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U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF
LOS ANGELES

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

YIN NAN "MICHAEL" WANG,
WENDY KO, VELOCITY
INVESTMENT GROUP, INC., BIO
PROFIT SERIES I, LLC, BIO
PROFIT SERIES II, LLC, BIO
PROFIT SERIES III, LLC, BIO
PROFIT SERIES V, LLC, and
ROCKWELL REALTY
MANAGEMENT, INC.

Defendants.

Case No.

CV 13-07553 - JAK
(SSx)

COMPLAINT

(FILED UNDER SEAL)

Plaintiff Securities and Exchange Commission (the "SEC") alleges as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a)], Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the

1 Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa]. Defendants Michael Wang (“Wang”), Wendy Ko
3 (“Ko”), Velocity Investment Group, Inc. (“Velocity”), Bio Profit Series I, LLC
4 (“BPS I”), Bio Profit Series II, LLC (“BPS II”), Bio Profit Series III, LLC (“BPS
5 III”), Bio Profit Series V, LLC (“BPS V”), and Rockwell Realty Management, Inc.
6 (“Rockwell”) (collectively, “Defendants”) have, directly or indirectly, made use of
7 the means or instrumentalities of interstate commerce, of the mails, or of the
8 facilities of a national securities exchange in connection with the transactions, acts,
9 practices and courses of business alleged in this Complaint.

10 2. Venue is proper in this district pursuant to Section 22(a) of the
11 Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C.
12 § 78aa] because certain of the transactions, acts, practices and courses of conduct
13 constituting violations of the federal securities laws occurred within this district. In
14 addition, venue is proper in this district because the entity Defendants’ principal
15 place of business is in this district and at all times relevant to the Complaint,
16 Defendants Wang and Ko resided in this district.

17 **SUMMARY OF THE ACTION**

18 3. This is an action brought to halt an ongoing Ponzi-like scheme
19 perpetrated by the Defendants. It is brought on an emergency basis in order to
20 prevent the Defendants from making an imminent suspected Ponzi payment on or
21 around October 15, 2013.

22 4. Defendant Velocity Investment Group (“Velocity”), an entity controlled
23 by Defendant Michael Wang, with the assistance of co-Defendant Wendy Ko,
24 manages four series of investment funds called the “Bio Profit Series:” Defendants
25 Bio Profit Series I, LLC (“BPS I”), Bio Profit Series II, LLC (“BPS II”), Bio Profit
26 Series III, LLC (“BPS III”) and Bio Profit Series V, LLC (“BPS V”) (collectively, the
27 “BPS Funds”). In raising over \$150 million from approximately 2,000 investors,
28 Defendants have claimed that the BPS Funds invest in California real estate.

5. Wang, however, admitted that he ran Velocity and the Funds it managed as a Ponzi-like scheme, using new investor money to pay previous investors. In each of the first three quarters of 2012, Defendants caused one or more of the BPS Funds to transfer large sums of money to BPS I – more than \$4.8 million in 2012 alone. Instead of investing this money, BPS I instead used some or all of the money transferred to it to make quarterly interest payments to its investors.

6. Wang, as the owner and manager of Velocity, is the key architect of this fraudulent scheme. Defendant Ko, has actively participated in the fraud as well. Defendants use Rockwell Realty Management, Inc. (“Rockwell”) to transact with the BPS Funds with the apparent purpose of concealing the fraud.

7. By engaging in this conduct, Defendants are violating the antifraud provisions of the federal securities laws. With this action, the SEC seeks the imposition of a temporary restraining order and preliminary injunction and an asset freeze over the Defendant entities' bank accounts. It also asks for the appointment of a receiver over Velocity, the BPS Funds, and Rockwell, as well as other necessary, ancillary relief. The SEC also seeks permanent injunctions and disgorgement with prejudgment interest against all Defendants, as well as civil penalties against Wang, Ko, and Velocity.

DEFENDANTS

8. **Yin Nan “Michael” Wang**, age 55, resides in Hacienda Heights, California. Wang is not registered in any capacity with the SEC. He is the sole owner of Velocity, through which he controls each of the BPS Funds, and is the co-signatory along with Wendy Ko on several bank accounts of Rockwell.

