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CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
SANTA ANA

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10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 PRIVATE EQUITY MANAGEMENT
17 GROUP, INC.; PRIVATE EQUITY
MANAGEMENT GROUP, LLC; and
DANNY PANG,

18 Defendants.

Case No.

CV09 -2901 PSG (Ex)
**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
6 77t(b), 77t(d)(1) & 77v(a) and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78(u)(d)(1),
8 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
9 the means or instrumentalities of interstate commerce, of the mails, or of the
10 facilities of a national securities exchange in connection with the transactions, acts,
11 practices and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices and courses of conduct
15 constituting violations of the federal securities laws occurred within this district,
16 and defendant Danny Pang resides in this district.

17 **SUMMARY**

18 3. This case involves the ongoing fraudulent offer and sale of securities
19 by Danny Pang (“Pang”) and two entities he controls: Private Equity Management
20 Group, Inc. (“PEMG, Inc.”) and Private Equity Management Group, LLC
21 (“PEMG, LLC”) (collectively, the “Entity Defendants,” and collectively with
22 Pang, “Defendants”).

23 4. Since at least 2003, Pang and the Entity Defendants he controls have
24 been engaged in a fraudulent offering of securities. Defendants claimed to
25 investors that they would use investor funds primarily for the purpose of
26 purchasing life insurance policies from senior citizens at a discount to the face
27 value of the policies, and to invest in timeshare real estate. Defendants claim that
28 both principal and interest are insured and “guaranteed.” Defendants have raised

1 hundreds of millions of dollars from investors, primarily located in Taiwan;
2 Defendants have made three material misrepresentations to investors: (1) the
3 source of the purported returns was claimed to be profits generated by their
4 investments in life insurance policies and timeshare real estate, when, in fact, some
5 of the purported returns were paid out of funds raised from subsequent investors;
6 (2) in at least one instance, Defendants presented investors with a forged insurance
7 policy in which the coverage amount had been altered from \$31 million to \$108
8 million to support a false claim that a particular investment was entirely covered by
9 insurance; and (3) the Defendants misrepresented the educational and employment
10 history of Pang by falsely claiming that he had received bachelor's and master of
11 business administration degrees and that he had worked at the well-known
12 brokerage house, Morgan Stanley.

13 DEFENDANTS

14 5. Private Equity Management Group, Inc. is a Nevada corporation
15 located in Irvine, California. Pang, as its president and a director, controls and
16 directs the actions and operations of this entity. PEMG, Inc. serves as the parent
17 company of PEMG, LLC, and through PEMG, LLC purports to invest in life
18 insurance policies and interests in timeshare real estate. PEMG, Inc. offers and
19 sells debentures issued by various entities it controls.

20 6. Private Equity Management Group, LLC is a Nevada limited liability
21 company located in Irvine, California. Pang as a managing member controls and
22 directs the actions and operations of this entity. PEMG, LLC offers and sells
23 debentures issued by various entities it controls. PEMG, LLC purports to invest in
24 life insurance policies and interests in timeshare real estate.

25 7. Danny Pang resides in Newport Beach, California. Pang is the
26 president and is a director of PEMG, Inc. Pang is also a managing member of
27 PEMG, LLC. Pang has sole control of and access to at least some of the bank
28 accounts into which investor funds have been placed.

1 protect that investment. In fact, the relevant insurance policy was for
2 approximately \$31 million. In response to investor requests to see the policy, Pang
3 instructed Nasar Aboubakare, another PEMG, Inc. officer, to alter the policy to
4 increase the face amount of the policy to over \$100 million. Aboubakare did so,
5 and the investors were provided with this bogus insurance policy in order to induce
6 their investment.

7 ***False Claims Regarding Defendant Pang's Educational Background and***
8 ***Employment History***

9 13. Pang routinely told investors he had attended and had obtained a
10 bachelor's degree and a master of business administration from the University of
11 California at Irvine. In fact, Pang never attended or received degrees from that
12 institution. The false claims about Mr. Pang's educational degrees also appeared
13 on the Entity Defendants' website.

