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Los Angeles Superior Court

SEP 20 2012

John A. Clarke, Executive Officer/Clerk

By Shaunya Wesley, Deputy

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
9 FOR THE COUNTY OF LOS ANGELES

11 THE PEOPLE OF THE STATE OF )  
CALIFORNIA, by and through the California )  
12 Corporations Commissioner, )  
13 Plaintiff, )

14 vs. )

15 )  
16 PROTEGE FINANCIAL & INSURANCE )  
SERVICE, INC., aka PROTÉGÉ FINANCIAL )  
17 & INSURANCE SERVICES, INC., aka )  
PROTEGE FINANCIAL & INSURANCE )  
18 SERVICES, INC., doing business as SENIOR )  
19 RETIREMENT SPECIALISTS and TEACHER )  
RETIREMENT SPECIALISTS; SAXE- )  
20 COBURG INSURANCE SOLUTIONS, LLC; )  
21 SKYLINE PICTURES, LLC; NOT )  
FORGOTTEN, LLC; WINDSOR PICTURES, )  
22 LLC; MICHELLE KENEN SEWARD, as an )  
individual; DROR SOREF, as an individual; )  
23 SCOTT WALTER FOULK, as an individual; )  
24 and DOES 1 through 50, inclusive, )

25 Defendants. )  
26 )

CASE NO.: BC492536

COMPLAINT FOR PRELIMINARY  
INJUNCTION; PERMANENT INJUNCTION;  
CIVIL PENALTIES; AND ANCILLARY  
RELIEF

VIOLATIONS OF CORPORATIONS CODE  
SECTION 25110  
(UNQUALIFIED SALES OF SECURITIES)

VIOLATIONS OF CORPORATIONS CODE  
SECTION 25401  
(FRAUD IN CONNECTION WITH THE  
OFFER AND SALE OF SECURITIES)

VIOLATIONS OF CORPORATIONS CODE  
SECTION 25230  
(UNLICENSED INVESTMENT ADVISER)

27 Jan Lynn Owen, California Corporations Commissioner, acting to protect the public from the  
28 unlawful and fraudulent sales of securities and unlicensed investment advisers, brings this action in

1 the public interest in the name of the People of the State of California. The People of the State of  
2 California allege:

3 **JURISDICTION AND VENUE**

4 1. The California Corporations Commissioner (“Commissioner” or, alternatively,  
5 “Plaintiff”) brings this action to enjoin the Defendants from violating the Corporate Securities Law  
6 of 1968 (“Corporate Securities Law”) (Corp. Code, § 25000 et seq.) and to request necessary  
7 equitable and ancillary relief. The Commissioner is authorized to administer and enforce the  
8 provisions of the Corporate Securities Law and the regulations promulgated thereunder at California  
9 Code of Regulations, title 10, section 250 et seq.

10 2. The Commissioner brings this action pursuant to Corporations Code section 25530<sup>1</sup>  
11 and Government Code section 11180 et seq., in her capacity as head of the California Department of  
12 Corporations.

13 3. Defendants have transacted and continue to transact business within Los Angeles  
14 County and other counties of California. The violations of law described herein have occurred and  
15 will continue to occur within Los Angeles County and elsewhere within the State of California  
16 unless enjoined.

17 **DEFENDANTS**

18 4. Defendant Protege Financial & Insurance Service, Inc., aka, Protégé Financial &  
19 Insurance Services, Inc., aka Protege Financial & Insurance Services, Inc., is a California  
20 corporation with its principal place of business at 27240 Turnberry Lane, Suite 200, Valencia,  
21 California 91355 and/or 556 South Fair Oaks Avenue, Suite 360, Pasadena, California 91105.  
22 Protege Financial & Insurance Service, Inc., aka Protégé Financial & Insurance Services, Inc., aka  
23 Protege Financial & Insurance Services, Inc. is, and all times relevant hereto was, doing business as  
24 Senior Retirement Specialists and Teacher Retirement Specialists (hereinafter collectively “Protege  
25 Financial”).

26 5. Defendant Saxe-Coburg Insurance Solutions, LLC (“Saxe-Coburg”) is a California  
27

28 <sup>1</sup> All further statutory references are to the Corporations Code, unless otherwise noted.

1 limited liability company with its principal place of business at 556 South Fair Oaks Avenue, Suite  
2 360, Pasadena, California 91105.

3 6. Defendant Skyline Pictures, LLC (“Skyline Pictures”) is a California limited liability  
4 company with its principal place of business at 237 N. Windsor Boulevard, Los Angeles, California  
5 90004.

6 7. Defendant Not Forgotten, LLC (“Not Forgotten”) is a California limited liability  
7 company with its principal place of business at 237 N. Windsor Boulevard, Los Angeles, California  
8 90004.

9 8. Defendant Windsor Pictures, LLC (“Windsor Pictures”) is a California limited  
10 liability company with its principal place of business at 237 N. Windsor Boulevard, Los Angeles,  
11 California 90004.

12 9. Defendant Michelle Kenen Seward (“Seward”) is an individual and a resident of Los  
13 Angeles County, California. At all times relevant hereto, Seward conducted business in the county  
14 of Los Angeles and elsewhere in California, including in the following capacities: Seward was the  
15 chief executive officer, president, secretary, chief financial officer, director and registered agent of  
16 Protege Financial; chief executive officer, manager, and registered agent of Saxe-Coburg; executive  
17 producer and partner in Skyline Pictures; the manager of Not Forgotten; and the chief executive  
18 officer and executive producer of Windsor Pictures. Plaintiff is informed and believes, and thereon  
19 alleges that Seward, at all relevant times hereto, was also an undisclosed “control” person of both  
20 Not Forgotten and Windsor Pictures within the meaning of sections 160, subdivision (a), and 25403.  
21 Pursuant to section 160, subdivision (a), “‘control’ means the possession, direct or indirect, of the  
22 power to direct or cause the direction of the management and policies of a corporation.” Seward is a  
23 California Department of Insurance licensed insurance agent, license number 0B17932.

