

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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UNITED STATES SECURITIES		:	
AND EXCHANGE COMMISSION,		:	
		:	CIVIL ACTION
Plaintiff,		:	FILE NO.
		:	
v.		:	
		:	
RICHARD DEMARIA,		:	
		:	JURY TRIAL DEMANDED
		:	
Defendant.		:	
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COMPLAINT

Plaintiff United States Securities and Exchange Commission (“Commission”) alleges as follows:

NATURE OF THE ACTION

1. Richard DeMaria (“DeMaria”), through his entities, operated a prime bank scheme that defrauded at least thirteen investors out of approximately \$4.3 million. DeMaria enticed investors by making material misrepresentations in subscription agreements concerning investments in financial instruments that do not exist. DeMaria’s scheme involved enticing his investor victims to invest money with him to purchase what the subscription agreements described as an “interest in a financial instrument” for the purpose of generating a profit. Instead of purchasing any financial instruments, DeMaria misappropriated virtually all of the victims’ funds, put them in bank accounts he controlled and spent them on himself.

2. DeMaria misappropriated at least \$3.8 million of the investor funds. He used investor funds for, among other things, his personal use and to fund his other business ventures. For example, DeMaria used over \$2 million to fund his real estate business. He also spent over \$90,000 of investors' money at a Chicago-area car dealership that appears to specialize in the sale of sports cars. DeMaria also used investor funds for travel and expensive meals.

3. DeMaria used approximately \$460,000 of the remaining investor funds to form offshore entities and purportedly for expenses related to the acquisition of a purported financial instrument.

4. As is typical in prime bank schemes, no financial instruments were ever acquired and investors sought the return of their initial investments. For several months after raising money from investors, DeMaria, usually by email, attempted to lull nearly all of the investors with promises that a deal to acquire a financial instrument pursuant to the subscription agreements was imminent. These promises were false. DeMaria misappropriated virtually all of the investor victims' funds, caused those funds to be deposited in accounts he controlled and spent the funds on himself. Investors lost their total investment.

5. When confronted with these allegations by the Commission staff, DeMaria invoked his rights under the Fifth Amendment to the Constitution and refused to answer any substantive questions during investigative testimony.

6. By virtue of his conduct, Defendant DeMaria has engaged in and, unless enjoined, will continue to engage in transactions, acts, practices and courses of business which violate Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933

(“Securities Act”) [15 U.S.C. §§ 77(q)(a)(1), 77(q)(a)(2) and 77(q)(a)(3)], Section 10(b) of the Securities Exchange Act of 1934 (“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 Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

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

9. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77(v)(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

10. Acts, practices and courses of business constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere.

11. Defendant DeMaria, directly and indirectly, has made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices, and courses of business alleged herein.

12. Defendant DeMaria will, unless enjoined, continue to engage in the acts, practices and courses of business set forth in this Complaint, and acts, practices and courses of business of similar purport and object.

DEFENDANT

13. Richard DeMaria, age 42, is a resident of Skokie, Illinois. DeMaria owned and/or controlled a number of entities that were used as part of the fraudulent scheme alleged herein.

OTHER RELEVANT PARTIES

14. DeMaria Capital LLC (“DeMaria Capital”) was a limited liability company registered in Illinois. According to the Illinois Secretary of State website, DeMaria Capital was involuntarily dissolved in December 2010. DeMaria was the manager of DeMaria Capital.

15. Panorama Global Partners LLC (“PGP USA”) was a limited liability company registered in Illinois. According to the Illinois Secretary of State website, PGP USA was involuntarily dissolved in March 2011. DeMaria was the manager of PGP USA.

16. Panorama Global Partners Inc. (“PGP BVI”) was a British Virgin Islands corporation. PGP BVI was a party to the subscription agreements signed by the investors. DeMaria was the managing director, president, vice president, secretary and treasurer of PGP BVI.

17. Apex Capital Resources (“Apex”) was a British Virgin Islands corporation. Apex was a party to the subscription agreements signed by investors. DeMaria was the director, president, vice president and secretary of Apex.

18. Dynamic Business Development (“DBD”) was a corporation registered in Nevada. According to the Nevada Secretary of State website, the status of DBD is listed as “default.”

19. Wisdom Financial Group (“Wisdom”) was a British Virgin Islands entity used to facilitate the investors’ investments with DeMaria’s entities.

FACTS

20. Beginning at least in August 2008, DeMaria used the mail and wires to defraud at least 13 investors out of approximately \$4.3 million. DeMaria offered investors fictitious investments in what the scheme’s subscription agreements characterized as “financial instruments.” The funds invested by DeMaria’s investor victims were deposited in one of three bank accounts that DeMaria controlled.

