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11 **UNITED STATES DISTRICT COURT**
 12 **CENTRAL DISTRICT OF CALIFORNIA**
 13

SACV07-579 CJC (ANx)

14 **SECURITIES AND EXCHANGE**
15 **COMMISSION,**

16 **Plaintiff,**

17 **vs.**

18 **TG CAPITAL LLC, a Nevada limited**
liability company, THANH VIET
 19 **"JEREMY" CAO, an individual, and**
 20 **LODAVINA GROSNICKLE, an**
individual,

21 **Defendants.**

Case No.

**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

22
23 Plaintiff Securities and Exchange Commission ("Commission") alleges as
24 follows:

25 **JURISDICTION AND VENUE**

26 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
 27 20(d)(1), and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
 28 77t(b), 77t(d)(1), & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of

1 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e), & 78aa. Defendants have, directly or indirectly, made use of
3 the means or instrumentalities of interstate commerce, of the mails, or of the
4 facilities of a national securities exchange in connection with the transactions, acts,
5 practices, and courses of business alleged in this complaint.

6 2. Venue is proper in this district pursuant to Section 22(a) of the
7 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
8 § 78aa, because certain of the transactions, acts, practices, and courses of business
9 constituting violations of the federal securities laws occurred within this district.

10 SUMMARY

11 3. This matter involves the ongoing fraudulent offer and sale of
12 membership units of TG Capital, LLC, a Nevada limited liability company (“TG
13 Capital”), by its principals, Thanh Viet Jeremy Cao (“Cao”) and Lodavina
14 Grosnickle (“Grosnickle”) (TG Capital, Cao, and Grosnickle are hereinafter
15 collectively “defendants”). To date, defendants have raised at least \$3.78 million
16 from approximately 33 investors. TG Capital purports to offer private investment
17 products with guaranteed rates of return.

18 4. Since February 2007, defendants have solicited investors to purchase
19 membership units in TG Capital by representing that TG Capital invests in gold,
20 lends money to banks, and invests in banking instruments secured by gold or
21 guaranteed by Wells Fargo Bank, UBS, or Bank Negara Indonesia (“BNI”).
22 Defendants have promised investors guaranteed rates of return ranging between
23 28% and 30%.

24 5. These promises are all materially misleading. First, none of the banks
25 identified by defendants secured or provided the products purportedly offered by
26 TG Capital. Second, TG Capital has not purchased or invested in gold.

27 6. To support defendants’ misrepresentations, Cao forged a document on
28 Wells Fargo letterhead that references a Wells Fargo bank guarantee. In addition,

1 he and Grosnickle have disseminated to investors a forged bank guarantee
2 purporting to be from BNI and represented that BNI secured one of TG Capital's
3 investments.

4 7. Finally, defendants have misappropriated investor funds by
5 transferring \$1.78 million in investor monies overseas, purportedly to make a
6 personal loan on behalf of Cao to another individual. Cao represented to investors
7 that the named borrower on this loan is TG Capital's international agent for service
8 of process. Cao is the named lender in the purported loan documents, and TG
9 Capital has no recourse against the borrower if he defaults.

10 **THE DEFENDANTS**

11 8. **TG Capital, LLC** is a Nevada limited liability company with
12 registered business addresses in Irvine, California, and Las Vegas, Nevada.

13 9. **Thanh Viet Jeremy Cao**, age 26, resides in Orange County,
14 California, and Las Vegas, Nevada. Cao is the founder and president of TG
15 Capital. He is also TG Capital's principal signatory. Cao holds Series 7 and 66
16 licenses. He was a registered representative with IDS Life Insurance Company
17 from July 2004 to October 2004 and Ameriprise Financial Services from July 2004
18 to October 2005. Cao was terminated by Ameriprise for cause because he
19 participated in private securities transactions without notice to, and the prior
20 consent of, his employer. For this misconduct, the NASD fined him \$10,000 and
21 suspended him from association with any broker-dealer for one year. The
22 suspension became effective on February 20, 2007.

23 10. **Lodavina Grosnickle**, age 51, resides in Chula Vista, California.
24 Grosnickle is the co-founder and vice president of TG Capital. Grosnickle
25 currently holds Series 6 and 63 licenses. She is not associated with a registered
26 broker-dealer.

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1 **THE DEFENDANTS' FRAUDULENT CONDUCT**

2 **A. Defendants Offered and Sold Securities**

3 11. Cao formed TG Capital in February 2007 as a Nevada limited liability
4 company. Since February 2007, Cao and Grosnickle have been offering and
5 selling preferred membership units in TG Capital. They have raised at least \$3.78
6 million from approximately 33 investors.