24 10. Defendant Dror Soref (“Soref”) is an individual and a resident of Los Angeles  
25 County, California. At all times relevant hereto, Soref conducted business in the county of Los  
26 Angeles and elsewhere in California, including in the following capacities: Soref was the chief  
27 executive officer of Skyline Pictures, Not Forgotten, and Windsor Pictures.

28 11. Defendant Scott Walter Foulk (“Foulk”) is an individual and resident of Kern County,

1 California. At all times relevant hereto, Foulk conducted business in the county of Los Angeles and  
2 elsewhere in California, in the following capacities: Foulk was a salesperson for Not Forgotten and  
3 Windsor Pictures and vice president of both Protege Financial and Saxe-Coburg. Foulk is a  
4 California Department of Insurance licensed insurance agent, license number 0B76433.

5 12. Defendants Does 1 through 24, inclusive, are persons, employees, agents, affiliates,  
6 affiliated persons, professional practitioners, and professional consultants of the Defendants, and the  
7 attorneys and others who participated with them, who have done, or will do acts otherwise alleged in  
8 the Complaint. The true names and capacities of Defendants Does 1 through 24, inclusive, are  
9 unknown to the Commissioner, who therefore sues said Defendants under such fictitious names,  
10 pursuant to the provisions of the Code of Civil Procedure section 474. The Commissioner asks leave  
11 of the Court to amend the Complaint and allege the true names and capacities of such Defendants at  
12 such time as the same have been ascertained.

13 13. Defendants Does 25 through 50, inclusive, are corporations, limited liability  
14 companies, partnerships, or other entities who have done or will do acts otherwise alleged in the  
15 Complaint. The true names and capacities of Defendants Does 25 through 50, inclusive, are  
16 unknown to the Commissioner, who therefore sues said Defendants under such fictitious names,  
17 pursuant to the provisions of the Code of Civil Procedure section 474. The Commissioner asks leave  
18 of the Court to amend the Complaint and allege the true names and capacities of such Defendants at  
19 such time as the same have been ascertained.

20 14. The Commissioner is informed and believes and based on such information and belief  
21 alleges that, at all times herein mentioned, the Defendants named as officers, directors, agents or  
22 employees, acted in such capacities in connection with the acts, practices and schemes of the  
23 business as set forth below.

24 15. Whenever any allegation is made in the Complaint to "Defendants" doing any act, the  
25 allegation shall mean the act of each Defendant acting individually, jointly, and severally and the  
26 conspiring of these Defendants to so act. Each Defendant alleged to have committed any act did so  
27 pursuant to and in furtherance of a common plan, scheme and conspiracy to violate the provisions of  
28 the Corporate Securities Law, and as an agent for the other Defendants.

1           16. Whenever any allegation is made in this Complaint to any of the corporate and/or  
2 limited liability company entity Defendants doing any act, the allegation shall mean acts done or  
3 authorized by the officers, managers, directors, members, agents, and employees of the business  
4 entity Defendants while actively engaged in the management, direction, or control of the affairs of  
5 the business entity Defendants, and while acting within the course and scope of their employment.

6           17. Plaintiff is informed and believes and based on such information and belief alleges  
7 that at all times herein mentioned, each and every Defendant directly or indirectly controlled other  
8 co-Defendants by knowingly inducing, or by knowingly providing substantial assistance to, other co-  
9 Defendants to violate the provisions of the Corporate Securities Law, as alleged in the Complaint  
10 within the meaning of section 25403.

11           18. At all times herein mentioned, each Defendant was the alter-ego, agent, servant,  
12 employee, employer, partner and/or joint venture of each of their co-Defendants, and, in doing the  
13 things herein alleged, was acting within the course and scope of such relationship, agency and/or  
14 employment with the advance knowledge, acquiescence or subsequent ratification of each and every  
15 remaining co-Defendant when engaged in the conduct herein alleged.

16           19. Further, at all times herein mentioned, Plaintiff is informed and believes and based on  
17 such information and belief alleges that Defendants control and dominate, and have controlled and  
18 dominated, Protege Financial, Saxe-Coburg, Skyline Pictures, Not Forgotten, and Windsor Pictures.  
19 Plaintiff is further informed and believes and based on such information and belief alleges that  
20 Defendants are, and at all times relevant herein were, the alter egos of Protege Financial, Saxe-  
21 Coburg, Skyline Pictures, Not Forgotten, and Windsor Pictures.

22           20. Plaintiff is informed and believes and based on such information and belief alleges  
23 that at all times herein mentioned there has been a unity of interest and ownership between  
24 Defendants such that any individuality and separateness between Defendants has ceased to exist.  
25 Plaintiff is also informed and believes and based on such information and belief alleges that at all  
26 times herein mentioned there was such a unity of interest between Defendants because Defendants  
27 have used and continue to use their control and domination of the Defendant entities to, inter alia:  
28 (a) commingle funds between Defendants; (b) divert funds and other assets from Defendants for the

1 personal use of Seward, Soref, and Foulk; (c) fail to maintain, or adequately maintain, minutes and  
2 other corporate records; (d) fail to maintain corporate legal formalities; (e) avoid liability for their  
3 management and control of the Defendant entities; (f) use Defendants as mere “shells” and “shams”  
4 for the purposes of systematically and unjustly enriching themselves at the expense of the investors;  
5 and (g) commit violations of the Corporate Securities Law and other wrongful acts against the  
6 investors.

### 7 **STATEMENT OF FACTS**

8 21. Seward formed and operated Protege Financial from at least April 2004 to the  
9 present. Foulk is or was Protege Financial’s vice president. Protege Financial is or was purportedly  
10 “one of the largest senior planning companies in the nation and they [sic] advise seniors across the  
11 country.” Protege Financial is an insurance broker licensed by the California Department of  
12 Insurance, license number 0F56545.

