and Jesse LaMonda failed to disclose the existence of numerous cease and desist orders entered by a myriad of state regulatory bodies finding that the LaMondas, individually and through Accelerated Benefits, had engaged in illegal and fraudulent securities transactions or fraudulent insurance transactions. And, after July 2005, ABC failed to disclose to investors that both Keith LaMonda and Jesse LaMonda, the principals behind ABC, were indicted on mail and wire fraud charges in federal district court in Florida based on their activities through Accelerated Benefits and each face in excess of 60 years in prison.

3. The Commission, in the interest of protecting investors from any further illegal activity, brings this action against the Defendants and Relief Defendants, seeking as applicable an asset freeze, temporary restraining order, preliminary and permanent injunctive relief, disgorgement of all illicit profits and benefits Defendants have received plus accrued prejudgment interest and a civil monetary penalty, the appointment of a receiver over Defendants and Relief Defendants and other equitable relief.

## JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to § 22(a) of the Securities Act of 1933 (the "Securities Act") and § 27 of the Securities Exchange Act of 1934. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this

Complaint. Venue is proper because many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Northern District of Texas.

## PARTIES

5. **ABC Viaticals, Inc.** (**"ABC"**), is a Texas corporation with its principal place of business in Houston, Texas. ABC is in the business of purchasing life settlement policies and offering and selling fractionalized interests in the death benefits of these policies to investors. ABC was incorporated in December of 1999 by Keith and Jesse LaMonda and has never registered an offering of securities with the Commission or any state.

6. **Clarence Keith LaMonda**, age 52, is a resident of Kissimmee, Florida, and is the CEO of ABC. Keith LaMonda is currently under federal indictment in Florida and asserted his Fifth Amendment Privilege in response to the Commission's subpoena for testimony.

7. **Jesse W. LaMonda, Jr.**, age 59, is a resident of Kissimmee, Florida, and is the President of ABC. Jesse LaMonda is currently under federal indictment in Florida and asserted his Fifth Amendment Privilege in response to the Commission's subpoena for testimony.

8. **LaMonda Management Family Limited Partnership, ("LMFLP")** is a Nevada limited partnership formed in 1997 by Keith LaMonda for his personal use and benefit. LMFLP's registration in Nevada is in default. LMFLP has received at least $6.5 million of ABC investor funds for no apparent consideration and is named as a Relief Defendant herein solely for the purpose of obtaining equitable relief.

9. **Structured Life Settlements, Inc.**, **("SLS")** is a corporation under which Keith LaMonda maintains and uses accounts to buy and sell life insurance policies. SLS has received at least $2.5 million of ABC investor funds for no apparent consideration and is named as a Relief Defendant herein solely for the purpose of obtaining equitable relief.

10. **Blue Water Trust, ("Blue Water"),** is a trust established by ABC Viaticals, intended to hold insurance policies for investment purposes. Blue Water currently owns at least one insurance policy and investor funds were and are continuing to be used to pay premiums due on the policy and is named as a Relief Defendant herein solely for the purpose of obtaining equitable relief.

11. **Destiny Trust, ("Destiny"),** is a trust established by Keith LaMonda, intended to hold insurance policies for investment purposes. Destiny currently owns at least one insurance policy and investor funds were and are continuing to be used to pay premiums due on the policy and is named as a Relief Defendant herein solely for the purpose of obtaining equitable relief.

## BACKGROUND FACTS

12. From at least June 1996 through February 2001, the LaMondas offered and sold fractionalized interests in life insurance policies under the name Accelerated Benefits Corporation ("Accelerated Benefits"), a company operating in Florida. Keith LaMonda and Accelerated Benefits ran afoul of Florida insurance regulations and in October 1997, the Florida Department of Insurance ("FDI") ordered Keith LaMonda to end any affiliation with the company, whereupon Jesse LaMonda purported to take control of the operations. In February 2001, the FDI revoked Accelerated Benefits' license to operate as a viatical settlement provider based on its role in fraudulently obtaining insurance policies. As a result, the LaMondas moved their operations to Houston, Texas. The LaMondas continued to sell life settlements under the name of Accelerated Benefits, but sometime in late 2001 or early 2002 they stopped doing business under the name of Accelerated Benefits and started selling the investments under the name of ABC Viaticals, Inc. Although the LaMondas began using a new corporate entity, which they had previously formed in 1999, they continued to employ substantially the same business

practices previously used when they were doing business as Accelerated Benefits and continued to service the investments sold to investors under the Accelerated Benefits name.