7 12. Cao and Grosnickle solicit friends and family to invest in TG Capital.
8 Cao conducts investment seminars for potential investors in which both he and
9 Grosnickle make presentations. In February or March 2007, Cao and Grosnickle
10 held an investment seminar in San Diego, California. At the seminar, Cao directed
11 potential investors at the seminar to the private placement memorandum (“PPM”)
12 posted on the company’s website at www.tgcapital.net. After displaying the TG
13 Capital PPM on his computer, Cao provided passwords to seminar attendees to
14 allow them to subsequently download the PPM and the subscription documents
15 from the website. Cao did not hand out any documents at the seminars.

16 13. Grosnickle discussed TG Capital with investors and referred investors
17 to Cao. She received commissions ranging from 4% to 10% of the total
18 contributions of investors she brought into TG Capital. Grosnickle’s commission
19 is not disclosed to investors in the PPM.

20 14. There were sales of TG Capital membership units occurring as
21 recently as April 2007. In addition, on April 15, 2007, Cao and Grosnickle lulled
22 existing investors by circulating an email that stated they had “processed a bank
23 guarantee for a transaction for our private investors involved in TG Capital, LLC.
24 Attached, for your reference, is a copy of the original bank guarantee. . . .” The
25 letter went on to state that “[a]ll returns are still schedules [sic] to take place as
26 originally planned.”

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1 **B. The TG Capital Investment As Presented to Investors**

2 15. At various times, either through the TG Capital PPM or direct
3 solicitations, defendants have represented that TG Capital makes its money by (a)
4 investing in banking instruments backed by bank guarantees and gold; (b)
5 investing in gold by purchasing a letter of credit or a standby letter of credit; or (c)
6 loaning money to Wells Fargo. According to its PPM, TG Capital's only source of
7 revenue is its income from these types of investments.

8 16. Defendants have misled investors, orally and in writing, as to the
9 nature of the TG Capital investment and its risks. Specifically, defendants have:

- 10 • Created and disseminated a forged letter from Wells Fargo to
11 investors that references a bank guarantee;
- 12 • Disseminated a forged BNI bank guarantee to investors;
- 13 • Failed to obtain actual bank guarantees as promised in the TG
14 Capital PPM;
- 15 • Failed to invest in banking instruments as promised in the TG
16 Capital PPM;
- 17 • Failed to secure the TG Capital investment with gold as promised
18 in the TG Capital PPM;
- 19 • Touted strategic relationships between TG Capital and Wells Fargo
20 or UBS that do not exist; and
- 21 • Misappropriated and misused investor funds by sending money out
22 of the country in Cao's name, purportedly to make an unsecured
23 personal loan at a rate of interest too low to pay investors the
24 promised rate of return.

25 **1. Defendants Falsely Represented TG Capital's Investments**
26 **Would Be Secured By a Bank Guarantee**

27 17. In soliciting investors, defendants represented, orally and in writing,
28 that TG Capital's investments would be secured by guarantees from Wells Fargo,

1 UBS, and BNI. With respect to the bank guarantees, the TG Capital PPM states:

- 2 • “[TG Capital’s] investments will be bank-guaranteed
3 to minimize the risk of the Company’s clients.”
- 4 • “The return on investment to Preferred Members will
5 be not only guaranteed by the full pledge and
6 creditworthiness of TG Capital, LLC, it will be
7 guaranteed by the bank issuing the aval [a financial
8 instrument guaranteed by the issuer's bank], or the
9 bank guarantee.”
- 10 • “TG Capital has formed a strategic alliance with the
11 investment banking divisions of Wells Fargo Bank and
12 UBS in the United States. Therefore funds from the
13 United States will be issued with a bank guarantee
14 from Wells Fargo Bank or UBS.”

15 18. Cao and Grosnickle also made oral representations at investment
16 seminars claiming that bank guarantees secured TG Capital investments.

17 Grosnickle attended at least one investment seminar in which Cao assured
18 investors that banks had secured TG Capital’s investments. At different times, Cao
19 also told investors that TG Capital’s investments were backed by gold.

20 19. Defendants’ representations regarding Wells Fargo and UBS’s
21 participation in TG Capital investments were false. Neither bank provided any
22 guarantee to TG Capital. Further, although Cao and TG Capital are customers of
23 Wells Fargo, Wells Fargo has no strategic business alliance with TG Capital.

24 20. The TG Capital PPM included an exhibit which appears to be a letter
25 on Wells Fargo stationery purportedly signed by an employee of Wells Fargo (the
26 “Wells Fargo Letter”). The Wells Fargo Letter also refers to a bank guarantee
27 transaction, stating “[i]t has come to our attention that TG Capital LLC will be
28 engaging in the first of its bank guarantee transactions through” Wells Fargo, and
goes on to request that all TG Capital investors open accounts at Wells Fargo to
facilitate automatic transfers of monthly distributions from TG Capital to investors.