13 22. Seward formed and operated Saxe-Coburg from at least August 2009 to the present.  
14 Foulk is or was Saxe-Coburg’s vice president. Saxe-Coburg, according to its website, is or was “a  
15 boutique insurance agency with over 18 years experience and was built with the sole purpose of  
16 helping our clients meet their sophisticated insurance and financial needs. By providing high quality  
17 financial services, truly educating and caring for our clients we can set up their financial future.”  
18 Saxe-Coburg is an insurance broker licensed by the California Department of Insurance, license  
19 number 0G87184.

20 23. Soref formed and operated Skyline Pictures in conjunction with Seward from at least  
21 August 2003 to the present.

22 24. Skyline Pictures is or was Not Forgotten’s and Windsor Pictures’s “producing  
23 partner.” According to its promotional materials, Skyline Pictures’ “business model employs proven  
24 financing and distribution strategies designed to minimize monetary risk while increasing upside  
25 profit potential.”

26 25. Soref formed and operated Not Forgotten in conjunction with Seward from at least  
27 September 2006 to the present.

28 26. Not Forgotten raised capital from investors to fund the production of an independent

1 motion picture entitled “Not Forgotten,” starring Simon Baker and Paz Vega. Soref purportedly  
2 produced, wrote, and directed “Not Forgotten.” “Not Forgotten” is described in its promotional  
3 materials as a “classic psychological thriller about a man and his wife who must come to terms with  
4 their tortured past in order to save their kidnapped daughter.”

5 27. According to a letter Protege Financial sent to investors dated on or about September  
6 8, 2011, “Not Forgotten” failed to generate any revenue.

7 28. Soref formed and operated Windsor Pictures in conjunction with Seward from at least  
8 June 2009 to the present.

9 29. Windsor Pictures is or was “a subsidiary and a film fund of Skyline Pictures designed  
10 to produce highly successful, award winning motion pictures for the worldwide markets, at a price.”

11 30. Since in or about at least November 2006, and continuing thereafter, Defendants,  
12 their agents, representatives and affiliates have engaged in and continue to engage in business in the  
13 State of California in violation of the Corporate Securities Law. These violations consist of offering  
14 and selling unqualified, non-exempt securities to members of the public by means of fraud, and  
15 conducting unlicensed investment adviser activities.

16 31. Beginning in or about at least November 2006, and continuing thereafter, Defendants  
17 offered and sold unqualified, non-exempt securities in this State in the form of Not Forgotten  
18 “operating” agreements; Windsor Pictures “bridge” loans, “promissory” notes, “Class A  
19 Membership” interests, and “convertible” debentures; Protege Financial “bridge” loans and  
20 “promissory” notes; and Saxe-Coburg “promissory” notes in issuer transactions by means of fraud,  
21 totaling in excess of \$23.2 million in approximately 215 transactions to known investors.

22 32. Defendants specifically targeted unsophisticated senior investors when offering and  
23 selling the above-described securities. In many instances investors entrusted their entire life savings  
24 to the Defendants with the hopes of earning substantial returns to protect them during their golden  
25 years, and to cover necessary expenses such as food, housing, and medical care.

26 33. Defendants promised investors high rates of return on the above-described securities,  
27 ranging from at least 8 to 16 percent per annum. Defendants told investors that they could either opt  
28 to “accrue” monthly interest on their investment funds or receive regular monthly interest payments

1 or “preferred” returns.

2 34. Those investors who opted to accrue periodic interest on their investments received  
3 statements of “interest paid on loan” setting forth the purported amount of interest earned and the  
4 total value of their investment, including the investment principal.

5 35. In or about August 2011, Defendants abruptly stopped paying investors their regular  
6 monthly interest payments or preferred returns.

7 36. Many investors now face significant financial hardship, including an inability to pay  
8 for basic necessities such as housing and medical care. In some instances, investors are left wholly  
9 dependent upon their Social Security benefits to cover day-to-day expenses.

10 37. At no time herein were any of the Defendants licensed by the Commissioner as  
11 investor advisers to conduct business as an investment adviser in this state, nor were any of the  
12 Defendants exempt from the licensing requirements set forth in the Corporate Securities Law.

13 38. In offering and selling these securities, Defendants represented to potential and actual  
14 investors that the money raised by the sale of securities would be used to finance and produce  
15 various entertainment projects, including the development and production of independent motion  
16 pictures, such as “Not Forgotten” and a staged musical, “Twist! An American Musical.” However,  
17 Defendants instead engaged in a classic Ponzi scheme whereby previous investors were repaid their  
18 investment principal using newer investors’ funds.

19 **Unlicensed Investment Adviser Activities - Protege Financial and Seward “Senior**  
20 **Investment” Seminars**

21 39. In order to sell the operating agreements, bridge loans, promissory notes, Class A  
22 Membership interests, and convertible debentures, Defendants solicited investors by means of  
23 informational seminars and by distributing promotional and offering materials and other  
24 communications through the mail and in person without the offerings having being qualified in the  
25 State of California.

26 40. For example, Protege Financial and Seward distributed invitations to a free seminar at  
27 The Hyatt Valencia hotel in Valencia, California on January 31, 2008 (the “Seminar” or  
28 “Seminars”). The invitation states:



1 Senior Financial Seminar

2 Please be our guest and join us for the most enjoyable and informative  
3 Senior Financial Seminar you will ever attend!

4 Presented by *Michelle Seward*, 'Voted one of the TOP EIGHT  
5 business women in Santa Clarita' by Elite Magazine.

6 *Get fully informed on the most up-to-date information regarding these  
7 vital issues that affect seniors:*

- 8 • How do I protect my assets from a nursing home?
- 9 • How can I lower my income taxes?
- 10 • How can I make higher interest on my investments?
- 11 • Your IRA could be at risk . . . find out why! (emphasis in original).

12 The Seminar included a "FREE Dinner for Two" at the Hyatt hotel and required a reservation, as  
13 seating was "[l]imited." See Exhibit A, incorporated herein by reference.

