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FILED
Superior Court of California
County of Los Angeles

FEB 25 2014

Sherri R. Carter, Executive Officer/Clerk
By Bettina M. Baker, Deputy

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

THE PEOPLE OF THE STATE OF CALIFORNIA, by and through the California Corporations Commissioner,

Plaintiff,

vs.

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

Defendants.

) CASE NO.: BC492536
) **[PROPOSED] DEFAULT JUDGMENT BY COURT**
)
)
) Department: '12'
) Judge: Hon. Barbara A. Meiers
)
) Hearing Date: None
) Hearing Time: None
)
) Trial Date: April 21, 2014
) Action Filed: September 20, 2012

1 The People of the State of California, by and through the California Commissioner of
2 Business Oversight, formerly Commissioner of Corporations (“Commissioner”), brings this action
3 under Corporations Code section 25530 and Government Code section 11180 et seq., in her capacity
4 as head of the California Department of Business Oversight, to enjoin defendants Protege Financial
5 & Insurance Service, Inc., aka Protégé Financial & Insurance Services, Inc., aka Protege Financial &
6 Insurances Services, Inc., doing business as Senior Retirement Specialists and Teacher Retirement
7 Specialists (“Protege Financial”); Skyline Pictures, LLC (“Skyline Pictures”); Not Forgotten, LLC
8 (“Not Forgotten”); and Windsor Pictures, LLC (“Windsor Pictures”) (collectively “Defendants”)
9 from violating the Corporate Securities Law of 1968 (“Corporate Securities Law”). Defendants
10 failed to respond to the Complaint and their defaults were taken on October 31, 2012 (Skyline
11 Pictures, Not Forgotten, and Windsor Pictures) and July 1, 2013 (Protege Financial).

12 Beginning in at least November 2006 and continuing thereafter, Defendants, their agents,
13 representatives, and affiliates engaged in business in the State of California in violation of the
14 Corporate Securities Law by offering and selling unqualified, non-exempt securities in this State in
15 the form of Not Forgotten “operating” agreements; Windsor Pictures “bridge” loans, “promissory”
16 notes, “Class A Membership” interests, and “convertible” debentures; Protege Financial “bridge”
17 loans and “promissory” notes in issuer transactions by means of fraud, totaling at least \$23.2 million.
18 The Defendants sold the securities to fund a Ponzi scheme, profiting handsomely while investors
19 were left unable to pay for basic necessities, including the home equity loans defendants had
20 arranged for investors to fund the scheme.

21 In offering and selling these securities, the Defendants represented to potential and actual
22 investors, among other things, that the investments were “suitable” for retired seniors, that there was
23 no chance of them losing any money, that the offerings were “not a Ponzi scheme,” and that the
24 investments were “safe” and “guaranteed.” But the Defendants instead engaged in a classic Ponzi
25 scheme, using money from new investors to pay prior investors while the Protege Defendants raked
26 in millions of dollars from seniors. The Ponzi scheme has now collapsed, with many investors no
27 longer receiving the return of either interest or principal, such that they are unable to pay for
28 necessary expenses or afford mortgages taken out – at defendants’ recommendation – to fund the

1 scheme.

2 On September 20, 2012, the Commissioner filed this action against Protege Financial,
3 Skyline Pictures, Not Forgotten, and Windsor Pictures for: (1) offers and sales of unqualified, non-
4 exempt securities in violation of Corporations Code section 25110; (2) misrepresentations and/or
5 omissions of material fact in violation of section 25401 of the Corporations Code; and (3) as to
6 Protege Financial, unlicensed investment adviser activities in violation of Corporations Code section
7 25230.

8 On December 20, 2013, the Commissioner entered into a settlement agreement with
9 defendants Saxe-Coburg Insurance Solutions, LLC; Michelle Kenen Seward; Dror Soref; and Scott
10 Walter Foulk. The settlement agreement and (proposed) final judgment pursuant to settlement
11 agreement were filed with the Court on January 2, 2014.

12 **NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED**
13 **that:**

14 1. Defendants Protege Financial; Skyline Pictures, LLC; Not Forgotten, LLC; Windsor
15 Pictures, LLC are permanently enjoined under Corporations Code section 25530 from directly or
16 indirectly engaging in, committing, aiding and abetting, or performing, by any means whatsoever,
17 any of the following acts:

18 a. Violating Corporations Code section 25110 by offering or selling in this state
19 any security in an issuer transaction, including but not limited to Not
20 Forgotten “operating” agreements; Windsor Pictures “bridge” loans,
21 “promissory” notes, “Class A Membership” interests, and “convertible”
22 debentures; Protege Financial “bridge” loans and “promissory” notes; and
23 Saxe-Coburg “promissory” notes, unless such sale has been under
24 Corporations Code section 25111, 25112, or 25113 or unless
25 such security or transaction is exempted or not subject to qualification.

26 b. Violating Corporations Code section 25401 by offering or selling a security,
27 including but not limited to Not Forgotten “operating” agreements; Windsor
28 Pictures “bridge” loans, “promissory” notes, “Class A Membership” interests,

1 and “convertible” debentures; Protege Financial “bridge” loans and
2 “promissory” notes; and Saxe-Coburg “promissory” notes, in this state or buy
3 or offer to buy a security in this state by means of any written or oral
4 communication which includes any untrue statement of a material fact or
5 omits to state a material fact necessary in order to make the statements made,
6 in light of the circumstances under which they are made, not misleading; and

7 c. As to defendant Protege Financial, violating Corporations Code section 25230
8 by conducting business as an investment adviser in this state unless Protege
9 Financial has first applied for and obtained a certificate, then in effect

10 2. Defendants Protege Financial; Skyline Pictures, LLC; Not Forgotten, LLC; and
11 Windsor Pictures, LLC, jointly and severally, are ordered to pay restitution in the amount of \$23.2
12 million to the Commissioner on behalf of the investor victims.

13 3. Defendants Protege Financial; Skyline Pictures, LLC; Not Forgotten, LLC; and
14 Windsor Pictures, LLC, are ordered to pay the Commissioner civil penalties in the amount of \$15
15 million. Of the \$15 million, Protege Financial; Skyline Pictures; Not Forgotten; and Windsor
16 Pictures shall be jointly and severally liable for \$10 million and Protege Financial shall be severally
17 liable for the additional \$5 million. The civil penalties, in the amount of \$25,000 per violation, are
18 apportioned for each cause of action as follows:

- 19 a. \$5 million for the First Cause of Action for 200 violations of Corporations
20 Code section 25110;
- 21 b. \$5 million as to the Second Cause of Action for 200 violations of
22 Corporations Code section 25401; and
- 23 c. \$5 million as to the Third Cause of Action against defendant Protege Financial
24 only for 200 violations of of Corporations Code section 25230.

25 4. Interest shall accrue on all restitution and civil penalties at the legal rate (10%) from
26 the date hereof.

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