

# SEC freezes assets of financier Danny Pang for misrepresenting

Washington, D.C., United States 27 April 2009 ([www.biznewsselect.com](http://www.biznewsselect.com)) The Securities and Exchange Commission has obtained an emergency court order freezing the assets of Newport Beach, Calif.-based financier Danny Pang and his two companies for allegedly defrauding investors of hundreds of millions of dollars by misrepresenting investments in the life insurance policies of senior citizens and in timeshare real estate. The SEC obtained additional relief against Pang including an order requiring him to repatriate assets sent overseas and turn over to the court all of his passports.

## Additional Materials

- [Litigation Release No. 21013](#) [SEC Complaint](#)

The SEC alleges that Pang and his Irvine, Calif.-based firms Private Equity Management Group, Inc. and Private Equity Management Group LLC (the PEM Group) misled investors by falsely claiming that their returns would come from proceeds made on the timeshare or insurance policies investments. Instead, some of the purported returns were paid out of funds raised from newer investors. Furthermore, in at least one instance, the PEM Group presented investors with a forged USD108 million insurance policy to support a false claim that a particular investment was entirely covered by insurance.

The SEC also alleges that Pang and the PEM Group attracted investors by falsely representing Pang as a former senior vice president and high-tech merger adviser from Morgan Stanley & Co. with an MBA from the University of California at Irvine. Pang never worked at Morgan Stanley nor did he attend or obtain any degrees from UC Irvine.

"We allege that Pang lured investors with false claims and even bogus documents to dupe them into believing their principal and interest were guaranteed and insured," said Robert Khuzami, Director of the SEC's Division of Enforcement. "Swift and decisive enforcement action is critical to rooting out unscrupulous promoters who will stop at nothing to create an aura of authenticity when making unreal assurances to investors."

Rosalind R. Tyson, Director of the SEC's Los Angeles Regional Office, said, "Pang's

alleged use of phony credentials and false insurance coverage to guarantee his investments underscores how critical it is for investors to exercise due diligence before entrusting their savings to promoters."

The Honorable Philip S. Gutierrez, U.S. District Judge for the Central District of California, granted the SEC's request for emergency relief for investors including the appointment of a receiver over the PEM Group. The receiver, Robert P. Mosier, is responsible for marshaling and safeguarding assets held by these entities.

Neither Pang nor his entities have ever been registered with the SEC. According to the SEC's complaint, Pang and the PEM Group have been engaged in the fraudulent offering of securities since at least 2003 and raised several hundreds of millions of dollars from investors, primarily located in Taiwan. Pang and the PEM Group told investors that they would generate enough profit to pay returns on their investments through purchasing life insurance policies at a discount before maturity and then collecting the proceeds of the policy upon the death of the insured. In fact, the life insurance policies did not generate sufficient profit to cover the cost of the premiums to maintain the policies and pay the purported returns to investors. Pang instead directed PEM Group to use funds raised from subsequent investors, who were supposed to be investing in timeshares, to pay the purported returns of earlier investors in the ill-fated life insurance investment.

The SEC alleges that Pang and the PEM Group claimed that both principal and interest were insured and "guaranteed" by the purported \$108 million of insurance when in fact the relevant insurance policy was for approximately \$31 million. In response to investor requests to see the policy, Pang had the policy altered to increase the face amount of the policy and the PEM Group provided investors with the bogus insurance policy when soliciting their investments.

The SEC's complaint alleges that Pang and the PEM Group violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. In addition to emergency relief, the SEC's complaint seeks disgorgement of the defendants' ill-gotten gains, prejudgment interest, and financial penalties.

The SEC's investigation is continuing.

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