14 41. At the Seminars, actual and potential investors were provided with informational  
15 materials, including a two-page copy of an article concerning Seward that appeared in Elite  
16 Magazine entitled, "Business Woman Extraordinaire," a one-page biography about Seward entitled,  
17 "Senior Retirement Specialists," a one-page interview with Seward that appeared in WOW  
18 Magazine, Seward's Protege Financial business card with a "CSA" (certified senior adviser)  
19 designation appearing next to her name, and a Protege Financial worksheet entitled "Discover The  
20 Five Evils of Financial Destruction Which Confronts Every Senior!". See Exhibit B, incorporated  
21 herein by reference.

22 42. Seward gave a presentation at the Seminar on January 31, 2008. During her  
23 presentation, Seward discussed her investment knowledge and experience, and provided general  
24 investment advice. For instance, Seward stated that she was tired of seeing seniors being taken  
25 advantage of by the financial industry. She further stated that she had experience in advising  
26 seniors, that actual and potential investors could invest with her and earn greater returns than they  
27 were presently earning, and that there was no chance of investors losing any money.

28 43. After Seward's presentation, actual and potential investors were given appointments  
to meet with Seward at Protege Financial's offices for a private financial consultation. Seward also  
agreed to meet with investors at their homes for private one-on-one financial consultations.

44. During Seward's consultations with actual and potential investors, Seward requested

1 copies of the investor's financial information, including any and all insurance policies, annuities,  
2 IRA account statements, retirement account statements, and stock and bond portfolios/statements,  
3 and the approximate value of the investor's home. In some instances, Seward would make copies of  
4 the investor's financial documents and then return the documents, at a second meeting, along with  
5 graphs and/or charts depicting how the investor's other investments were underperforming.  
6 Seward would then tell the investor how he or she could invest with her to improve the investment  
7 portfolio's performance.

8 45. During these financial consultations Protege Financial and Seward advised actual  
9 and potential investors as to the advisability of investing in, purchasing or selling securities,  
10 including without limitation operating agreements, bridge loans, promissory notes, Class A  
11 Membership interests, and convertible debentures.

12 46. Defendants offered and sold operating agreements, bridge loans, promissory notes,  
13 Class A Membership interests, and convertible debentures through these financial consultations, as  
14 well as through other means.

#### 15 **Not Forgotten Offering**

16 47. Beginning in or about at least November 2006, Seward and Foulk offered and sold  
17 securities to investors in the form of Not Forgotten operating agreements. From at least November  
18 2006 to at least March 2010, at least \$10.4 million worth of Not Forgotten operating agreements  
19 were sold in this State in approximately 91 transactions.

20 48. Not Forgotten diverted and commingled investor funds. According to its banking  
21 records, of the total \$15.7 million deposited in Not Forgotten's bank accounts, Not Forgotten paid at  
22 least 28.35 percent or \$4.4 million to investors; it transferred at least 22.21 percent or \$3.4 million to  
23 its other bank accounts; it transferred at least 8.31 percent or \$1.3 million to Protege Financial; it  
24 paid Seward at least 5.48 percent or \$862,000; and Not Forgotten transferred at least 3.79 percent or  
25 \$597,000 to Windsor Pictures.

#### 26 **Windsor Pictures Offering**

27 49. Beginning in or about at least June 2009, Seward and Foulk offered and sold  
28 securities to investors in the form of Windsor Pictures bridge loans, promissory notes, Class A

1 Membership interests, and convertible debentures. From at least June 2009 through to at least  
2 September 2011, at least \$9.4 million worth of Windsor Pictures bridge loans, promissory notes,  
3 Class A Membership interests, and convertible debentures were sold in this State in approximately  
4 96 transactions.

5 50. Windsor Pictures diverted and commingled investor funds. According to its banking  
6 records, of the total \$10.8 million deposited into Windsor Pictures' bank accounts, Windsor Pictures  
7 transferred at least 23.93 percent or \$2.5 million to Protege Financial; it transferred at least 23.47  
8 percent or \$2.5 million to Not Forgotten; it paid at least 11.01 percent or \$1.1 million to investors; it  
9 paid at least 9.08 percent or \$982,000 thousand dollars to Skyline Pictures; it paid at least 5.54  
10 percent or \$600,000 to the Pasadena Playhouse; and Windsor Pictures paid at least 3.82 percent or  
11 \$400,000 to The Kirstie Alley Family Trust.

12 **Protege Financial Offering**

13 51. Beginning in or about at least March 2008, Seward offered and sold securities to  
14 investors in the form of Protege Financial bridge loans and promissory notes. From at least October  
15 2008 through to at least November 2010, at least \$1.75 million worth of Protege Financial bridge  
16 loans and promissory notes were sold in this State in approximately 18 transactions.

17 **Saxe-Coburg Offering**

18 52. Beginning in or about at least November 2009, Seward offered and sold securities to  
19 investors in the form of Saxe-Coburg promissory notes. From at least November 2009 through to at  
20 least August 2011, at least \$1.375 million worth of Saxe-Coburg promissory notes were sold in this  
21 State in approximately 9 transactions.

22 **Misrepresentations/Omissions of Material Fact – Not Forgotten Offering**

23 53. Defendants made numerous material misrepresentations and/or omitted to disclose  
24 material facts concerning the Not Forgotten offering, including but not limited to:

25 A. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
26 to investors that their investment funds would be used to finance, produce, distribute, and market  
27 "Not Forgotten," when in fact investor monies were used to pay prior investors in a Ponzi scheme.

28 B. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented

1 to investors that the interest payments or preferred returns would be made with the money generated  
2 from profits, when in fact payments were made with money invested by new investors in a Ponzi  
3 scheme.

4 C. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
5 that investors' investment principal would accrue interest.

6 D. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
7 that investors would receive regular monthly interest payments or preferred returns.

8 E. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
9 that investors would receive a return of their investment principal at the end of the investment term.

10 F. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk failed to  
11 disclose to investors the fact that Not Forgotten paid its sales agents commissions of at least  
12 \$825,000 or approximately 8 percent of the \$10.4 million in investor funds Not Forgotten raised.  
13 Seward received the bulk of the sales commissions totaling at least \$680,000 or 84 percent of the  
14 commissions paid by Not Forgotten to its sales agents.