9. **Wendy Ko**, age 48, resides in Pasadena, California. Ko is not registered in any capacity with the SEC. She is co-signatory, along with Wang, on several bank accounts of Rockwell.

10. **Velocity Investment Group, Inc.** is a Delaware corporation with its principal place of business in Pasadena, California. Velocity is not registered with

1 the SEC in any capacity. Velocity manages at least eight unregistered investment
2 funds, six of which have claimed exemption from registration under Rule 506 of the
3 Securities Act.

4 11. **Bio Profit Series I, LLC** is a Delaware limited liability company with
5 its principal place of business in Pasadena, California. BPS I has two Forms D on file
6 with the SEC, dated June 27, 2005 and June 4, 2010, and claimed exemption from
7 registration for both offerings under Rule 506.

8 12. **Bio Profit Series II, LLC** is a Delaware limited liability company with
9 its principal place of business in Pasadena, California. BPS II has one Form D on file
10 with the SEC, dated November 14, 2007, and claimed exemption from registration
11 under Rule 506.

12 13. **Bio Profit Series III, LLC** is a Delaware limited liability company with
13 its principal place of business in Pasadena, California. BPS III has one Form D on
14 file with the SEC, dated November 15, 2007, and claimed exemption from
15 registration under Rule 506.

16 14. **Bio Profit Series V, LLC** is a Delaware limited liability company with
17 its principal place of business in Pasadena, California. BPS V has one Form D on file
18 with the SEC, dated December 12, 2011, and claimed exemption from registration
19 under Rule 506.

20 15. **Rockwell Realty Management, Inc.** is a California corporation with its
21 principal place of business in Temple City, California. Rockwell is not registered
22 with the SEC in any capacity and has not registered any offering of its securities
23 under the Securities Act or a class of securities under the Exchange Act.

24 **STATEMENT OF FACTS**

25 **A. The Bio Profit Series Fund Offerings**

26 16. Since at least June 2005, the BPS Funds have offered and sold more than
27 \$150 million of securities in the form of unsecured promissory notes to more than 2,000
28 investors through a series of five unregistered offerings – two by BPS I and one each by

1 BPS II, III, and V. Velocity is the managing member of each of the BPS Funds.

2 17. Velocity is solely owned by Defendant Wang, who serves as Velocity's
3 CEO, President, and Board Chairman. Thus, all of the BPS Funds and all of their
4 securities offerings are and were effectively controlled by Defendant Wang. Co-
5 Defendant Ko assisted Wang in the operation of the BPS Funds, and had the power to
6 direct transfers to and from their bank accounts.

7 18. The BPS Fund offerings solicited investors by informing them that the
8 primary purpose of the funds was buying and making residential loans secured by first
9 or second deeds of trust and mortgages on real property in California, as well as buying
10 and making commercial loans secured by real property. Each of the fund offerings
11 described the promissory notes issued to investors as securities.

12 19. The investors in the BPS Funds purchase the notes in question by sending
13 their money to the Defendants' bank accounts in the United States, and the notes were
14 issued in exchange for those monies by entities domiciled and operating in the United
15 States. In addition, the PPMs for the BPS Funds direct investors to send their
16 subscription agreements to Velocity's offices in Pasadena. They make clear that the
17 U.S.-domiciled Funds can reject any subscription agreement they receive, in the Fund's
18 sole discretion. Finally, each of the Funds offering documents contained a choice of
19 law provision that expressly selected the law of a state within the United States

20 20. **The First BPS I Offering** commenced on June 5, 2005 and sought up to
21 \$60 million from the sale of three tranches of unsecured promissory notes. Tranche 1
22 consisted of up to \$10 million in 10- 15- and 20-year notes paying 150%, 200% and
23 300% of original principal balance in principal and interest at maturity, respectively.
24 Tranche 2 consisted of up to \$25 million in 6- and 10-year notes yielding 8% to 10%
25 per year, depending on the amount invested, paid quarterly. Tranche 3 consisted of up
26 to \$25 million in 6 and 10-year notes yielding 10% to 12% per year, depending on the
27 amount invested, paid at maturity. A total of \$75,163,000 was raised from 1029
28 investors in this offering.