1 The PPM refers investors to the Wells Fargo Letter as evidence that Wells Fargo
2 intends to “work with TG Capital.”

3 21. In fact, Cao forged the Wells Fargo Letter. Cao and his secretary
4 prepared the Wells Fargo Letter using a copy of the Wells Fargo logo. Wells
5 Fargo had not agreed to be involved in any TG Capital investment as of the time
6 that Cao prepared the PPM and the Wells Fargo Letter. Cao knew, or was reckless
7 in not knowing, that the Wells Fargo Letter was false.

8 22. On or about April 15, 2007, Cao and Grosnickle were responsible for
9 disseminating a forged bank guarantee to TG Capital’s investors. On April 15,
10 2007, Cao emailed Grosnickle a cover letter and a purported bank guarantee and
11 asked her to print and distribute them to investors. The enclosed cover letter, also
12 dated April 15, 2007, appears to have been signed by Cao. It informed investors
13 that “[w]e are happy to say that we have processed a bank guarantee for a
14 transaction for our private investors involved in TG Capital, LLC. Attached, for
15 your reference, is a copy of the original bank guarantee. . .” The letter further
16 stated that Wells Fargo would not be facilitating the bank guarantee transaction,
17 but that “[d]ue to the changes in the original plan, the bank guarantee attached can
18 be submitted and cashed at any bank, not just Wells Fargo Bank. Therefore, being
19 dependent upon one bank is no longer a risk factor. All returns are still schedules
20 [sic] to take place as originally planned.”

21 23. Grosnickle forwarded both the April 15, 2007 letter and attached false
22 BNI guarantee by email to at least one investor on April 16, 2007.

23 24. BNI did not issue the bank guarantee attached to Cao’s April 15, 2007
24 letter to investors. Neither Grosnickle nor Cao met with any officials or employees
25 of BNI to obtain a BNI bank guarantee.

26 25. Cao knew, or was reckless in not knowing, that the BNI guarantee
27 was a forgery.

1 26. Grosnickle knew, or was reckless in not knowing, that the BNI
2 guarantee was a forgery.

3 **2. Defendants Falsely Represented TG Capital's Investments**
4 **Would Be Secured By Gold**

5 27. At different times, defendants also told investors that investments in
6 TG Capital are guaranteed by gold. The TG Capital PPM states that “[t]hese
7 preferred units offered hereby are guaranteed by the assets of the company, a bank
8 guarantee and 99.99% graded, certified gold held in reserve.” In addition, Cao and
9 Grosnickle have both orally represented that the TG Capital investments are
10 secured by gold.

11 28. Defendants knew, or were reckless in not knowing, that their
12 representations that TG Capital investments are secured by gold were false.

13 **C. Defendants Are Misusing and Misappropriating Investors' Funds**

14 29. Defendants have raised approximately \$3.8 million from the TG
15 Capital offering to date. They have not invested these funds in bank instruments as
16 promised. Instead, defendants used funds in the TG Capital bank account to send
17 \$1.78 million overseas as part of a \$2.5 million purported personal loan from Cao
18 to an individual.

19 30. Of the total \$2.5 million in investor funds purportedly “loaned” by
20 Cao on April 4, 2007, \$1.78 million was sent overseas to an account at an HSBC
21 branch in Hong Kong in the name of a third party who is not identified as the
22 borrower in the loan documentation. Cao attempted to transfer the remaining
23 \$720,000 to a domestic account in the borrower’s name; however, his attempt was
24 thwarted due to errors in the wiring instructions.

25 31. Cao and Grosnickle have represented that the forged BNI bank
26 guarantee secured the loan. TG Capital is not named in the loan documents, and
27 has no recourse against the borrower if he defaults. Cao signed the loan documents
28 as lender and Grosnickle signed them “in acknowledgement.” In Cao’s April 15,

1 2007 letter to all investors, the borrower on this loan is identified as TG Capital's
2 "international agent for service of process." The letter did not disclose that Cao
3 used investor funds to make a personal loan to this individual.

4 32. According to the PPM, the sole source of TG Capital's revenue is
5 income from investment opportunities in "banking instruments." Defendants'
6 private overseas "loan" of \$1.78 million on behalf of Cao to an individual does not
7 constitute a banking instrument. Moreover, even if the borrower repaid the note
8 according to its terms, and Cao in turn repaid TG Capital, this transaction would
9 not yield sufficient income to pay the rates of returns specified in the TG Capital
10 PPM. Cao is due only 20% interest on this loan, not 28% to 30% as promised to
11 investors.

12 33. Cao's April 4, 2007 loan transaction is a misappropriation of investor
13 funds because it is not an investment in a banking instrument as promised in the
14 TG Capital PPM, and TG Capital is not the lender identified in the loan
15 documents. Moreover, (1) the BNI guarantee that purportedly secures the loan is a
16 forgery; (2) Cao and Grosnickle never discussed the bank guarantee with any
17 employee of BNI before disseminating it to investors; (3) Cao sent \$1.78 million of
18 the "borrowed" amount to a different individual than the person identified in the
19 loan documents as the borrower; (3) the majority of the funds were transferred
20 overseas; and (5) Cao did not inform investors about this loan until several days
21 after the funds transfer (and misrepresented the nature of the transaction when he
22 did inform them).