15 G. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk omitted to  
16 inform investors of the risks associated with the investment in Not Forgotten, despite the highly  
17 speculative nature of the investment.

18 H. Defendant Seward told investors that Not Forgotten was a "good investment" and that  
19 they should "not worry" as their investment in Not Forgotten carried "no risk."

20 I. Defendant Seward also told investors that they would "not lose money" and that she  
21 would "personally guarantee" that they would "get paid back" their investment funds in Not  
22 Forgotten.

23 J. Defendant Seward told investors that their investment in Not Forgotten was  
24 "guaranteed."

25 K. Defendant Seward told investors that she lived in a "million dollar" home and that  
26 Seward would "sell" her house before investors would "lose any money" in Not Forgotten.

27 L. Defendants Seward and Soref misrepresented to investors the fact that the Not  
28 Forgotten investment was not a Ponzi scheme. For example, one investor questioned Seward as to

1 whether or not the Not Forgotten offering was a Ponzi scheme, as he thought the offering sounded  
2 “too good to be true.” Seward assured the investor that the Not Forgotten offering was “not a Ponzi  
3 scheme.” She then proceeded to call defendant Soref on the telephone. Once Soref answered,  
4 Seward placed Soref on speakerphone and asked Soref whether Not Forgotten was a Ponzi scheme.  
5 He responded “No. Absolutely not.” Soref further told the investor that it was a “good investment.”

6 **Misrepresentations/Omissions of Material Fact – Windsor Pictures Offering**

7 54. Defendants made numerous material misrepresentations and/or omitted to disclose  
8 material facts concerning the Windsor Pictures offering, including but not limited to:

9 A. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
10 misrepresented to investors that the investment money would be used to expand current businesses  
11 and develop motion picture and entertainment projects, when in fact, the money was used to pay  
12 prior investors in a Ponzi scheme.

13 B. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
14 misrepresented to investors that the interest payments would be made with the money generated  
15 from profits, when in fact, payments were made with money invested by new investors in a Ponzi  
16 scheme.

17 C. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
18 misrepresented that investors’ investment principal would accrue interest.

19 D. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
20 misrepresented that investors would receive regular monthly interest payments.

21 E. Defendants Skyline Pictures, Windsor, Seward, Soref, and Foulk misrepresented that  
22 investors would receive a return of their investment principal at the end of the investment term.

23 F. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk failed to  
24 disclose to investors the fact that Windsor Pictures paid its sales agents commissions of at least \$1  
25 million dollars or approximately 10 percent of the approximately \$9.75 million in investor funds  
26 Windsor Pictures raised.

27 G. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk omitted to  
28 inform investors of the risks associated with the investment in Windsor Pictures, despite the highly

1 speculative nature of the investment.

2 H. Defendants Seward and Foulk told investors that their investment in Windsor Pictures  
3 would be “secure” and that it was a “secure investment.”

4 I. Defendant Foulk told investors that their investment in Windsor Pictures was  
5 “bonded and insured” between “\$40 and \$50 million” and that the investors were protected from  
6 “loss” should something happen to Windsor Pictures.

7 J. Defendant Foulk told investors that their investment in Windsor Pictures was “safer  
8 than a bank.”

9 **Misrepresentations/Omissions of Material Fact – Protege Financial Offering**

10 55. Defendants made numerous material misrepresentations and/or omitted to disclose  
11 material facts concerning the Protege Financial offering, including but not limited to:

12 A. Defendants Protege Financial and Seward misrepresented that investors’ investment  
13 principal would accrue interest.

14 B. Defendants Protege Financial and Seward misrepresented that investors would  
15 receive regular monthly interest payments.

16 C. Defendants Protege Financial and Seward misrepresented that investors would  
17 receive a return of their investment principal at the end of the investment term.

18 D. Defendants Protege Financial and Seward omitted to inform investors of the risks  
19 associated with the investment in Protege Financial, despite the highly speculative nature of the  
20 investment.

21 E. Defendant Seward told investors that their investment in Protege Financial was a  
22 “rock solid” investment.

23 F. Defendant Seward told an investor that his investment in Protege Financial was  
24 “safe” when he asked Seward if the investment was a “Bernie Madoff type deal.”

25 **Misrepresentations/Omissions of Material Fact – Saxe-Coburg Offering**

26 56. Defendants made numerous material misrepresentations and/or omitted to disclose  
27 material facts concerning the Saxe-Coburg offering, including but not limited to:

28 A. Defendants Saxe-Coburg and Seward misrepresented that investors’ investment

1 principal would accrue interest.

2 B. Defendants Saxe-Coburg and Seward misrepresented that investors would receive  
3 regular monthly interest payments.

4 C. Defendants Saxe-Coburg and Seward misrepresented that investors would receive a  
5 return of their investment principal at the end of the investment term.

6 D. Defendants Saxe-Coburg and Seward omitted to inform investors of the risks  
7 associated with the investment in Saxe-Coburg, despite the highly speculative nature of the  
8 investment.

9 **FIRST CAUSE OF ACTION**

10 **OFFER AND SALE OF UNQUALIFIED, NON-EXEMPT SECURITIES**  
11 **IN VIOLATION OF SECTION 25110**  
12 **(ALL DEFENDANTS and DOES 1-50)**

13 57. Plaintiff realleges and incorporates by reference paragraphs 1. through 56. of this  
14 Complaint as though set forth in full herein.

15 58. Section 25110 provides in pertinent part:

16 It is unlawful for any person to offer or sell in this state any security in  
17 an issuer transaction . . . unless such sale has been qualified under  
18 Section 25111, 25112 or 25113 . . . or unless such security or  
19 transaction is exempted or not subject to qualification under Chapter 1  
(commencing with section 25100) of this part.