13. Since relocating their operations to Houston, the LaMondas, through Accelerated Benefits or ABC, have offered and sold securities worldwide through a network of independent sales agents, consisting mostly of insurance agents, which numbered over 1,000 at any given time and located in at least 33 states. The company also solicited, and continues to solicit, investors through information posted on its website. ABC's sales agents solicit potential investors through their own websites, direct mailings, and sales seminars, which ABC oversees with a small administrative staff. ABC paid its agents large, undisclosed commissions of 20% on all investor funds raised. Agents could also earn an "override" on sales made by their recruits, but any override comes out of the 20% paid by ABC.

14. ABC provides its sales agents with offering materials, but also allows its agents to create and distribute their own materials, including marketing ABC on their own websites. ABC's offering materials, drafted by Jesse LaMonda and approved by Keith LaMonda, explain to investors that their rates of return are based on the estimated life expectancy (LE) of an insured. The materials state that ABC will find "policies that meet its clients' specifications, arrange for the policies to be thoroughly evaluated by a number of licensed service providers; and once the policies have been independently evaluated, handle all the purchase transactions for the benefit of (FBO) the [investor]."

15. ABC's offering materials also point out that "[h]istorically, the main unknown variable was the actual date of maturity, which is the time of payment of death benefits by the insurance carrier." To address this problem, ABC's business approach was to offer and sell "Bonded Life Settlements." As its offering materials state, "**This obstacle can now be**

**overcome by requesting that purchase funds be utilized to purchase bonded policies.**" (Emphasis original.) The offering materials go on to state that "Bonded Life Settlements are insurance policies that have been underwritten to the standards of a bonding company, who, for a bonding premium, is willing to provide a performance bond warranting that should the policy not mature by a specified date, the bonding company will buy-out the purchaser's interests in the policy at face value."

16. ABC investors have no role in the selection or evaluation of the policies fractionalized by ABC. Once ABC identifies a policy for purchase, it pays for a life expectancy ("LE") evaluation from one or more independent medical evaluation companies. ABC then lines up all the necessary parties to close the deal, and solicits investors in order to raise the funds necessary to purchase the policy. Prospective investors receive, usually through an ABC agent, a one-page document that contains information about the health of the insured, the independent LE determination, the total return offered on the investment, and a statement on whether the life insurance policy is "bonded" for the life settlement investment.

17. To complete the transaction, investors are required to sign a "Purchase Agreement" that ABC has modified in form slightly over the five year period of its illegal offering. The Purchase Agreement contains a series of recitals and disclosures. Among the recitals, is a statement to the investor that "no transactions made hereunder are to be interpreted… as a securities transaction." Among the disclosures is the statement that

> Some Viatical/Life Settlement Policies may contain "Life Expectancy Insurance," "Reinsurance" or "Performance Bonding" as policy enhancements available through Independent Service Providers. ABC-V cannot and does not warrant the statements, promises, agreements or performance of these or any other third-party entity, including

Independent Life Expectancy Determinations, and security or bonding involved in the Viatical/Life Settlement offering(s).

The Purchase Agreement further represents that investor funds are deposited into a bank account controlled by an escrow agent (a "restricted access escrow account"). ABC's offering materials also state that ABC "never handles [investors'] funds directly" and that funds allocated to pay premiums are "set aside in escrow as part of the purchase price." When enough funds are raised, the escrow agent will purchase – at the direction of ABC – one or more life insurance policies, and investors will be "matched" to one of those policies. If ABC is unable to acquire the particular life insurance policy that was represented to the investor, the escrow agent will hold the investors' funds while ABC goes into the market to locate another policy with a similar LE and rate of return, and then investors will be matched to the new policy. If investor funds are not matched to a policy within 30 days, investors are entitled to be paid interest on their funds.

18. Once an investor is matched to a policy (and ABC purchases that policy), the investor receives a "closing package," which recently contains, among other things, information about the insurance policy, the escrow company, a trust agreement outlining the duties of the purported escrow agent, the bonding company and the first and last page of the purported performance bond.