23 **E. Defendants Knew, Or Were Reckless In Not Knowing, That**
24 **Their Representations Regarding TG Capital Were False**

25 34. As TG Capital's president, Cao was responsible for TG Capital's
26 operations and representations to investors. Cao explained TG Capital's business
27 to investors, gave them access to the PPM, and disseminated the forged BNI bank
28 guarantee. Cao forged the Wells Fargo Letter attached to the TG Capital PPM.

1 Cao misappropriated investor funds to make an unsecured personal loan to a third
2 party. Cao knew, or was reckless in not knowing, that investors were misled by
3 this fraudulent scheme, and that the promises of bank guarantees and investments
4 secured by gold, are baseless.

5 35. Grosnickle referred investors to TG Capital, and explained the
6 investment to potential investors. Grosnickle gave investors access to the TG
7 Capital PPM, and disseminated the purported BNI bank guarantee. Grosnickle
8 knew, or was reckless in not knowing, that investors are being misled by this
9 fraudulent scheme, and that the promises of bank guarantees and investments
10 secured by gold, are baseless.

11 36. TG Capital is a corporation controlled by Cao. Cao's knowledge, or
12 recklessness, is imputed to it.

13 **FIRST CLAIM FOR RELIEF**

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

15 **Violations of Section 17(a) of the Securities Act**

16 **(Against All Defendants)**

17 37. The Commission realleges and incorporates by reference paragraphs 1
18 through 36, above.

19 38. Defendants, and each of them, by engaging in the conduct described
20 above, directly or indirectly, in the offer or sale of securities by the use of means or
21 instruments of transportation or communication in interstate commerce or by the
22 use of the mails:

- 23 a. with scienter, employed devices, schemes or artifices to
24 defraud;
- 25 b. obtained money or property by means of untrue statements of
26 material fact or by omitting to state a material fact necessary in
27 order to make the statements made, in the light of the
28 circumstances under which they were made, not misleading; or

1 c. engaged in transactions, practices, or courses of business which
2 operated or would operate as a fraud or deceit upon the
3 purchaser.

4 39. By engaging in the conduct described above, each of the defendants
5 violated, and unless restrained and enjoined will continue to violate, Section 17(a)
6 of the Securities Act, 15 U.S.C. § 77q(a).

7 **SECOND CLAIM FOR RELIEF**
8 **FRAUD IN CONNECTION WITH THE**
9 **PURCHASE OR SALE OF SECURITIES**

10 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
11 **(Against All Defendants)**

12 40. The Commission realleges and incorporates by reference paragraphs 1
13 through 36, above.

14 41. Defendants, and each of them, by engaging in the conduct described
15 above, directly or indirectly, in connection with the purchase or sale of a security,
16 by the use of means or instrumentalities of interstate commerce, of the mails, or of
17 the facilities of a national securities exchange, with scienter:

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

25 42. By engaging in the conduct described above, each of the defendants
26 violated, and unless restrained and enjoined will continue to violate, Section 10(b)
27 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
28 240.10b-5.

THIRD CLAIM FOR RELIEF
FAILURE TO REGISTER AS A BROKER-DEALER

Violation of Section 15(a) of the Exchange Act

(Against Defendant Grosnickle)

43. The Commission realleges and incorporates by reference paragraphs 1 through 36, above.

44. Defendant Grosnickle, by engaging in the conduct described above, directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as a broker or dealer in accordance with Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

45. By engaging in the conduct described above, defendant Grosnickle violated, and unless restrained and enjoined will continue to violate, Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that the defendants committed the alleged violations.

II.

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

1 **III.**

2 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d),
3 temporarily, preliminarily and permanently enjoining defendant Grosnickle, and
4 her officers, agents, servants, employees, and attorneys, and those persons in active
5 concert or participation with any of them, who receive actual notice of the
6 judgment by personal service or otherwise, and each of them, from violating
7 Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

8 **IV.**

9 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
10 order and a preliminary injunction freezing the assets of each of the defendants,
11 directing the assets of each of the defendants to be repatriated to the United States,
12 prohibiting each of the defendants from destroying documents, expediting
13 discovery, and requiring accountings from each of the defendants.

14 **V.**

15 Order each defendant to disgorge all ill-gotten gains from their illegal
16 conduct, together with prejudgment interest thereon.

17 **VI.**

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

21 **VII.**

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

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VIII.

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

DATED: May 22 2007



Lynn M. Dean
Attorney for Plaintiff
Securities and Exchange Commission

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