UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff, Case No.

v. Hon.

RONALD ABERNATHY, ARTHUR
WEISS, and SOVEREIGN
INTERNATIONAL GROUP, LLC,

Defendants.
_____/

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"), for its Complaint against defendants Ronald Abernathy ("Abernathy"), Arthur Weiss ("Weiss") and Sovereign International Group, LLC ("SIG") (collectively "Defendants"), alleges as follows:

INTRODUCTION

1. Beginning in late 2008, the Defendants have been engaged in a fraudulent scheme whereby they solicited investors to invest in a purported venture that would use investor funds to trade securities. In fact, the Defendants used no investor funds to trade securities. Instead, the Defendants misappropriated investor funds for their own personal use and, in Ponzi-like fashion, used some investor funds to pay off other investors. To date, the Defendants have raised approximately $560,000 from investors through the offer and sale of securities in the form of promissory notes and/or investment contracts.

2. Several investors have demanded that the Defendants return their money. With the exception of a limited number of investors who received Ponzi-like payments, the

Defendants have failed to repay these investors. Instead, the Defendants have lulled the investors with various excuses for the delay and by promising repayment in the near future.

3. At different times during the scheme, the Defendants have told investors that SIG is engaged in the trading of securities, receiving fees in connection with the monetization of multi-million and multi-billion dollar financial instruments, brokering the sale of fine art and, most recently, brokering the sale of and/or refining precious metal ore concentrate. The Defendants also falsely told prospective investors that Abernathy was appointed "the director of a highly exclusive group of investors who are purchasing a Major League Baseball Franchise" and that this group of investors includes billionaires Paul Allen (co-founder of Microsoft) and Ted Turner (founder of CNN). Despite the Defendants' repeated promises of imminent multi-million dollar payouts to SIG from these purported business ventures, SIG, in its entire existence, has not earned any profits, realized any returns or generated any revenue from any business operations. SIG's only income has consisted of money received from investors.

JURISDICTION AND VENUE

4. This Court has jurisdiction over the subject matter of this action pursuant to Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v(a)], Sections 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(e) and 78aa], and 28 U.S.C. § 1331. Venue is proper in this district 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].

5. The acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Western District of Michigan and elsewhere.

6. The Defendants, directly and indirectly, have made 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, transactions, practices, and courses of business alleged herein in the Western District of Michigan and elsewhere.

7. There is a reasonable likelihood that the Defendants will, unless enjoined, continue to engage in the transactions, acts, practices and courses of business set forth in this complaint, and transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

8. Defendant Ronald Abernathy ("Abernathy"), age 66, is a resident of Scottsdale, Arizona. He and defendant Weiss are the majority owners and sole managers of SIG. Abernathy is not registered with the Commission in any capacity, and he is not associated with a registered entity. Except for the misappropriation of investor funds, Abernathy has no other regular source of income.

9. Defendant Arthur Weiss ("Weiss"), age 61, is a resident of Pasadena, California and Delray Beach, Florida. He and Abernathy are the majority owners and sole managers of SIG. Weiss is not registered with the Commission in any capacity, and he is not associated with a registered entity. Except for the misappropriation of investor funds, Weiss has no other regular source of income.

10. Defendant Sovereign International Group, LLC ("SIG"), is a Nevada limited liability company. SIG's address is the same as Abernathy's home address. SIG has never been registered with the Commission. From its formation to the present, SIG has been controlled by Abernathy and Weiss. Abernathy and Weiss control SIG's bank accounts, books and records; they control the information provided to investors; and they control the use of investor proceeds.

FACTS

Abernathy's and Weiss's Involvement in Prior Fraudulent Schemes

11. Abernathy and Weiss have a history of raising investor money for fraudulent schemes.

12. Before late 2008, Weiss solicited money from one or more investors for investment in an entity named G-5 Global. The principal of G-5 Global subsequently pleaded guilty to mail fraud in connection with the investments made in G-5 Global. Investors in G-5 Global lost approximately $700,000.

13. Before late 2008, Abernathy and Weiss solicited money from one or more investors for investment in an entity named Safevest LLC. The managing director and owner of Safevest LLC subsequently pleaded guilty to wire fraud in connection with the investments made in Safevest LLC. Investors in Safevest LLC lost approximately $7,200,000.