19. The LaMondas' business operation is one that was built on a foundation of fraudulent misstatements and omissions. The Purchase Agreement states that ABC is allowed to instruct the escrow agent to release investor funds necessary to pay all "sales and administrative costs." These costs are defined to include "sales-related compensation and costs associated with the purchase of Policies, including, but not limited to, medical reviews, legal fees, shipping, postage, consulting and sales fees or commissions, telephone charges, copying, data processing

and closing costs." Although a reference to commissions is wedged between postage and telephone charges, ABC fails to disclose that it pays its agents a 20% commission on all investor funds raised. Although the current version of the Purchase Agreement fails to disclose any set amount of commissions paid to agents, versions of the Purchase Agreement prior to May 2004 falsely stated that the sales and administrative costs "shall not exceed twelve and one-half percent" of the investor's funds.

20. Although ABC claims that it does not have access to investor funds, and, as recently as June 13, 2006, represented to investors that "ABC NEVER has access to investor's or Settlors' funds…which, along with premium payment funds, are managed for the benefit of the purchaser by an independent trustee…" (emphasis in original), this statement is patently false. First, each policy held by the purported escrow agent, and all investor funds related to the policy, is held pursuant to a "revocable trust" that ABC can terminate at any time for any reason. Second, ABC uses the "sales and administrative costs" provision in the Purchase Agreement to gain *de facto* control over all investor funds. The provision allows ABC to direct the escrow agent to reimburse ABC for any purported fee or cost ABC incurs, with no requirement for supporting documentation or justification. When ABC needs to pay its sales agents their 20% commissions, ABC sends an email to the escrow agent asking for a specific dollar amount, and the escrow agent transfers the money to ABC as requested. When ABC needs money to cover its other "administrative" costs, it does the same thing. Under this pretext, with no requirement to substantiate any request for funds, ABC has access to and has exercised control over millions of dollars of investor funds. Since April 2005, ABC's current escrow agent has transferred over $15 million of investor funds to ABC, *all* of which was sent pursuant to requests for funds to cover commissions and expenses. From these funds, the LaMondas, and entities they control,

have lined their own pockets with at least $4.5 million -- $4.2 million of which went to the LaMonda Management Family Limited Partnership for no apparent consideration. In total, over the past five years, LMFLP has received $6.5 million of ABC investor funds for no apparent consideration.

21. The Purchase Agreement, further, states that an "independent" escrow agent "maintains policy premiums until maturity from a special bonded premium account" with funds set aside at the time of closing. Similarly, each trust agreement, established to hold the policies on behalf of the investors, states that ABC will "deposit a sum certain" for the payment of premiums on the policy. ABC has *never* deposited a "sum certain" at the time of closing on any policy that it has fractionalized to cover the anticipated premium costs for the policy. In addition, until recently and only after the Commission began its investigation, ABC could not even quantify the amount of outstanding premiums due on the policies it had fractionalized. The LaMondas, despite representing to the contrary to their investors, never intended to fund the premium account at closing because they never intended to lose control over investor funds. Instead, ABC caused the escrow agent to aggregate and commingle investor funds in a "primary" escrow account, from which ABC could, has and continues to direct the movement of money – including the periodic transfer of funds into a separate unfunded premium account to pay insurance premiums, or the furtive transfer of funds to an ABC bank account under the guise of reimbursement for "administrative costs."

22. Maintaining investor funds in a single escrow account and failing to fund the premium account at closing not only defrauded investors but has placed all of ABC's investors at risk of losing their investments. By not segregating sufficient funds to pay policy premiums during the LE period, ABC has put the policies at risk of lapsing and thus investors at risk of

losing their entire investment. As of October 1, 2006, the estimated premium liabilities total at least $9.7 million, but the most recent balance of investor funds in ABC escrow accounts totals just $4.7 million, $1.2 million of which appears to have been recently raised from non-U.S. investors.

23. ABC has further failed to disclose to investors a litany of federal and state, civil and criminal actions filed against its two principals and Accelerated Benefits, making representations about the LaMondas and their business history materially misleading. Looking at the ABC offering materials, investors are lead to believe that the LaMondas have been in the viatical business for over ten years without incident, when there could be nothing further from the truth. To start, ABC has failed to disclose that its two principals, Keith and Jesse LaMonda, were indicted in July 2005 for conspiracy to commit mail and wire fraud through Accelerated Benefits. The indictment alleges, among other things, that the LaMondas made false and misleading representations to investors to induce them to purchase securities. For example, the indictment alleges the LaMondas, through Accelerated Benefits, represented that investor funds would be held by an independent escrow agent, when in fact the escrow agent was controlled by the LaMondas. The indictment also alleges that Accelerated Benefits represented to investors that it would continue to pay insurance premiums if a viator lived past his life expectancy, when in fact Accelerated Benefits ultimately required investors to pay such premiums. The federal criminal trial is ongoing, and if convicted, the LaMondas each face in excess of 60 years in prison.