1 21. **The BPS II Offering** commenced on November 7, 2007 and sought up to
2 \$10 million from the sale of unsecured 10-year notes which, by their terms, were
3 supposed to pay 280% of their original principal balance at maturity (an average return
4 of 18% per year). BPS II raised more than \$7.5 million from 153 investors in this
5 offering. In its own private placement memorandum BPS II described its business as
6 “primarily . . . buy[ing] and mak[ing] residential Loans secured by second or first trust
7 deeds/mortgages (and related collateral) on real property located in California, although
8 we may buy and make commercial Loans and Loans secured by real property located in
9 other states in the United States.”

10 22. **The BPS III Offering** commenced on November 17, 2007 and sought up
11 to \$50 million from the sale of unsecured notes on which no interest was paid or
12 accrued for the first two years, but accrued interest at a rate of 13% per year on amounts
13 of less than \$100,000 (over the course of 10 years, an average annual rate of 10.4% per
14 year) or 14% per year on amounts of \$100,000 or more (over 10 years, an average
15 annual rate of 11.2% per year) each year thereafter. BPS III raised more than \$12.6
16 million from 182 investors in this offering. In its own private placement memorandum,
17 BPS III described its business as “primarily . . . buy[ing] and mak[ing] residential Loans
18 secured by second or first trust deeds/ mortgages (and related collateral) on real
19 property located in California, although we may buy and make commercial Loans and
20 Loans secured by real property located in other states in the United States.”

21 23. **The Second BPS I Offering** commenced on September 30, 2009 and
22 sought up to \$40 million from the sale of unsecured 6- and 10-year notes paying 8% to
23 10% per year, depending on the length of the note and the amount invested. More than
24 \$51 million was raised from at least 973 investors in this offering.

25 24. **The BPS V Offering** commenced on January 3, 2012 and sought up to
26 \$200 million from the sale of unsecured 10-year notes paying 6% per year but earning a
27 bonus payment of 45% on the outstanding principal amount at maturity (thus raising the
28 average annual return on notes held to maturity to 10.5%). BPS V raised more than \$2

1 million from more than 39 investors in this offering. In its own private placement
2 memorandum, BPS V described its business as “primarily buy[ing] and mak[ing]
3 residential Loans secured by second or first trust deeds/mortgages (and related
4 collateral) on real property located in California.”

5 **B. The BPS Funds’ Business Was Unsustainable**

6 25. As set forth above, each of the BPS Fund offerings promised a substantial
7 rate of return for the investors purchasing the notes issued by the funds. In addition, the
8 offering proceeds are subject to a variety of management fees, expense reimbursements,
9 and sales commissions that significantly reduce the amount of investor principal
10 available for investment. As a result, only 84% of the second BPS I offering proceeds
11 were available for investment; only 82% of the BPS II and BPS III offering proceeds
12 were available for investment; and only 86% of the BPS V offering proceeds were
13 available for investment. As a result, the BPS Funds had to generate returns on
14 investment that were well above market average just to meet the interest obligations
15 they owed to investors:

16 (a) The second BPS I offering had to generate returns of at least 9.5%
17 per year in order to pay returns on the 8% notes issued to its investors, 10.7% in order
18 to pay returns on the 9% notes, and 11.9% in order to pay returns on the 10% notes;

19 (b) The BPS II offering had to generate returns of at least 21.9% per
20 year in order to pay the gross return of 280% of investor principal at maturity, as called
21 for under the notes issued to its investors;

22 (c) The BPS III offering had to generate an average return of at least
23 15.8% per year in order to pay returns on the 13% notes issued to its investors, and 17%
24 per year to pay returns on the 14% notes; and

25 (d) The BPS V offering had to generate an average return of 12.2% per
26 year in order to pay the annual return and bonus payment due on the 6% notes held to
27 maturity.

1 26. All of the above scenarios assume that all of the net offering proceeds
2 available for investment are fully invested. If anything less than all of the offering
3 proceeds are invested, the offerings must generate even higher rates of return for BPS to
4 meet its payment obligations to investors. But that was not the case.