14. Before late 2008, Abernathy and Weiss solicited money from one or more investors for investment in an entity named The Omicron Group, LLC ("Omicron"). On May 17, 2010, the California Department of Corporations issued a Desist and Refrain Order against Abernathy, Weiss and others in connection with their involvement in Omicron. That order: (i) concludes that Abernathy and Weiss were managing members of Omicron; (ii) concludes that Abernathy and Weiss made material misstatements and/or omissions in connection with the offer and sale of securities related to Omicron; (iii) prohibits Abernathy and Weiss from making further material misstatements and/or omissions in connection with the offer or sale of any securities (including promissory notes) within the state of California; and (iv) concludes that such relief is necessary to protect investors. Investors in Omicron lost approximately $6,800,000.

Sovereign International Group – Abernathy's and Weiss's Current Fraudulent Scheme

15. Beginning in or about late 2008, the Defendants have offered and sold securities in the form of promissory notes (which also qualify as investment contracts) to investors in various states (including Michigan), the United Kingdom and the Republic of Ireland. The Defendants, directly and indirectly, through oral representations, written materials and sales agents represented that SIG would raise and pool investor funds and then invest those pooled funds in securities (sometimes referred to by the Defendants as an investment in a trading platform, trading program or a private placement program).

16. Pursuant to the Defendants' instructions, investors sent money to the Defendants via wire transfers.

17. Both Abernathy and Weiss directly solicited investors in the offer and sale of SIG securities. Abernathy and Weiss also used sales agents to solicit investors. The Defendants used investor funds to pay finder's fees to the sales agents.

18. The Defendants offered and sold securities in the form of multiple different promissory notes/investment contracts.

The Master Loan Agreement and Promissory Note A

19. In 2008 and 2009, the Defendants had the majority of SIG investors execute several documents prepared by the Defendants including, but not limited to, a Master Loan Agreement ("MLA"). Included within each MLA is a promissory note ("Promissory Note A"). The Defendants provided to investors the MLA and related SIG documents via the SIG website. A true and correct copy of the MLA (including Promissory Note A) is attached hereto as Exhibit A.

20. The MLA used by the Defendants is a nearly identical copy of the master loan agreement used in the Omicron fraud (see Paragraph 14 of this complaint) except for the

substitution of the name "Sovereign International Group" for "Omicron Group" and one other significant difference: rather than stating that investor funds will be used "for its business purposes" like in the Omicron master loan agreement, the SIG MLA specifies that investor funds will be used "for its business purpose of purchasing investment grade securities and resell [sic] these securities at a profit."

21. According to the MLA, the only fee charged by SIG is a "one time set-up fee" of $500.

22. Each Promissory Note A has a term of one year. The SIG MLA and each Promissory Note A promises investors a return on investment equal to the greater of (i) 15% per annum or (ii) 60% of SIG's net profits generated on a cash basis on a pro-rated share based on the amount invested by the investor, paid as profits are generated. Promissory Note A also promises that "[a]ll such payments shall be made directly to the [investor's] *trading* account." (emphasis added).

Promissory Note B

23. In or about 2009, the Defendants also solicited at least one SIG investor by offering and selling to her a security in the form of a promissory note that guarantees a 100% annual return ("Promissory Note B"). In Promissory Note B, the Defendants state that: (i) the note is secured by a certificate of deposit in Abernathy's name that is worth $5,000,000,000 (the "$5 Billion CD"); (ii) the investor has been granted a security interest in the $5 Billion CD; and (iii) the investor's name will be listed as a security interest on the title of the $5 Billion CD. A true and correct copy of Promissory Note B is attached hereto as Exhibit B.

The Non-Managing Member Interests and Promissory Note C

24. In or about 2010, the Defendants solicited additional SIG investors by offering and selling to them securities that promise both a guaranteed rate of return and a percentage of

the purported profits of SIG. In the offering letter for these securities ("SIG Offering Letter"), the Defendants described these securities as a "non-managing member interest certificate which represents a set percentage ownership in the company, and would entitle you to that set percentage of profits generated on a half yearly basis."

25. In the SIG Offering Letter, the Defendants state that: (i) SIG's projected gross income for 2010 (or for 2010-2011 depending on the version of the letter) is $8,000,000 and (ii) the investor's interest in SIG is secured with a "hard asset."

26. The Defendants provided investors who purchased SIG non-managing member interests with promissory notes ("Promissory Note C"). True and correct copies of two versions of the SIG Offering Letter and Promissory Note C are collectively attached hereto as Exhibit C.

