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*Water Trust, and Destiny Trust, Relief Defendants*, Cause No. 3:06-CV-2136-P (N.D. Tex.) (“SEC Proceedings”).

3. As Receiver, I have investigated virtually all aspects of the investment program operated through ABC Viaticals, Inc. (“ABC”) and the related activities of its owner, C. Keith LaMonda. I have seized all known bank accounts related to the SEC Proceedings, interviewed ABC’s officers and numerous investors, subpoenaed records, and investigated the underlying transfers and purchases from investor funds. Through these efforts, I have acquired personal knowledge of ABC’s operations and its transactions with Defendants in this case.

4. In particular, I have taken possession of all records relating to ABC’s operating accounts as well as the escrow accounts managed by its trustees and escrow agents.

5. Pursuant to the Order Appointing Receiver, I filed this case on March 7, 2007, to recover investor funds that ABC transferred to the Defendants and for other damages caused by their conduct.

#### **ABC’S BUSINESS OPERATIONS**

6. Before going into receivership, ABC was involved in the “viatical” or “life settlement” business. ABC purchased insurance policies on the lives of third-party insureds and sold fractional interests in those policies to investors. The principals of ABC represented that each investor’s contribution would purchase a fractional interest in a single insurance policy and pay premiums on only that policy. That, however, proved to be untrue. Account records show that ABC commingled all investor funds into a common account and used them to pay commissions, buy new policies, and make premium payments for the benefit of earlier investors. ABC’s principals eventually depleted the company’s reserves by, among other things, transferring at least \$5 million to themselves.

7. When the total funds raised by ABC are compared to the total expenses paid and the total obligations still owed to investors, it is obvious that the company suffered from a persistent deficit from which it could not recover.

8. Part of the problem lies in the way investor funds were handled. Receivership records show that an escrow agent was to manage accounts holding sufficient premium reserves for each policy. Those premium reserves, however, were not properly maintained and funded.

9. To make up for this shortfall in premium reserves, bank records show that funds from new investors were simply commingled and used to pay premiums for policies benefiting earlier investors. Raiding these new investor funds effectively left ABC insolvent because it relied on money from new investors to pay its obligations owed to earlier investors.

**INVESTOR FUNDS USED TO PURCHASE IFS BONDS THROUGH SMS**

10. To continue attracting new investor money, ABC marketed its investment product as a “bonded” life settlement policy. Investors were told that, even if the insureds outlived their life expectancy date, the bonding company would step in and pay the full death benefit on the policy after a certain amount of time. The idea was to convince investors that ABC’s offering was a sure thing. I have interviewed investors who insist that this representation was the single most important feature that convinced them to invest with ABC. As a result, ABC raised approximately \$121 million from at least 3,300 investors worldwide.

11. ABC initially purchased its bonds through Defendant International Fidelity & Surety Limited (“IFS”). IFS claimed to be a legitimate bonding company operating in conjunction with its holding company, International Consultants & Management Ltd. (“ICM”).

12. IFS and ICM list offices in Connecticut as well as on a South Pacific island in the Republic of Vanuatu. However, neither of those companies maintained actual offices at either location. My investigation revealed that they had a mail drop box in Connecticut without any

known employees, facilities, or assets. Bank records also confirm that IFS and ICM existed only on paper as the alter egos of Defendants David A. Goldenberg and Mark Wolok.

13. Goldenberg and Wolok also operated Defendant Surety Marketing Source, LLC (“SMS”), a Michigan company claiming to be IFS’s exclusive marketing agent. In numerous correspondence with ABC, Defendants SMS, Goldenberg, and Wolok all represented that IFS and ICM were legitimate entities, financially sound, and that they could honor the bonds issued to purchasers.

14. As a result of those representations, ABC’s principals decided to purchase bonds from IFS that would guarantee payment on numerous insurance policies. Over time, ABC purchased 18 separate bonds from IFS with a total coverage amount exceeding \$134 million.

15. ABC, using investor money, paid at least \$3,267,037.50 in premiums for those bonds, all of which went directly to SMS. Defendants Goldenberg and Wolok represented that they would deduct their commission from the premiums and forward the balance to IFS. That representation was false and known to be false by Goldenberg and Wolok. Instead of forwarding the balance to IFS, they simply spent it or divided it between themselves without purchasing a bond of any sort. Meanwhile, in each instance ABC was given a bond certificate indicating that IFS had received the funds and issued the bond accordingly.

16. In short, ABC transferred \$3,267,037.50 to SMS in exchange for fake bonds that it used to perpetuate a fraudulent investment scheme.

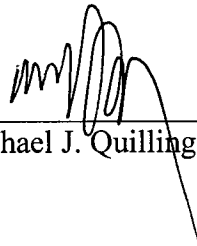
#### **EXISTENCE OF A PONZI SCHEME**

17. A Ponzi scheme exists where money from new investors constitutes the sole source of funds used to pay obligations owed to earlier investors. I have taken possession of the account records held by ABC and its escrow agents. As explained above, those records conclusively show that (1) investor funds constituted virtually all of ABC’s revenue and (2) new

investor funds were commingled in a common account and used to pay premium obligations solely benefiting earlier investors. After investigating the records and underlying transactions, I have concluded that ABC's principals and escrow agent operated the company as a Ponzi scheme.

I declare under penalty of perjury and in accordance with 28 U.S.C. § 1746 that the foregoing is true and correct.

SIGNED this 15th day of April, 2008.



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Michael J. Quilling, Receiver