24. Beyond the criminal indictments, the LaMondas have failed to disclose to investors the existence of or findings contained in any of the following regulatory actions: *In the Matter of Accelerated Benefits Corporation, et al.*, Alabama Securities Commission Order No.

CD-2000-0014 (April 11, 2000); *In the Matter of Accelerated Benefits Corp.*, Case No. 34703-00-CO, Florida Department of Insurance (Feb. 5, 2001); *Oklahoma Department of Securities v. Accelerated Benefits Corp., et al.* (Okla. Dist. Ct., Okla. County, June 26, 2001); *In the Matter of Jess LaMonda and Accelerated Benefits Corporation*, Office of the Kansas Securities Commissioner (June 27, 2001); *Tennessee Securities Division v. Accelerated Benefits Corp., et al.*, No. 12.06-014221J (September 25, 2001); *In the Matter of Accelerated Benefits Corporation*, Ohio Division of Securities Order No. 01-316 (11/29/01); *In the Matter of Accelerated Benefits Corp. and Jess LaMonda*, File No. S-99170(EX), Wisconsin Department of Financial Institutions (October 22, 2002); *In the Matter of Services International Corporation, et al.*, Pennsylvania Securities Commission (January 30, 2003); *In the Matter of Accelerated Benefits Corporation, C. Keith LaMonda and Jess LaMonda*, Oregon Department of Consumer and Business Services, File S-03-0040 (July 20, 2004).

25. The Pennsylvania action is a perfect example of why investors would have found such disclosure material. In January 2003, the Pennsylvania regulator found that the investments being offered and sold by Accelerated Benefits, and the LaMondas – exactly the same type of investment currently offered and sold by the LaMondas through ABC – were securities and that the LaMondas and Accelerated Benefits were failing to disclose material facts in connection with the offer and sale of the securities, or, in other words, were engaging in a fraudulent offering of securities. Similar findings were made in the orders issued by several of the other regulatory actions. The Pennsylvania Securities Commission ("PSC") ordered the LaMondas and Accelerated Benefits to cease and desist from offering and selling the life settlements in Pennsylvania.

26. The Pennsylvania action is significant for yet another reason. The LaMondas and Accelerated Benefits, as mentioned earlier, distinguished their offerings from other companies offering similar investments by touting the "bonded" nature of the offerings. The LaMondas, through both Accelerated Benefits and subsequently through ABC, obtained bonds in excess of $100 million from a company named International Fidelity & Surety, Ltd., a company purportedly organized under the laws of the Republic of Vanuatu. In each of the bonds procured by the LaMondas, the bonding agreement contained the following provision:

> It is understood by the parties hereto that in the event that any State or Federal licensing, regulatory or prosecuting official alleges any wrongdoing which puts into question the validity of the Senior/Life Settlement for which this bond was given and such allegation is thereafter substantiated against the Senior/Life Settlement or the Principal/Trust Agent under this bond or anyone acting on their behalf, the Surety in its sole discretion may elect to be excused from any liability or obligation hereunder at which time the bond shall be null and void and without further effect.

The LaMondas failed to disclose to investors that the bonding company retained the unilateral right to deny coverage under the bonds in the event any regulatory body challenged the validity of the underlying investments offered and sold to investors. In the Pennsylvania cease and desist order, the PSC specifically found that the investments before it, in addition to being illegal, were "'bonded, guaranteeing a term certain' by International Fidelity & Surety Limited . . . purportedly a 'Republic of Vanuatu domiciled Insurance Company." Not only were investors that purchased the offerings in Pennsylvania not informed of the effect of the PSC's order on their investment, no other investor was ever informed by the LaMondas that, in light of the numerous regulatory actions against the LaMondas and Accelerated Benefits, there was a

substantial risk that the "bond" securing their investments was at risk or that IFS would be able to assert a unilateral right to deny coverage under the bond.