27. The Defendants' promissory notes in the form of Promissory Note A, Promissory Note B or Promissory C constituted securities under Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

The Defendants' Misrepresentations and Material Omissions

28. Unfortunately for investors, many of the Defendants' representations were false. The Defendants never used any SIG investor funds to purchase or trade any securities. Instead, the Defendants used the investors' funds to make payments to Abernathy and Weiss for their own personal benefit, to further the scheme by paying SIG's operating expenses and to make payments to other investors.

29. Since approximately December 2008, the Defendants have raised and pooled approximately $560,000 from investors. The Defendants comingled those investor funds with approximately $32,000 provided by Weiss.

30. Since December 2008, the Defendants have spent approximately $592,000 from the accounts into which investor funds were deposited, in the following manner: (i) $412,000 on

compensation payments to Abernathy, Weiss and SIG's office manager; (ii) $52,430 on telephone and travel expenses for Abernathy and Weiss; (iii) $14,450 on payments to certain investors; and (iv) $113,850 on finder's fees and purported general business expenses of SIG.

31. From its inception in 2008 to at least January 2011, SIG did not earn any profits, realize any returns or generate any revenue from any business operations. SIG's only income has consisted of money received from investors.

32. During the Commission's investigation, the Defendants produced to the Commission spreadsheets confirming that they used investor funds in the manner set forth in Paragraph 30 of this complaint. True and correct copies of those spreadsheets are attached hereto as Exhibit D.

33. Abernathy and Weiss did not disclose to SIG investors that essentially 100% of investors' funds would be used to pay for the items set forth in Paragraph 30 of this complaint.

34. With respect to the offer and sale of Promissory Note B, the Defendants falsely represented that (i) Promissory Note B was secured by a certificate of deposit worth $5,000,000,000 and (ii) the investor was listed as a lender on the title of the $5 Billion CD.

35. With respect to the securities offered and sold by the Defendants using the SIG Offering Letter and Promissory Note C, the Defendants falsely represented that those securities/ownership interests were secured with a "hard asset." In fact, the "hard asset" was owned by a third party who did not grant a security interest in that asset to the Defendants or to any SIG investor.

36. Additionally, the Defendants' representation that SIG will earn $8,000,000 in income in 2010 (or in 2010-2011 depending on the version of the offering letter) misleadingly omitted material information. The $8,000,000 income projection was contingent upon both: (i) a third party selling "ore concentrate" and (ii) SIG receiving commissions of $8,000,000 in

connection with such a sale. The SIG Offering Letter and Promissory Note C do not contain any of this information.

The Defendants Concealed Their Fraud from Investors by Providing False and Misleading Information

37. To prevent investors from finding out the truth, the Defendants made multiple false statements of material facts and omitted material facts in their communications to investors.

38. The Defendants sent at least three updates to SIG investors by e-mail and by posting the updates on SIG's website.

39. A true and correct copy of the Defendants' May 5, 2009 update to SIG investors is attached hereto as Exhibit E. The update states, in pertinent part, as follows:

> [W]e are in the process of declaring our first posting of returns to the SIG Accounts.
>
> The returns on the program we are involved with are proving to be quite favorable. Although the accounting of our first phase is not finalized, we are expecting to post returns to your account within the next few weeks.
>
> This is the first major milestone of a profitable financial journey.
>
> The program we're involved with credits us monthly. The intention is for long term capital appreciation. The program is set up like a short term CD which allows periodic withdrawals every 90 days.

40. In truth, as of the time the Defendants issued the May 5, 2009 update to SIG investors: (i) SIG had not invested any SIG investor funds in any trading platform, trading program or any other investment program; (ii) SIG was not involved in any program that credited SIG (or any SIG investor) monthly; and (iii) SIG had not earned any profits or realized any returns (through any "program" or otherwise).

41. In June 13, 2009 e-mail, the Defendants informed a SIG investor (hereinafter referred to as "Investor A") that Investor A's "account funding is retroactive back to the date on

your wire transfer receipt. Your profit percentage is figured weekly back to that time. So, your account is in fact earning a percentage every week… We can say that your account is roughly earning 2% per week compounded forward up to the day of the SIG program cycle payment. By the time the first SIG program cycle finalizes, you will have nearly doubled your deposit." A true and correct copy of the June 13, 2009 e-mail to Investor A is attached hereto as Exhibit F.