21. Investment schemes like DeMaria’s are often referred to as “prime bank” schemes. Several government agencies, including the Commission, the U.S. Department of Treasury, and the Federal Bureau of Investigation, have posted investor alerts and warnings about fictitious “prime bank” investments on their publicly available websites.

22. According to the subscription agreement given to the victims, their money would be used to purchase a “financial instrument.” According to emails that DeMaria sent to investors after they made their investments, DeMaria stated that he would oversee the acquisition of a financial instrument that would be placed in what he vaguely described as a “trading platform.” DeMaria represented that the placement of the financial instrument would generate “cash flow” for the investors

23. Investor victims, who are located throughout the United States and Europe, were steered to DeMaria by DBD. Ten of the thirteen investors are U.S. citizens who reside in the United States and one is a foreign citizen with an address in the United States.

24. To further his scheme, DeMaria required investors to pay him a fee purportedly for the formation of offshore entities on their behalf. These investors would then own shares in the offshore entities that were formed as part of the scheme. According to the subscription agreements, these entities were supposedly formed to “own the investment” and to receive any income “generated by the investment.”

25. As represented to investors in the amended subscription agreements, the offshore entities purportedly could not be used to acquire the financial instrument because of BVI banking requirements and regulations. As such, DeMaria advised investors that they would need to purchase shares in yet another offshore entity, Wisdom. Again, this entity was formed for the purported purpose of acquiring a financial instrument. The investors purchased shares in Wisdom pursuant to a subscription agreement they entered into with Wisdom.

26. Instead of using investor funds to acquire “financial instruments” as stated in the subscription agreements, DeMaria misappropriated at least \$3.8 million of the funds raised. DeMaria used these investor funds for his personal use and to fund his other business ventures. The investors lost all of their money.

A. The Original Subscription Agreement

27. Investors made their investments through a complex and confusing series of subscription agreements. Between August 2008 and October 2008, with one exception, all investors entered into subscription agreements with PGP BVI or Apex, all companies controlled by DeMaria. Based on bank records, investors made a minimum investment of \$250,000 in connection with the acquisition of the purported “financial instruments.”

28. Under these agreements, each investor paid DeMaria a non-refundable \$25,000 fee to form a British Virgin Islands (“BVI”) entity on behalf of the investor. The agreements instructed investors to wire the fee to one of two bank accounts located in the United States in the name of DeMaria Capital or PGP USA, or a bank account in the name of PGP BVI located in the BVI. DeMaria controlled each of these bank accounts. The subscription agreements stated that this fee purportedly covered the costs of establishing the corporation and a bank account as well as related costs.

29. According to the subscription agreement given to investors, the purported purpose of the BVI entity was to acquire an interest in a foreign financial instrument such as a cash-backed guarantee. The subscription agreements set forth the terms and conditions under which the investors were prepared to invest funds for the purpose of obtaining ownership of a BVI corporation jointly owned by PGP BVI or Apex, DBD and the investor.

30. In emails sent by DeMaria to investors, DeMaria claimed that he would generate profits on behalf of the investors by placing the financial instrument in a “trading platform.”

31. According to the subscription agreements, any shares in the corporation and any net profits would be split as follows: PGP BVI or Apex would receive 47.5%, the investor would also receive 47.5%, and DBD would receive 5%. With the exception of the non-refundable fee paid to DeMaria, this is the only compensation that PGP BVI, Apex and DBD were entitled to receive under the subscription agreements.

32. The subscription agreement also contained a confidentiality clause stating that the investments were highly confidential and prohibiting investors from disclosing any information related to the agreement.

33. DeMaria signed these agreements on behalf of PGP BVI and Apex as the managing director.

B. The Amended Subscription Agreements

34. DeMaria later represented to investors, through amended subscription agreements, that he was unable to establish bank accounts for the BVI corporations, purportedly due to BVI banking requirements and regulations.

35. As such, DeMaria advised investors to become shareholders of Wisdom, also a BVI corporation, to facilitate the purported transaction.

36. Around December 2008, the original subscription agreements were amended by other agreements entered into by DeMaria and the investors.

37. The amended agreements stated that funds previously deposited would be used to acquire what the subscription agreement described as a “cash-backed bank guarantee.”

38. Pursuant to the amended agreements, the investor also agreed that his or her corporation would enter into a second subscription agreement for the purchase of shares of Wisdom.

39. DeMaria signed the amended subscription agreements on behalf of PGP BVI and Apex as the president.

C. The Wisdom Agreements

40. In December 2008, eleven of the thirteen investors entered into a separate subscription agreement with Wisdom as set forth in the amended subscription agreements. The two other investors continued to work with DeMaria directly.