27. The substantial risk of IFS's refusal to honor the bonds pursuant to this provision of the bonding agreement was recently realized as more than a risk – but a certain reality. During 2001 and 2002, the LaMondas through both ABC and Accelerated Benefits directed the purchase of nine policies that insured an elderly married couple with a face value of almost $45 million. Financial guarantee bonds from IFS were purchased for each policy at a rate of 3.5% of face value with a bonding term set to expire on April 5, 2006. Mention of the bonds was conspicuous in promotional materials and investor documents. The Defendants raised $25.6 million by selling fractionalized interests in the policies to 1,158 investors. According to the relevant Purchase Agreements and bonding agreements, if one of the insureds was still alive in July 2006 (the end of the bonding period plus a 90-day grace period), IFS would step in and purchase the policies for the full death benefit amounts, all of which would be distributed to investors shortly thereafter. These policies are now held in trust by ABC's current escrow agent.

28. The ABC escrow agent filed a claim with IFS and attempted to collect the amount due under the bonds. In a letter dated October 16, 2006, IFS stated that it "made clear to the owners and operators of ABC Viaticals, Inc. that [IFS was] concerned about bonding or guaranteeing a program that could be deemed to be an offering of securities requiring that it first be registered. [IFS] was assured that ABC's program was exempt from SEC registration and was not a security. This was the reason [the provision] was inserted because [IFS] did not want to be put into a position of guaranteeing a security." The letter goes on to state that IFS is aware that the SEC investigation and the criminal trial against the LaMondas are ongoing, and until both proceedings are complete, IFS will not perform under the bonds. After the PSC

determination, the LaMondas continued to offer their investments to new investors and continued to procure new IFS bonds for their offerings. Since the cease and desist orders against Accelerated Benefits and the LaMondas, finding that their offerings were securities, go as far back as 2000, the LaMondas were in a unique position to realize the substantial risk that existed that their offerings would be declared illegal securities offerings and therefore IFS would have the unilateral right to refuse to perform under the bonds, yet investors were not made aware of this risk.

29. In addition to their failure to disclose the material risk that IFS could refuse to perform under the bonds, the LaMondas also failed to disclose the material risk that IFS would fail to perform regardless of its contractual commitments. The LaMondas conducted virtually no due diligence with respect to IFS, its ability to perform under the bonds or the reliability of its claims to be a leading insurer of financial performance bonds. IFS promotional materials, provided to ABC investors, describe IFS as "one of the world's leading insurance organizations" and "one of the largest underwriters of financial guarantees in the United States." These statements are patently false. According to a 2003 Barclay's Capital survey, the largest providers of structured financial guarantees in the United States were Ambac Assurance Corporation ($114.8 billion), Financial Guaranty Insurance Company ($19.5 billion), Financial Security Assurance Inc. ($89.1 billion), MBIA Insurance Corporation ($111.5 billion), and XL Capital Assurance Inc. ($2.6 billion) – all rated Double-A or Triple-A by S&P, Fitch, and Moody's. IFS is not and never was rated by any of the three major U.S. rating agencies.

30. Beyond its pretentious claims, IFS was also the subject of at least one state regulatory action. On June 28, 2001, the Florida Department of Financial Services, Office of Insurance Regulation ("FDFS") (formerly the Florida Department of Insurance) issued an order

for IFS to cease and desist from providing insurance as an unlicensed entity based on its involvement with bonding life settlements sold by Future First Financial Group, Inc. The LaMondas made no effort to determine whether IFS was licensed to sell or could legally sell the performance bonds securing the investments they were touting to their victims. The LaMondas did obtain purported financial statements from IFS that were intrinsically inconsistent, yet failed to make any inquiries regarding the red flags raised by the financial statements. While the LaMondas represented in the Purchase Agreement that they could not guarantee performance by the bonding company, they also failed to disclose the highly relevant facts concerning their failure to conduct adequate due diligence on IFS or the significant enforcement history against them and Accelerated Benefits that called into serious question the reliability of the "bonded" nature of the investments.

31. ABC ceased offering investments allegedly bonded by IFS in May 2005 and purportedly ceased offering investments in the United States at the end of July 2006. ABC continues, however, to market life settlements and raise investor funds from foreign investors, predominantly located in Southeast Asia. In the last few months, since July 31, 2006, it appears ABC has raised approximately $1.2 million from foreign investors. ABC continues to fail to disclose to its new investors that its principals are the subject of pending criminal proceedings, that numerous regulatory agencies in the U.S. found that it and the LaMondas had engaged in illegal activities, that it does not, as promised, set aside funds in escrow to fund future premium obligations and that it is currently facing at a minimum a $4.4 million shortfall in paying the premiums on policies already sold to investors.