42. A return on investment of 2% per week compounded weekly equals an annual return in the first year of approximately 180%.

43. In fact, as of June 13, 2009: (i) SIG had not realized any returns or earned any profits; (ii) SIG was not involved in any program that was generating any returns or earning any profits; (iii) SIG had not invested any of the funds received from Investor A; and (iv) Investor A's SIG account was not earning money every week.

44. In or about July 2009, the Defendants falsely told investors that the investors had earned 10% on their initial investments. At or about the same time, the Defendants posted on the SIG website updated investor account information reflecting these purported earnings.

45. In truth, however, as of the time the Defendants informed investors about their purported 10% returns on their initial investments, SIG had not earned any profits, realized any returns or generated any revenue from any business operations (other than the receipt of money from investors).

46. A true and correct copy of the Defendants' Summer 2009 update to SIG investors is attached hereto as Exhibit G. That update states, in pertinent part, as follows:

> Effective July 25th, 2009 we are pleased to announce our first post to your SIG account. Feel free to log into your account online to view your new balance.
>
> * * *

> SIG has secured an asset which will allow us to hold a powerful financial position in the market. This is an important step in the process of building wealth for our clients and our group. SIG is now formally being considered for funding in the hundreds of millions of dollars based on the newly acquired asset. This is a complicated process that has taken months to develop, and is a fully successful aspect of the Sovereign International Group. SIG has been assigned, and is now in possession of more than $50M in corporate assets.
>
> * * *
>
> One of the services SIG performs is project funding. This project serves as a template and is growing into a commercial real estate division for SIG. One major project SIG can disclose at this time is: 'The towers' commercial real estate funding project. This one is worth in excess of $250 Million when complete. There is also the possibility that SIG would become part owner of the property as part of the deal.

47. The Defendants sent the Summer 2009 update to SIG investors along with the following message: "Greetings SIG members: Attached are the SIG summer '09 update, and additional form(s). We look forward to our *continued growth*. Thank You, SIG" (*See* Exhibit G (emphasis added)). In fact, as of the time of the Defendants issued the Summer 2009 update to SIG investors, SIG had not earned any profits, realized any returns or generated any revenue from any business operations (other than the receipt of money from investors).

48. As of the time of the Defendants issued the Summer 2009 update to SIG investors, SIG was not in possession of any asset(s) with a fair market value (either individually or collectively) of $50 million.

49. The Defendants' claim in the Summer 2009 update that SIG was in possession of "more than $50M in corporate assets" was based on their possession of a "medium term note" issued by an entity called "U.S. Financial Agency LLC" with a purported face value of $50,000,000 ("U.S. Financial Agency Note").

50. The U.S. Financial Agency Note is worthless. Prior to issuing the Summer 2009 update, Abernathy attempted to deposit the U.S. Financial Agency Note with Banc of America Investment Services ("BAI"). BAI rejected the worthless U.S. Financial Agency Note. After this rejection by BAI and despite their knowledge that the U.S. Financial Agency Note was worthless, the Defendants issued the Summer 2009 update which falsely told investors that SIG had been assigned and was in possession of more than $50 million in corporate assets.

51. In or about February 2010, Weiss had a telephone call with two SIG investors ("February 2010 Telephone Call"). During the February 2010 Telephone Call, Weiss falsely told SIG investors that their investments were safe because he and Abernathy have "hard assets" that back up all of the investor funds held by SIG and that those hard assets can be converted to cash and used to pay back investors their original investments plus their returns.

52. A true and correct copy of the Defendants' Winter 2010 update to SIG investors is attached hereto as Exhibit H. That update states, in pertinent part, as follows:

> The delay [in making disbursements to SIG investors] is mostly due to new international regulations, and current market conditions… Although we will not quote exact figures until close, we can say that we are currently targeting about 1.5% per week compounded from the time of your deposit. We are currently scheduled to close by the first week of March.
>
> * * *
>
> As you know from our last update, SIG will earn a series [sic] fees from several large projects. One of these projects was set to close at the end of November '09; however, that project is still in process due to interbank litigation. The project is still fully active, and we closely monitor the activity on a weekly basis and we're expecting a resolution within the next 5 weeks.
>
> A second large project near close is the monetization of a multibillion dollar bank instrument. SIG will receive a substantial fee upon the close of the monetization process. We are expecting close of this process within 4 weeks.