5 27. For example, BPS I had at least three third-party entities originating loans
6 for it. With respect to two loan originators, BPS I never had more than \$11 million or
7 \$12 million in originated loans outstanding at any one time. That is a stark contrast to
8 the over \$125 million the Fund raised from over 2,000 investors.

9 28. The other BPS Funds did no better. According to public records: (1) BPS
10 II owns a total of ten properties in San Bernardino County in Southern California for
11 which it paid an aggregate total of approximately \$550,000 in 2010 and 2011; (2) BPS
12 III owns or has owned a total of five properties in Southern California, including four in
13 San Bernardino County – one of which was assessed at \$62,000 in 2011, two others
14 which were purchased for \$216,000 and \$223,500, respectively, in 2011, and a fourth
15 which was sold to a third party for \$88,000 in 2013; and (3) BPS V does not appear to
16 own any properties.

17 29. In addition, BPS I lost a “minimum” of \$5-8 million on the lending activity
18 it engaged in with two of its loan originators. It lost an additional \$20 million
19 originating loans through the third.

20 30. Despite these facts, the BPS Funds have continued to make interest
21 payments to note holders. BPS I did so on at least three occasions – the first, second,
22 and third quarters of 2012 – by using monies provided by the other BPS Funds.

23 **C. Wang Admitted to Running a Ponzi-like Scheme**

24 31. Wang has admitted that Velocity was operating like a Ponzi-like scheme.
25 Specifically, Wang told the principal of one of the companies that originated loans for
26 BPS I and other Wang-related entities that he was using new investor money to pay old
27 investors.

28 32. The individual who Wang told this information decided not to merge his

1 business with Velocity Investment Group as a result of this disclosure.

2 **D. BPS I and BPS V Paid Returns with Investor Principal**

3 33. Wang's admission is borne out by the accounting records and bank
4 statements of the BPS Funds. BPS I and BPS V appear to have made investor interest
5 payments funded in whole or part by investor money, rather than from actual returns on
6 investment. BPS I received significant cash advances from the BPS Funds in 2012:

7 (a) The BPS I general ledger for the first quarter of 2012 shows cash on
8 hand of \$2,271,990.88. The other BPS Funds had transferred \$985,000.00 to BPS I in
9 the first quarter of 2012. After deducting the money transferred from the BPS Funds
10 from the cash balance shown on the general ledger, only \$1,286,990.88 was available to
11 make interest payments. Nevertheless, on April 16, 2012, BPS I made first quarter
12 2012 interest payments to investors of \$1,888,005.94.

13 (b) The BPS I general ledger for the second quarter shows cash on hand
14 of \$2,352,572.81. The other BPS Funds transferred an additional \$1,651,000.00 to BPS
15 I in the second quarter of 2012, for a total to that date of \$2,636,000.00. After
16 deducting all the money transferred from the BPS Funds from the cash balance shown
17 on the general ledger, no money was available to make interest payments.
18 Nevertheless, on July 16, 2012, BPS I made second quarter 2012 interest payments to
19 investors of \$1,819,453.39.

20 (c) The BPS I general ledger for the third quarter shows cash on hand of
21 \$2,262,826.01. The other BPS Funds transferred an additional \$2,237,000 to BPS I in
22 the third quarter of 2012, for a total to that date of \$4,873,000.00. After deducting all
23 the money transferred from the BPS Funds from the cash balance shown on the general
24 ledger, no money was available to make interest payments. On October 15, 2012, BPS
25 I made 2012 third quarter interest payments to investors of \$1,840,695.90.

26 34. Thus, in the first three quarters of 2012, BPS I received transfers from the
27 BPS Funds of \$4,873,000.00 and made investor interest payments of \$5,548,155.23.

28 35. The BPS Fund transactions are itemized in the general ledgers for the BPS

1 Funds. In addition, there are numerous line items in the BPS I general ledger that
2 reflect large debits and credits that do not identify the counter-party or the purpose of
3 the transaction.