20 59. Commencing in or about November 2006, Defendants offered and sold operating  
21 agreements, bridge loans, promissory notes, Class A Membership interests, and convertible  
22 debentures in approximately 215 known transactions in the State of California, totaling at least \$23.2  
23 million.

24 60. The operating agreements, bridge loans, promissory notes, Class A Membership  
25 interests, and convertible debentures sold by Defendants constitute “securities” under section 25019,  
26 which states that:

27 “Security” means any note; stock; treasury stock; membership in an  
28 incorporated or unincorporated association; bond; debenture;  
evidence of indebtedness . . . investment contract . . . interest in a

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limited liability company . . .

61. The operating agreements, bridge loans, promissory notes, Class A Membership interests, and convertible debentures were issued by Not Forgotten, Windsor Pictures, Protege Financial, and Saxe-Coburg, and the sale of the operating agreements, bridge loans, promissory notes, Class A Membership interests, and convertible debentures constitute “issuer transactions” within the meaning of sections 25010 and 25011.

62. The Not Forgotten “operating” agreements offered and sold by Defendants set forth the rate of return or preferred return members were to receive under the agreement, varying from at least 10 to 15 percent per annum, and the amount of capital contributed by the investor.

63. The Windsor Pictures “bridge” loans offered and sold by Defendants promised interest payments of at least 8 to 15 percent per annum, for terms of between 6 months to at least 3 years. The loans state on their face, among other details, the principal sum invested, the date the investment was made, the rate of interest to be paid on the loan, the maturity date of the loan, and that Protege Financial would act as the guarantor of the principal investment and interest.

64. The Windsor Pictures “convertible” debentures offered and sold by Defendants were issued pursuant to a “Debenture Subscription Agreement” setting forth the terms and conditions of the offering.

65. The Windsor Pictures “Class A Membership” interests offered and sold by Defendants were issued pursuant to a “Class A Membership Interest Subscription Agreement” setting forth the terms and conditions of the offering.

66. The Windsor Pictures “promissory” notes offered and sold by Defendants promised interest payments of at least 10 to 12 percent per annum, for terms of between at least 3 and 5 years. The notes state on their face, among other details, the principal sum invested, the date the investment was made, the rate of interest to be paid on the note, the maturity date of the note, and that Saxe-Coburg would act as the guarantor of the note.

67. The Protege Financial “bridge” loans offered and sold by Defendants promised interest payments of at least 10 to 12 percent per annum, for terms of between 6 months to at least 5



1 years. The loans state on their face, among other details, the principal sum invested, the date the  
2 investment was made, the interest rate to be paid on the loan, the maturity date, and that Protege  
3 Financial and Seward would act as the guarantors of the principal and interest on the loan.

4 68. The Protege Financial “promissory” notes offered and sold by Defendants promised  
5 interest payments of at least 8 to 15 percent per annum, for terms of between 6 months to at least 3  
6 years. The notes state on their face, among other details, the principal sum invested, the date the  
7 investment was made, the interest rate to be paid on the note, and the maturity date of the note.

8 69. The Saxe-Coburg “promissory” notes offered and sold by Defendants promised  
9 interest payments of at least 10 to 16 percent per annum, for terms of between at least 1 to 3 years.  
10 The notes state on their face, among other details, the principal sum invested, the date the investment  
11 was made, the rate of interest to be paid on the note, and the maturity date of the note, and that Saxe-  
12 Coburg and Seward would act as the guarantors of the note.

13 70. The Defendants “offered and sold” these securities “within the State” of California  
14 within the meaning of sections 25008 and 25017.

15 71. The Commissioner has not issued a permit or other form of qualification authorizing  
16 the Defendants to offer and sell the securities in the State of California.

17 72. The offer and sale of these securities are not exempt from the requirement of  
18 qualification under section 25110.

19 73. Defendants offered and sold unqualified, non-exempt securities in violation of section  
20 25110 and, unless enjoined by this Court, will continue to violate section 25110.

21 **SECOND CAUSE OF ACTION**

22 **MISREPRESENTATION OR OMISSION OF MATERIAL FACTS IN VIOLATION OF**  
23 **SECTION 25401**  
24 **(ALL DEFENDANTS and DOES 1-50)**

25 74. The Commissioner realleges and incorporates by reference paragraphs 1. through 73.  
26 of this Complaint as thought set forth in full herein.

27 75. Section 25401 provides as follows:

28 ///

1 It is unlawful for any person to offer or sell a security in this state or  
2 buy or offer to buy a security in this state by means of any written or  
3 oral communication which includes an untrue statement of material  
4 fact or omits to state a material fact necessary in order to make the  
5 statements made, in the light of the circumstances under which they  
6 were made, not misleading.

7 76. In offering and selling securities in this State, Defendants made untrue statements  
8 and/or misrepresentations of material facts to some or all prospective or existing investors. The  
9 misrepresentations included, without limitation, the following:

10 A. **Misrepresentations/Omissions of Material Fact – Not Forgotten Offering**

11 i. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
12 to investors that their investment funds would be used to finance, produce, distribute, and market  
13 “Not Forgotten,” when in fact investor monies were used to pay prior investors in a Ponzi scheme.

14 ii. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
15 to investors that the interest payments or preferred returns would be made with the money generated  
16 from profits, when in fact payments were made with money invested by new investors in a Ponzi  
17 scheme.

18 iii. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
19 that investors’ investment principal would accrue interest.

20 iv. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
21 that investors would receive regular monthly interest payments or preferred returns.

22 v. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk misrepresented  
23 that investors would receive a return of their investment principal at the end of the investment term.

24 vi. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk failed to  
25 disclose to investors the fact that Not Forgotten paid its sales agents commissions of at least  
26 \$825,000 or approximately 8 percent of the \$10.4 million in investor funds Not Forgotten raised.  
27 Seward received the bulk of these sales commissions, totaling at least \$680,000 or 84 percent of the  
28 commissions paid by Not Forgotten to its sales agents.

vii. Defendants Skyline Pictures, Not Forgotten, Seward, Soref, and Foulk omitted to

1 inform investors of the risks associated with the investment in Not Forgotten, despite the highly  
2 speculative nature of the investment.