14 14. Likewise, Pang falsely represented to investors that he had previously
15 been employed as a senior vice president and senior high-tech merger adviser by
16 the well-known brokerage firm Morgan Stanley & Co. In fact, Pang was never
17 employed by Morgan Stanley in any capacity. The false claim that Pang had been
18 a senior vice president at Morgan Stanley also appeared on the Entity Defendants'
19 website.

20 **Defendants Knew Or Were Reckless In Not Knowing The Falsity Of Their**
21 **Representations**

22 15. Pang, and through him each of the Entity Defendants, have acted with
23 scienter.

24 16. Pang controls each of the Entity Defendants' operations and is
25 responsible for the representations made to investors. Pang directly made the
26 representations to investors that the source of the investment returns was the
27 profitable use of their money in the purchase of life insurance policies and later
28 investments in timeshare real estate. However, Pang himself directed the diversion

1 of funds from later investors to pay the purported returns of earlier investors.

2 17. Likewise, Pang himself directed that a bogus insurance policy be
3 created to support the false claims that the investments were insured and
4 guaranteed.

5 18. Finally, Pang knows that he does not have the educational degrees he
6 has claimed, and he knows that he was never employed by the well-known
7 brokerage firm Morgan Stanley.

8 **FIRST CLAIM FOR RELIEF**

9 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

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

11 **(Against All Defendants)**

12 19. The Commission realleges and incorporates by reference paragraphs 1
13 through 18 above.

14 20. Defendants, and each of them, by engaging in the conduct described
15 above, directly or indirectly, in the offer or sale of securities by the use of means or
16 instruments of transportation or communication in interstate commerce or by use
17 of the mails:

- 18 a. with scienter, employed devices, schemes, or artifices to
19 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
23 circumstances 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
26 purchaser.

27 21. By engaging in the conduct described above, each of Defendants
28 violated, and unless restrained and enjoined will continue to violate, Section 17(a)

1 of the Securities Act, 15 U.S.C. § 77q(a).

2 **SECOND CLAIM FOR RELIEF**

3 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF**
4 **SECURITIES**

5 **Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5 Thereunder**
6 **(Against All Defendants)**

7 22. The Commission realleges and incorporates by reference paragraphs 1
8 through 18 above.

9 23. Defendants, and each of them, by engaging in the conduct described
10 above, directly or indirectly, in connection with the purchase or sale of a security,
11 by the use of means or instrumentalities of interstate commerce, of the mails, or of
12 the facilities of a national securities exchange, with scienter:

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

21 24. By engaging in the conduct described above, each of the Defendants
22 violated, and unless restrained and enjoined will continue to violate, Section 10(b)
23 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
24 § 240.10b-5.

25 **PRAYER FOR RELIEF**

26 WHEREFORE, the Commission respectfully requests that the Court:

27 **I.**

28 Issue findings of fact and conclusions of law that Defendants committed the

1 alleged violations.

2 **II.**

3 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
4 temporarily, preliminarily and permanently enjoining Defendants and their
5 officers, agents, servants, employees, and attorneys, and those persons in active
6 concert or participation with any of them, who receive actual notice of the
7 judgment by personal service or otherwise, and each of them, from violating
8 Section 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) & 77q(a), and
9 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
10 17 C.F.R. § 240.10b-5.

11 **III.**

12 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
13 order and a preliminary injunction freezing the assets of each of the Defendants,
14 directing the assets of each of the defendants to be repatriated to the United States,
15 appointing a receiver over the Entity Defendants, requiring accountings from each
16 of the Defendants, prohibiting each of the Defendants from destroying documents,
17 and ordering expedited discovery, and ordering Defendant Pang to relinquish his
18 passport.

19 **IV.**

20 Order each Defendant to disgorge all ill-gotten gains from their illegal
21 conduct, together with prejudgment interest thereon.

22 **V.**

23 Order each of the Defendants to pay civil penalties under Section 20(d) of
24 the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act,
25 15 U.S.C. § 78u(d)(3).

26 **VI.**


27 Retain jurisdiction of this action in accordance with the principles of equity
28 and the Federal Rules of Civil Procedure in order to implement and carry out the

1 terms of all orders and decrees that may be entered, or to entertain any suitable
2 application or motion for additional relief within the jurisdiction of this Court.

3 **VII.**

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

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7 DATED: April 24, 2009

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