4 36. An analysis of the bank records for BPS I for the month of October 2012
5 illustrates how BPS I was funding investor interest payments with money from the other
6 BPS Funds. In the third quarter of 2012, BPS I made interest payments to investors
7 totaling \$1,840,695.90. However, pursuant to the bank records, its total cash on hand
8 for October 2012 without transfers from the BPS Funds was only \$1,325,204.94. On
9 October 10, 2012, BPS III transferred to \$367,000 to BPS I, and on October 11, 2012,
10 BPS V transferred \$580,000 to BPS I. These transfers totaled \$947,000. The interest
11 payments were made on October 15, 2012.

12 37. Thus, \$515,490.96 in principal from investors in BPS III and V was
13 fraudulently conveyed to BPS I investors.

14 **E. Wang Falsified Financial Records**

15 38. BPS I investors were provided with access to annual financial statements.
16 Wang hired the audit firm of SingerLewak to audit BPS I's financial statements, and the
17 firm did so from 2006 to 2008. However, in 2008, the SingerLewak firm issued a
18 disclaimer of audit opinion because it was unable to verify the collectability of
19 approximately \$34.5 million in mortgage loans receivable and for \$3.3 million in
20 nonmarketable equity securities that BPS I had on its books. In response, Wang began
21 using a solo practitioner, Kwan & Co.,¹ to compile, rather than audit, the fund's
22 financial statements.

23 39. BPS I provided its outside accountant with inaccurate financial information
24 at Wang's direction about BPS I's investments. The information provided materially
25 overstated BPS I's mortgage loans receivable and mortgage income figures. The
26

27 ¹ Hew Kwan, the principal of Kwan & Co., had previously been a manager at
28 SingerLewak.

1 financial statements for BPS I for the year ending December 31, 2011 include a figure
2 for accounts receivable (almost \$80 million) that is overstated by perhaps as much as
3 \$20 million due to its inclusion of several mortgage loan investments that had lost most
4 or all of their value by year-end 2011. The mortgage loan income figure in those
5 financial statements (of more than \$9.8 million) represented accrued interest that Wang
6 knew that BPS I would never receive. Wang told Velocity's accounting manager that if
7 he told investors the true numbers they would flee, and it would be difficult for him to
8 raise money. Wang posted the falsified financial statements on an Internet website
9 open to BPS I investors.

10 **F. Defendants Used Defendant Rockwell to Create the Illusion**
11 **of Legitimate Economic Activity**

12 40. From June 2007 through April 2013, the BPS Funds engaged in a series of
13 transactions with Defendant Rockwell. These transactions appear to have had no
14 purpose other than to obfuscate the amount of transfers among the various BPS Funds.
15 Rockwell is a California corporation ostensibly controlled by an individual who is not a
16 party to this action. But this person had virtually no control over or knowledge of
17 Rockwell's day to day operations. Instead, Rockwell is actually controlled and
18 managed by Wang and Ko. Both Defendants opened bank accounts for Rockwell on
19 which they are the sole signatories, and these are the accounts in which the
20 overwhelming majority of Rockwell's banking activity is transacted. Of the hundreds
21 of checks that Rockwell has issued over the years, its supposed owner (the non-party)
22 has signed, and has knowledge of, fewer than a dozen.

23 41. Rockwell was ostensibly tasked with collecting monies owed to the BPS
24 Funds from borrowers or renters of BPS-owned properties. The aggregate amount of
25 income from this activity for the period June 2007 to April 2013 appears to total no
26 more than \$2.5 million. During the same time period, Wang transferred almost \$40
27 million back-and-forth between the BPS Funds and Rockwell. Although the amounts
28 transferred between the BPS Funds and Rockwell are significant, the net results are

1 relatively minor. Specifically:

2 (a) BPS I transferred \$33,950,519 to Rockwell and received
3 \$34,266,878 back from Rockwell, for a net surplus of \$316,359;

4 (b) BPS II transferred \$2,391,339 to Rockwell and received \$1,067,359
5 back from Rockwell, for a net deficit of (\$1,323,980);

6 (c) BPS III transferred \$2,134,111 to Rockwell and received \$2,269,265
7 back from Rockwell, for a net surplus of \$135,154; and

8 (d) BPS V transferred \$285,000 to Rockwell and received \$57,000 back
9 from Rockwell, for a net deficit of (\$228,000).