3       viii. Defendant Seward told investors that Not Forgotten was a “good investment” and that  
4 they should “not worry” as their investment in Not Forgotten carried “no risk.”

5       ix. Defendant Seward told investors that they would “not lose money” and that she  
6 would “personally guarantee” that they would “get paid back” their investment funds in Not  
7 Forgotten.

8       x. Defendant Seward told investors that their investment in Not Forgotten was  
9 “guaranteed.”

10       xi. Defendant Seward told investors that she lived in a “million dollar home” and that she  
11 would “sell” her house before investors “lose any money” in Not Forgotten.

12       xii. Defendants Seward and Soref misrepresented to investors the fact that the Not  
13 Forgotten investment was not a Ponzi scheme. For example, one investor questioned Seward as to  
14 whether or not the Not Forgotten offering was a Ponzi scheme, as he thought the offering sounded  
15 “too good to be true.” Seward assured the investor that the Not Forgotten offering was “not a Ponzi  
16 scheme.” She then proceeded to call defendant Soref on the telephone. Once Soref answered,  
17 Seward placed Soref on speakerphone and asked Soref whether Not Forgotten was a Ponzi scheme.  
18 He responded “No. Absolutely not.” Soref further told the investor that it was a “good investment.”

19       B. **Misrepresentations/Omissions of Material Fact – Windsor Pictures Offering**

20       i. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
21 misrepresented to investors that the investment money would be used to expand current businesses  
22 and develop motion picture and entertainment projects, when in fact, the money was used to pay  
23 prior investors in a Ponzi scheme.

24       ii. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
25 misrepresented to investors that the interest payments would be made with the money generated  
26 from profits, when in fact, payments were made with money invested by new investors in a Ponzi  
27 scheme.

28       iii. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk

1 misrepresented that investors' investment principal would accrue interest.

2 iv. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk  
3 misrepresented that investors would receive regular monthly interest payments.

4 v. Defendants Skyline Pictures, Windsor, Seward, Soref, and Foulk misrepresented that  
5 investors would receive a return of their investment principal at the end of the investment term.

6 vi. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk failed to  
7 disclose to investors the fact that Windsor Pictures paid its sales agents commissions of at least \$1  
8 million or approximately 10 percent of the approximately \$9.75 million in investor funds Windsor  
9 Pictures raised.

10 vii. Defendants Skyline Pictures, Windsor Pictures, Seward, Soref, and Foulk omitted to  
11 inform investors of the risks associated with the investment in Windsor Pictures, despite the highly  
12 speculative nature of the investment.

13 viii. Defendants Seward and Foulk told investors that their investment in Windsor Pictures  
14 would be "secure" and that it was a "secure investment."

15 ix. Defendant Foulk told investors that their investment in Windsor Pictures was  
16 "bonded and insured" between "\$40 and \$50 million" and that the investors were protected from  
17 "loss" should something happen to Windsor Pictures.

18 x. Defendant Foulk told investors that their investment in Windsor Pictures was "safer  
19 than a bank."

20 C. **Misrepresentations/Omissions of Material Fact – Protege Financial Offering**

21 i. Defendants Protege Financial and Seward misrepresented that investors' investment  
22 principal would accrue interest.

23 ii. Defendants Protege Financial and Seward misrepresented that investors would  
24 receive regular monthly interest payments.

25 iii. Defendants Protege Financial and Seward misrepresented that investors would  
26 receive a return of their investment principal at the end of the investment term.

27 iv. Defendants Protege Financial and Seward omitted to inform investors of the risks  
28 associated with the investment in Protege Financial, despite the highly speculative nature of the

1 investment.

2 v. Defendant Seward told investors that their investment in Protege Financial was a  
3 “rock solid” investment.

4 vi. Defendant Seward told an investor that his investment in Protege Financial was  
5 “safe” when he asked Seward if the investment was a “Bernie Madoff type deal.”

6 D. **Misrepresentations/Omissions of Material Fact – Saxe-Coburg Offering**

7 i. Defendants Saxe-Coburg and Seward misrepresented that investors’ investment  
8 principal would accrue interest.

9 ii. Defendants Saxe-Coburg and Seward misrepresented that investors would receive  
10 regular monthly interest payments.

11 iii. Defendants Saxe-Coburg and Seward misrepresented that investors would receive a  
12 return of their investment principal at the end of the investment term.

13 iv. Defendants Saxe-Coburg and Seward omitted to inform investors of the risks  
14 associated with the investment in Saxe-Coburg, despite the highly speculative nature of the  
15 investment.

16 77. The misstatements and omissions referred to herein were of “material facts” within  
17 the meaning of section 25401.

18 78. Defendants made untrue statements and/or omitted to disclose materials facts in  
19 connection with the offer and sale of securities in violation of section 25401.

20 79. Unless enjoined by this Court, Defendants will continue to violate section 25401.

21 **THIRD CAUSE OF ACTION**

22 **UNLICENSED INVESTMENT ADVISER ACTIVITY IN VIOLATION OF SECTION 25230**  
23 **(DEFENDANTS PROTEGE FINANCIAL and SEWARD and DOES 1-50)**

24 80. The Commissioner realleges and incorporates by reference paragraphs 1. through 79.  
25 of this Complaint as though set in full herein.

26 81. Section 25230, subdivision (a) provides in pertinent part:

27 It is unlawful for any investment adviser to conduct business as an  
28 investment adviser in this state unless the investment adviser has first

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applied for and secured from the commissioner a certificate, then in effect, authorizing the investment adviser to do so or unless the investment adviser is exempted by the provisions of Chapter 1 (commencing with Section 25200) of this part or unless the investment adviser is subject to Section 25230.1.

82. Section 25009 defines investment adviser as “any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities . . .”

83. Since in or about at least November 2006, and continuing thereafter, Protege Financial and Seward have engaged in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities.