* * *

> As of January 2010 SIG CFO Mr. Abernathy has been appointed as trustee and consultant to a multibillion dollar trust. He has been given the authority to perform the actions necessary to place this large scale trust into international, government run trade platforms. Mr. Abernathy is working with top officials to see the project through. Portions of the revenue from these programs are slated [sic] benefit SIG clients directly for years to come.

53. A return on investment of 1.5% per week compounded weekly equals an annual return in the first year of approximately 117%.

54. In truth, as of the time the Defendants issued the Winter 2010 update to SIG investors: (i) SIG had not earned any profits, realized any returns or generated any revenue from any business operations (other than the receipt of money from investors); (ii) there were no "new international regulations" that delayed disbursements to SIG investors; (iii) there was no "interbank litigation" that prevented or delayed the close of any SIG project; (iv) the "multibillion dollar bank instrument" referred to in the Winter 2010 update was worthless (just like the U.S. Financial Agency Note); (v) Abernathy was not "working with top officials" to see that a "multibillion dollar trust" was "placed in international, government run trade platforms"; and (vi) the "international, government run trade platforms" referred to in the Winter 2010 update did not exist.

55. In or about March 2010, Abernathy and Weiss had a telephone call with an SIG investor ("March 2010 Telephone Call"). During the March 2010 Telephone Call, Abernathy and Weiss falsely told the SIG investor that the Defendants were in the final stages of a deal that would result in a $15,000,000 to $20,000,000 payout to SIG and that the only thing delaying the payout is the U.S. Department of Homeland Security which was following its standard procedure to make sure that the money involved in the deal had no ties to terrorist organizations or drug trafficking.

The Defendants' Ponzi-Like Payments To SIG Investors

56. In the fall and/or winter of 2010, SIG began repaying some investors in a Ponzi-like fashion. In late September 2010, SIG received a $100,000 deposit from the 93 year-old boyfriend of Weiss's elderly mother. Before this $100,000 deposit, SIG's bank accounts and the other personal bank accounts of Abernathy and Weiss collectively held less than $500.

57. The Defendants admit that they subsequently paid $14,450 to four SIG investors (a return of principal to one investor and smaller payments to the other investors). *See* SIG Spreadsheets attached hereto as Exhibit D. Those payments were not made from the purported profits of SIG, but instead were made out of the $100,000 deposit described in Paragraph 56 of this complaint.

The Defendants' Attempt to Gain Retroactive Approval for Their Theft of Investor Funds

58. During the summer of 2010 and continuing to the present, the Defendants have told investors that SIG is involved in the refining and selling of ore concentrate. Since the summer of 2010, the Defendants have made multiple misrepresentations about an imminent multi-million dollar sale of this ore concentrate. However, the Defendants have not earned any profits, realized any returns or generated any revenue from the refinement or sale of any ore concentrate.

59. In November 2010, the staff of the Commission issued subpoenas to the Defendants ("SEC Subpoenas"). At the time they received the SEC Subpoenas, the Defendants had already spent the vast majority of investor funds in the manner set forth in Paragraph 30 of this complaint. As of November 2010, the Defendants had less than $15,000 remaining from the $100,000 deposit they received in September 2010 from the 93 year-old boyfriend of Weiss's elderly mother.

60. After receiving the SEC Subpoenas in November 2010, the Defendants asked SIG investors to sign new letter agreements and Amended Notes that purport to replace the original promissory notes signed by those investors.

61. The new letter agreements state, *inter alia*, that "[a]s you have been made aware via telephone conversations with Mr. Abernathy and Mr. Weiss, funds loaned to [SIG] have been utilized for administration and business costs" and the Amended Notes state that the "loaned funds are utilized by SIG for administrative cost of doing business." These statements omit material information. The Defendants had not previously disclosed to investors that they spent the vast majority of investor funds in the manner set forth in Paragraph 30 of this complaint.

62. In the Amended Notes, the Defendants promise investors: (i) 25% interest in the first year; (ii) a 20% annual late fee (calculated monthly) for any period after the first year; and (iii) a non-managing interest in SIG that entitles the investor to 2.5% of SIG's annual profits.