41. In the Wisdom agreements, the investors agreed that the funds previously transferred (i.e., the minimum \$250,000 investment) to DeMaria would be used to purchase shares in Wisdom.

42. The agreements further stated that Wisdom would acquire an interest in a “cash-backed guarantee.” The agreements also stated that Wisdom would enter into a separate agreement with PGP BVI, which would acquire the “cash-backed guarantee” and place it with a “third party experienced in private placement investments.”

43. The Wisdom agreements also contained a confidentiality clause similar to that of the initial subscription agreements.

44. These agreements were signed by the investors and the “organizer” of Wisdom.

D. DeMaria’s Misappropriation of Investor Funds

45. Instead of using investor funds to acquire a financial instrument as he represented to investors in the subscription agreements, DeMaria misappropriated almost all of the investor funds.

46. DeMaria raised approximately \$4.3 million from thirteen investors which were placed in bank accounts he controlled. These funds were deposited in either one of two bank accounts located in the United States in the name of DeMaria Capital or PGP

USA, or a bank account in the name of PGP BVI located in the BVI. DeMaria controlled each of these bank accounts.

47. Of the \$4.3 million, approximately \$460,000 was paid to various individuals and entities by DeMaria in a supposed effort to form the BVI entities or to purportedly acquire a financial instrument. In reality, however, no such financial instruments ever acquired by DeMaria.

48. DeMaria misappropriated at least the remaining \$3.8 million of investor funds for his own personal use and to fund his other businesses.

49. Over \$2 million of investor funds was used by DeMaria to fund his now-defunct real estate business. Also, approximately \$180,000 was transferred to DeMaria's personal bank accounts.

50. DeMaria also used money to fund a lavish lifestyle. For example, he spent over \$90,000 in investor funds at a Chicago-area car dealership which appears to specialize in the sale of sports cars. DeMaria also used investor funds for travel and expensive meals.

E. DeMaria Deceived Investors About the Status of Their Purported Investments

51. After learning that DeMaria did not actually acquire any financial instrument, investors began to request the return of their investments.

52. In order to placate investors, DeMaria sent several letters and emails promising the return of their money and representing that he was on the verge of completing a transaction to acquire a financial instrument that would provide them with profits.

53. For example, in an email, DeMaria claimed that he was unable to return investor funds because he had advanced the money to what he said appeared to be legitimate investments. This was false given that DeMaria had already misappropriated most of the investor funds.

54. DeMaria has failed to return any money to investors.

F. DeMaria has Refused to Answer Any Questions About His Scheme

55. When confronted with these allegations by Commission staff, DeMaria invoked his rights under the Fifth Amendment to the Constitution and refused to answer any substantive questions during investigative testimony.

COUNT I

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

56. Paragraphs 1 through 56 are realleged and incorporated by reference as though fully set forth herein.

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

58. Defendant DeMaria acted with scienter.

59. By reason of the foregoing, Defendant DeMaria has violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II

Violation of Section 17(a)(2) of the Securities Act

60. Paragraphs 1 through 60 are realleged and incorporated by reference as though fully set forth herein.

61. By engaging in the conduct described above, Defendant DeMaria, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, has 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.

62. By reason of the foregoing, Defendant DeMaria has violated Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT III

Violations of Section 17(a)(3) of the Securities Act

63. Paragraphs 1 through 63 are realleged and incorporated by reference as though fully set forth herein.

64. By engaging in the conduct described above, Defendant DeMaria, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, has engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

65. By reason of the foregoing, Defendant DeMaria has violated Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

COUNT IV

Violations of Section 10(b) of the Exchange Act,
and Exchange Act Rule 10b-5(a), (b) and (c)

66. Paragraphs 1 through 63 are realleged and incorporated by reference.

67. As more fully described in paragraphs 1 through 56 above, Defendant DeMaria, 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 sellers and prospective purchasers and sellers of securities.

68. As part of and in furtherance of his scheme, Defendant DeMaria directly and indirectly, prepared, disseminated, or used contracts, 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 56 above.

69. Defendant DeMaria acted with scienter.

70. By reason of the foregoing, Defendant DeMaria violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. 240.10b-5(a), (b) and (c)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Defendant DeMaria 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, restraining and enjoining Defendant DeMaria, his 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 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder.

III.

Issue an Order requiring Defendant DeMaria to disgorge the ill-gotten gains that they received as a result of the violations alleged in this Complaint, including prejudgment interest.

IV.

With regard to DeMaria's violative acts, practices and courses of business set forth herein, issue an Order imposing upon DeMaria 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 principles 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: May 29, 2012

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