## CLAIMS

### FIRST CLAIM
### Violations of Sections 5(a) and 5(c) of the Securities Act

32. Plaintiff Commission repeats and incorporates paragraphs 1 through 30 of this Complaint by reference as if set forth *verbatim*.

33. Defendants, directly or indirectly, singly or in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and has been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

34. As described in paragraphs 1 through 30, Defendants' securities were offered and sold to the public through a general solicitation of investors. No registration statements were ever filed with the Commission or otherwise in effect with respect to these transactions.

35. By reason of the foregoing, Defendants violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

## SECOND CLAIM
## Violations of Section 17(a) of the Securities Act

36. Plaintiff Commission repeats and incorporates paragraphs 1 through 31 of this Complaint by reference as if set forth *verbatim*.

37. Defendants, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or 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 (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

38. As part of and in furtherance of this scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth in paragraph 1 through 31 above.

39. Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness with regard for the truth. Defendants were also negligent in their actions regarding the representations and omissions alleged herein.

40. By reason of the foregoing, Defendants have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

## THIRD CLAIM
## Violation of Section 10(b) of the Exchange Act and Rule 10b-5

41. Plaintiff Commission repeats and incorporates paragraphs 1 through 31 of this Complaint by reference as if set forth *verbatim*.

42. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (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 operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

43. As a part of and in furtherance of their scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth in Paragraphs 1 through 31 above.

44. Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

45. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate the provisions 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].

## FOURTH CLAIM
## Claims Against Relief Defendants as Custodian of Investor Funds

46. Plaintiff Commission repeats and incorporates paragraphs 1 through 31 of this Complaint by reference as if set forth *verbatim*.

47. Relief Defendants received funds and property from one or more of the Defendants, which are the proceeds, or are traceable to the proceeds, of the unlawful activities of Defendants, as alleged in paragraphs 1 through 31 above.

48. Relief Defendants obtained the funds and property alleged above as part of and in furtherance of the securities violations alleged in paragraphs 1 through 31 and under circumstances in which it is not just, equitable or conscionable for them to retain the funds and property. As a consequence, Relief Defendants were unjustly enriched.

## RELIEF REQUESTED

The Commission seeks the following relief:

49. An order of the Court temporarily, preliminarily and permanently enjoining the Defendants, their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], and Section 10(b) the Exchange Act, [15 U.S.C. § 78j(b)], and of Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

50. An order of the Court directing Defendants and Relief Defendants to file with the Court and serve upon the Commission an accounting, under oath, detailing all benefits received based upon the sales of the securities identified in this Complaint.

51. An order of the Court appointing a receiver to take control of all assets of the Defendants and Relief Defendants, to marshal and preserve assets for the benefits of investors.

52. An order of the Court directing Defendants to disgorge an amount equal to the funds and benefits obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

53. An order of the Court directing Defendants to pay civil monetary penalties in an amount determined as appropriate by the Court 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. § 78u(d)] for their violations of the federal securities laws as alleged herein.

54. An order of the Court directing Relief Defendants to disgorge an amount equal to the funds and benefits obtained as a result of the Defendants' violations alleged herein.

55. All further relief as the Court may deem just and proper.

Dated: November 17, 2006

Respectfully submitted,

HAROLD R. LOFTIN, JR.
Texas Bar No. 12487090
U.S. Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, TX 76102-6882
(817) 978-6450
(817) 978-4927 (fax)
Loftinh@sec.gov

RECEIVED NOV 17 2006 CLERK, U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS

# CIVIL COVER SHEET

ORIGINAL

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

**I.(a) PLAINTIFFS**

**SECURITIES AND EXCHANGE COMMISSION**

**(b)** COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF _____
(EXCEPT IN U.S. PLAINTIFF CASES)

**DEFENDANTS**

**ABC VIATICALS, INC., C. KEITH LAMONDA, JESSE W. LAMONDA, JR., Defendants,**
**And**
**LAMONDA MANAGEMENT FAMILY LIMITED PARTNERSHIP, STRUCTURED LIFE SETTLEMENTS, INC., BLUE WATER TRUST, and DESTINY TRUST, Relief Defendants**