63. The Defendants issued at least two versions of the Amended Notes. The version of the Amended Note issued to the majority of SIG investors claims that it is secured by "[p]recious metal ore concentrate as assigned to [SIG] with a minimum approximate valuation of $8,000,000." True and correct copies of the new letter agreement and this version of the Amended Note are attached hereto as Exhibit I. Another version of the Amended Note issued to at least one SIG investor claims that it is secured by "$150,000 proven valuation of [p]recious metal ore concentrate being held [at SIG's office location]." A true and correct copy of this other version of the Amended Note is attached hereto as Exhibit J.

64. According to the Defendants, the same individual ("Ore Owner") owns both the "ore concentrate" purportedly worth $8,000,000 that is referenced in the version of the Amended Note attached as Exhibit I hereto and the "ore concentrate being held [at SIG's office location]" that is referenced in the version of the Amended Note attached as Exhibit J hereto.

65. In response to a request for a copy of the assignment agreement referenced in the Amended Notes, the Defendants informed the Commission that the assignment agreement is an oral contract with the Ore Owner. The Defendants further stated that this purported oral agreement is contingent upon the Defendants finding a buyer for the ore concentrate. These statements are false. In fact, the Ore Owner refused the Defendants' oral request for an assignment of ore concentrate and he sent a letter to Abernathy dated December 9, 2010 reiterating his refusal to provide such an assignment.

66. Both the new letter agreements and the Amended Notes contain material misrepresentations and/or material omissions. At the time they asked investors to sign the Amended Notes, the Defendants did not tell investors that: (i) essentially 100% of investor funds had already been spent on SIG's operating expenses and compensation to themselves and SIG's office manager; (ii) the Ore Owner refused to assign the ore concentrate to the Defendants; (iii) the purported assignment agreement was contingent on the sale of the ore concentrate; (iv) the Defendants did not own the ore concentrate sample located at SIG's office location; and (v) the Ore Owner did not grant security interests in the ore concentrate to the Defendants or to any SIG investors.

67. The Defendants also made material misrepresentations and/or material omissions about the Amended Notes during conversations with one or more investors.

68. For example, during a November 2010 telephone call between Investor A and Abernathy and Weiss ("November 2010 Telephone Call"), Abernathy and Weiss falsely told Investor A that SIG must immediately update its promissory notes (*i.e.*, have investors execute the Amended Notes) to be in full compliance with Commission regulations, that the need for this to be done immediately is being dictated by the Commission and that Investor A must sign the Amended Note to be able to receive any distributions in the future. These statements were false.

69. Prior to and during the November 2010 Telephone Call, Investor A told Abernathy and Weiss that she desperately needed money. Abernathy and Weiss induced Investor A to sign the Amended Note by falsely promising to send her a disbursement of funds from her SIG account within a week. Since the November 2010 Telephone Call, the Defendants have not made any payments or disbursements to Investor A.

COUNT I
Violations of Section 17(a)(1) of the Securities Act

70. Paragraphs 1 through 69 are realleged and incorporated by reference as if set forth fully herein.

71. By engaging in the conduct described above, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have employed devices, schemes and artifices to defraud.

72. The Defendants acted with scienter.

73. By reason of the foregoing, the Defendants have violated Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

COUNT II
Violations of Section 17(a)(2) and 17(a)(3) of the Securities Act

74. Paragraphs 1 through 69 are realleged and incorporated by reference as if set forth fully herein.

75. By engaging in the conduct described above, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have:

a. obtained money or property by means of untrue statements of material fact or by omitting 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

b. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon purchasers of such securities.

76. By reason of the foregoing, the Defendants have violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §77q(a)(2) and §77q(a)(3)].

COUNT III
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

77. Paragraphs 1 through 69 are realleged and incorporated by reference as if set forth fully herein.

78. By engaging in the conduct described above, the Defendants, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact 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 engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and prospective purchasers of securities.

79. The Defendants acted with scienter.

80. By reason of the foregoing, the Defendants have violated 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.

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that the Court:

I.

Find that the Defendants committed the violations charged and alleged herein.

II.

Grant an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§77q(a)(1), 77q(a)(2), and 77q(a)(3)], 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.

III.

Issue an Order requiring the Defendants to disgorge the ill-gotten gains that they received as a result of their wrongful conduct, including prejudgment interest.

IV.

With regard to the Defendants' violative acts, practices, and courses of business set forth herein issue an Order imposing upon them appropriate civil penalties 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)].

V.

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

VI.

Grant an Order for any other relief this Court deems appropriate.

Respectfully submitted,

DATED: June 3, 2011

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