84. Protege Financial and Seward gave such advice through informational and promotional brochures and through direct communications, including the investment Seminars described above.

85. As detailed in the Statement of Facts, Protege Financial and Seward conducted “free” Seminars entitled “Senior Financial Seminar” held at The Hyatt Valencia hotel in Valencia, California on January 31, 2008, among other dates. As stated in the invitation, during the Seminars Protege Financial and Seward would inform investors on “How can [they could] make higher interest on [their] investments . . .” Exhibit A, incorporated herein by reference.

86. At the Seminars, actual and potential investors were provided with informational materials, including a two-page copy of an article concerning Seward that appeared in Elite Magazine entitled, “Business Woman Extraordinaire,” a one-page biography about Seward entitled, “Senior Retirement Specialists,” a one-page interview with Seward that appeared in WOW Magazine, Seward’s Protege Financial business card with a “CSA” (certified senior adviser) designation appearing next to her name, and a Protege Financial worksheet entitled “Discover The Five Evils of Financial Destruction Which Confronts Every Senior!”. See Exhibit B, incorporated herein by reference.

///



1 defendants Protege Financial, Saxe-Coburg, Skyline Pictures, Not Forgotten, Windsor Pictures,  
2 Seward, Soref, Foulk, and such Does as may subsequently be named, and each of them, their  
3 officers, directors, successors in interest, agents, employees, attorneys in fact, and all persons acting  
4 in concert or participating with them, or any of them, from directly or indirectly:

5       A.     Violating section 25110, by offering to sell, selling, arranging for the sale of, issuing,  
6 engaging in the business of selling, negotiating for the sale of, or otherwise in any way dealing or  
7 participating in the offer or sale of, any security of any kind, including but not limited to the  
8 securities described in this Complaint, unless such security or transaction is qualified or exempted or  
9 not subject to qualification;

10       B.     Violating section 25401 by offering to sell or selling any security of any kind,  
11 including but not limited to, the securities described in this Complaint, by means of any written or  
12 oral communication which includes any untrue statement of material fact or omits or fails to state  
13 any material fact necessary in order to make the statements made, in the light of the circumstances  
14 under which they are made, not misleading, including but not limited to the misrepresentations and  
15 omissions alleged in this Complaint;

16       C.     Violating section 25230 by conducting business as an investment adviser in this State  
17 unless first applying for and securing from the commissioner a certificate, then in effect, authorizing  
18 Defendants to act in that capacity.

19       D.     Removing, destroying, mutilating, concealing, altering, transferring, or otherwise  
20 disposing of, in any manner, any books, records, computer programs, computer files, computer  
21 printouts, correspondence, brochures, manuals, or any other “writings” or “documents” of any kind  
22 as defined under Evidence Code section 250, relating to the transactions and course of conduct as  
23 alleged in the Complaint in this action, unless authorized by this Court;

24       E.     Transferring, changing, disbursing, selling, dissipating, converting, pledging,  
25 assigning, foreclosing, or otherwise disposing of any real property or personal property in their  
26 possession or under their control, or in the possession of, or under the control of, any of the  
27 Defendants, which property or other assets were derived or emanated from directly, or indirectly, the  
28 sale and issuance of securities as alleged in this Complaint, without leave of Court; and



1 F. Withdrawing, transferring, changing, disbursing, dissipating, converting, pledging, or  
2 assigning any funds or other assets which were derived or emanated, directly or indirectly, from the  
3 offer or sale of securities as alleged in this Complaint, from any accounts at any bank, savings and  
4 loan association, broker-dealer or any other financial institution in the name of any of the  
5 Defendants, or controlled by any of the Defendants, without leave of the Court.

6 **II. RESTITUTION**

7 1. For a Final Judgment requiring defendants Protege Financial, Saxe-Coburg, Skyline  
8 Pictures, Not Forgotten, Windsor Pictures, Seward, Soref, and Foulk, and such Does as may be  
9 subsequently named, and each of them, individually, jointly and severally, to rescind each and all of  
10 the unlawful transactions alleged in this Complaint, as shall be determined by this Court to have  
11 occurred, and further requiring all Defendants and such Does as may be subsequently named, and  
12 each of them, individually, jointly and severally, to pay full restitution to each person determined to  
13 have been subject to the Defendants' acts or practices which constitute violations of the Corporate  
14 Securities Law, in the amount of at least \$23.2 million, or according to proof. In addition, to pay  
15 either the contracted rate of interest or the legal rate of interest in the amounts invested by the  
16 investors from the dates of their investments to the date of judgment herein.

17 2. For a Final Judgment requiring defendants Protege Financial, Saxe-Coburg, Skyline  
18 Pictures, Not Forgotten, Windsor Pictures, Seward, Soref, and Foulk and such Does as may be  
19 subsequently named, and each of them, individually, jointly and severally, to disgorge to all known  
20 investors all benefits received, including but not limited to, salaries, commissions, fees, profits and  
21 any other remuneration, derived directly or indirectly, from the actions or practices which constitute  
22 violations of the Corporate Securities Law.

23 **III. CIVIL PENALTIES**

24 For a Final Judgment requiring defendants Protege Financial, Saxe-Coburg, Skyline Pictures,  
25 Not Forgotten, Windsor Pictures, Seward, Soref, and Foulk, and such Does as may be subsequently  
26 named, and each of them, to pay to the Department of Corporations \$25,000 as a civil penalty for  
27 each act in violation of the Corporate Securities Law, as authorized by section 25535, according to  
28 proof.

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**IV. COSTS AND EXPENSES**

1. For a Final Judgment that Plaintiff recovers her costs and expenses incurred for any examination or investigation by the Commissioner and reasonable attorneys' fees from all Defendants.

**V. OTHER RELIEF**

For such other and further relief as this Court may deem necessary and proper.

Dated: September 19, 2012  
Los Angeles, California

JAN LYNN OWEN  
California Corporations Commissioner

By \_\_\_\_\_  
BLAINE A. NOBLETT,  
Attorney for Plaintiff  
California Corporations Commissioner