**County of Residence of First Listed Defendant: Harris**
**(IN U.S. PLAINTIFF CASES ONLY)**
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

**(c)** ATTORNEY (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
**Harold R. Loftin, Jr., Esq.**
**Securities & Exchange Commission, Burnett Plaza, Suite 1900**
**801 Cherry Street, Unit #18**
**Fort Worth, TX 76102-6882**
**(817) 978-6450**

ATTORNEYS (IF KNOWN)

3-06CV2136-P

**II. BASIS OF JURISDICTION** (PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 U.S. Government Plaintiff
- ☐ 2 U.S. Government Defendant
- ☐ 3 Federal Question (U.S. Government Not a Party)
- ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES** (For Diversity Cases Only) (PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

| | PTF | PTF | | PTF | PTF |
|---|---|---|---|---|---|
| Citizen of This State | ☐ 1 | ☐ 1 | Incorporated or Principal Place of Business In This State | ☐ 4 | ☐ 4 |
| Citizen of Another State | ☐ 2 | ☐ 2 | Incorporated and Principal Place of Business in Another State | ☐ 5 | ☐ 5 |
| Citizen or Subject of a Foreign Country | ☐ 3 | ☐ 3 | Foreign Nation | ☐ 6 | ☐ 6 |

**IV. NATURE OF SUIT** *(PLACE AN "X" IN ONE BOX ONLY)*

**CONTRACT**
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excl. Veterans)
- ☐ 153 Recovery OF Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability

**REAL PROPERTY**
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

**TORTS**

PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury

PERSONAL INJURY
- ☐ 362 Personal Injury - Med. Malpractice
- ☐ 365 Personal Injury - Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

**CIVIL RIGHTS**
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/ Accommodations
- ☐ 444 Welfare
- ☐ 440 Other Civil Rights

**PRISONER PETITIONS**
- ☐ 510 Motions to Vacate Sentence

Habeas Corpus:
- ☐ 530 General
- ☐ 535 Death Penalty
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights

**FORFEITURE/PENALTY**
- ☐ 610 Agriculture
- ☐ 620 Other Food & Drug
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 630 Liquor Laws
- ☐ 640 R.R. & Truck
- ☐ 650 Airline Regs.
- ☐ 660 Occupational Safety/Health
- ☐ 690 Other

**LABOR**
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Mgmt. Relations
- ☐ 730 Labor/Mgmt. Reporting & Disclosure Act
- ☐ 740 Railway Labor Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Empl. Ret. Inc. Security Act

**BANKRUPTCY**
- ☐ 422 Appeal 28 USC 156
- ☐ 423 Withdrawal 28 USC 157

**PROPERTY RIGHTS**
- ☐ 820 Copy rights
- ☐ 830 Patent
- ☐ 840 Trademark

**SOCIAL SECURITY**
- ☐ 861 HIA (1395FF)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

**FEDERAL TAX SUITS**
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS - Third Party 26 USC 7609

**OTHER STATUTES**
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce/ICC Rates/etc.
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 810 Selective Service
- ☒ 850 Securities Commodities/ Exchange
- ☐ 875 Customer Challenge 12 USC 3410
- ☐ 891 Agricultural Acts
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Information Act
- ☐ 900 Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State Statutes
- ☐ 890 Other Statutory Actions

**V. ORIGIN** *(PLACE AN "X" IN ONE BOX ONLY)*

- ☒ 1 Original Proceeding
- ☐ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from another district (Specify)
- ☐ 6 Multidistrict Litigation
- ☐ 7 Appeal to District Judge from Magistrate Judge

**CAUSE OF ACTION** (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY.) Sections 5(a), 5(c), 17(a) of the Securities Act of 1933 ("Securities Act") [15. U.S.C. §§ 77e(a), 77e(c), 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)] and Rules 10b-5 thereunder [17 C.F.R. §240.10b-5]

**VII. REQUESTED IN COMPLAINT:** CHECK IF THIS IS A CLASS ACTION ☐ UNDER F.R.C.P. 23 **DEMAND $** CHECK YES only if demanded in complaint: **JURY DEMAND** ☐ YES ☒ NO

**VIII. RELATED CASE(S)** (See Instructions): **IF ANY** JUDGE _____ DOCKET NUMBER _____

DATE **November 16, 2006** SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY
Receipt # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____