10 42. In all, from June 2007 to April 2013, the BPS Funds transferred
11 \$38,774,469 to Rockwell and received \$37,660,502 back from Rockwell, for a net
12 deficit of (\$1,113,967). These transactions appear to have no discernible purpose other
13 than to foster the illusion that transfers between the BPS Funds were legitimate business
14 activity.

15 43. In addition to the circular transactions with the BPS Funds, Rockwell
16 received almost \$4 million from Velocity VIII LP, Velocity I, LLP and Velocity II,
17 LLP, all of which are entities for which Velocity acts as a general partner or managing
18 member. Rockwell also received more than \$7.5 million from six entities whose filings
19 with the California Secretary of State list either Wang or Ko as their principal and/or
20 agent for service of process. And it received almost \$9.5 million from another entity
21 that, like Rockwell, was ostensibly independently owned but whose owner was in fact a
22 straw man controlled by Wang and Ko.

23 44. The net effect appears to be to benefit Wang, Ko and/or entities they
24 control:

25 (a) Despite the fact that Rockwell has collected no more than \$2.5
26 million in rents and loan payments on behalf of BPS, Rockwell has transferred more
27 than \$7.2 million net to Velocity Investment Group, a sum which almost certainly
28

1 exceeds the management fees, expense reimbursements and sales commissions to which
2 Velocity Investment Group is entitled;

3 (b) Rockwell has transferred more than \$3.7 million directly to Wang;

4 (c) Rockwell has transferred almost \$2 million to various entities either
5 solely or co-owned by Wang, including \$928,964 to Jun International Trading Co.,
6 \$329,650 to 220 Broadway Investment, LLC, \$189,000 to International Career College,
7 \$142,000 to Jackson Glen, LLC, \$140,000 to Pacific Palisades Institute, Inc., \$73,900
8 to Burwood High, LLC, and \$50,516 to Vienna Capital, Inc.; and

9 (d) Rockwell has transferred \$286,376 to Golden Blest Investments,
10 Inc., for which Wendy Ko is the designated agent, and \$26,216 directly to Ko.

11 **G. Wang and Ko's Roles in the Fraudulent Scheme**

12 45. Wang is the architect of the Ponzi and fraudulent scheme. As alleged
13 above, Wang is the sole owner of Velocity, which manages the BPS Funds. He has
14 signatory power over the funds' bank accounts, and actively manages how monies
15 are transferred between the BPS Funds and Rockwell, and between the BPS Funds
16 and their investors. As such, he has actual knowledge of the fraud, or is reckless in
17 not knowing of the fraud.

18 46. Ko also plays a critical role in the scheme. She assisted Wang in
19 running the day-to-day operations of Velocity and the BPS Funds. She therefore
20 recklessly or knowingly facilitates the dissipation of investor capital because she has
21 the power to direct transfers to and from the Funds' bank accounts and assists and
22 participates in the transfer of money between the BPS Funds and Rockwell, and
23 between the BPS Funds and their investors. As such, she has actual knowledge of
24 the fraud, or is reckless in not knowing of the fraud.

25 **H. The Offering Is Ongoing and Further Dissipation of Investor Funds Is**
26 **Imminent**

27 47. The BPS Fund offerings appear to be ongoing. Although the SEC has
28 been unable to obtain the general ledgers for the BPS Funds for 2013, in July 2013,

1 the most recent month for which the staff has bank records, over \$1 million was
2 wired to the Funds from an entity with a Hong Kong address. This is consistent with
3 how individuals invested in the BPS Funds in the past. In addition, the bank
4 statements for general ledger account 1108 at Wilmington Trust show that BPS I
5 made quarterly interest payments to investors on January 17, 2013, April 17 and 18,
6 2013 (with some clean-up distributions in May 2013), and July 16, 2013. In the
7 past, the BPS Funds have made their third quarter distributions on the 15th of
8 October. It is likely they will make the quarterly interest distribution on or about
9 October 15th this year.

10 **FIRST CLAIM FOR RELIEF**

11 **(Against All Defendants)**

12 **Fraud In The Offer And Sale Of Securities**

13 **Violations Of Section 17(a) Of The Securities Act**

14 48. The SEC realleges and incorporates by reference paragraphs 1 through
15 47 above.

16 49. Defendants, by engaging in the conduct described above, in the offer or
17 sale of securities by the use of means or instruments of transportation or
18 communication in interstate commerce or by use of the mails, directly or indirectly:

- 19 a. with scienter, employed devices, schemes, or artifices to defraud;
- 20 b. obtained money or property by means of untrue statements of a
21 material fact or by omitting to state a material fact necessary in
22 order to make the statements made, in light of the circumstances
23 under which they were made, not misleading; or
- 24 c. engaged in transactions, practices, or courses of business which
25 operated or would operate as a fraud or deceit upon the purchaser.

26 50. By engaging in the conduct described above, Defendants, violated, and
27 unless restrained and enjoined will continue to violate, Section 17(a)(1) and 17(a)(3)
28 of the Securities Act [15 U.S.C. § 77q(a)].

1 **SECOND CLAIM FOR RELIEF**

2 **(Against All Defendants)**

3 **Fraud In Connection With The Sale Of Securities**

4 **Violations Of Section 10(b) Of The Exchange Act and Rule 10b-5**

5 51. The SEC realleges and incorporates by reference paragraphs 1 through
6 47 above.

7 52. Defendants, by engaging in the conduct described above, directly or
8 indirectly, in connection with the purchase or sale of a security, by the use of means
9 or instrumentalities of interstate commerce, of the mails, or of the facilities of a
10 national securities exchange, with scienter:

- 11 a. employed devices, schemes, or artifices to defraud;
- 12 b. made untrue statements of a material fact or omitted to state a
13 material fact necessary in order to make the statements made, in
14 the light of the circumstances under which they were made, not
15 misleading; or
- 16 c. engaged in acts, practices, or courses of business which operated
17 or would operate as a fraud or deceit upon other persons.

18 53. By engaging in the conduct described above, Defendants, violated, and
19 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange
20 Act [15 U.S.C. § 78j(b)], and Rule 10b-5(a-c) thereunder [17 C.F.R. § 240.10b-5].

21 **PRAYER FOR RELIEF**

22 54. WHEREFORE, the SEC respectfully requests that the Court:

23 **I.**

24 55. Issue findings of fact and conclusions of law that Defendants committed
25 the alleged violations.

26 **II.**

27 56. Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d),
28 temporarily, preliminarily and permanently enjoining Defendants, and their agents,

1 servants, employees, and attorneys, and those persons in active concert or
2 participation with any of them, who receive actual notice of the judgment by personal
3 service or otherwise, and each of them, from violating Section 17(a) of the Securities
4 Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)],
5 and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

6 III.

7 57. Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary
8 restraining order and a preliminary injunction against all Defendants, freezing the
9 assets of Velocity, the BPS Funds, Rockwell, and their respective affiliates,
10 prohibiting all Defendants from destroying documents, granting expedited discovery,
11 requiring accountings from Defendants, and appointing a Receiver over Velocity, the
12 BPS Funds, and Rockwell and their respective affiliates.

13 V.

14 58. Order Defendants to disgorge all ill-gotten gains they received, together
15 with prejudgment interest thereon.

16 VI.

17 59. Order Wang, Ko and Velocity to pay civil penalties under Section 20(d)
18 of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act
19 [15 U.S.C. § 78u(d)(3)].

20 VII.

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

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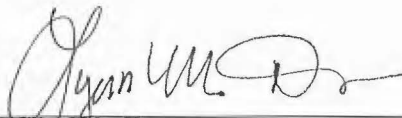
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VIII.

61. Grant such other and further relief as this Court may determine to be just and necessary.

Dated: October 11, 2013

Respectfully submitted,



John W. Berry
Lynn M. Dean
David J. Van Havermaat
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Securities and Exchange Commission