



## U.S. Securities and Exchange Commission

### U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 21013 / April 27, 2009

*Securities and Exchange Commission v. Private Equity Management Group LLC, et al., United States District Court for the Central District of California, Civil Action No. CV 09-2901 (PSG).*

#### **SEC FREEZES ASSETS OF FINANCIER DANNY PANG FOR MISREPRESENTING INVESTMENTS AND FORGING DOCUMENTS TO INVESTORS**

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. The SEC's complaint alleges that Pang and his Irvine, Calif.-based firms Private Equity Management Group, Inc. and Private Equity Management Group LLC (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.

The SEC alleges that Pang and 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 \$108 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. 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.

Today, the Honorable Philip S. Gutierrez, U.S. District Judge for the Central District of California issued an order (1) freezing the assets of PEM Group and Pang; (2) requiring accountings; (3) prohibiting the destruction of documents; (4) granting expedited discovery; (5) appointing a receiver over the PEM Group; and (6) temporarily enjoining PEM Group and Pang from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. A hearing on whether a preliminary injunction should be issued against the defendants is scheduled for May 11, 2009 at 1:30 p.m. The SEC also seeks permanent injunctions, disgorgement, and civil penalties against PEM Group and Pang.

The SEC's investigation is continuing.

► [SEC Complaint in this matter](#)

*<http://www.sec.gov/litigation/litreleases/2009/lr21013.htm>*



# FEDERAL BUREAU OF INVESTIGATION LOS ANGELES

## Department of Justice Press Release

For Immediate Release  
April 28, 2009

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Central District of California  
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### **Pemgroup Founder Arrested on Federal Charges of Structuring Transactions to Avoid Federal Reports**

SANTA ANA, CA—An Orange County financier was arrested this afternoon on federal charges of structuring cash transactions to keep them under the \$10,000 figure that triggers a report to be filed with the federal government, announced U.S. Attorney Thomas P. O'Brien of the Central District of California.

Danny Pang, 42, who resides in the Dover Shores community in Newport Beach, Calif., was arrested by special agents with the FBI. Pang was arrested after federal prosecutors filed a criminal complaint in U.S. District Court in Santa Ana that charged Pang with structuring cash transactions.

Pang, who is a founder and former chief executive officer of the Irvine-based PEMGroup, is expected to make his initial court appearance on the criminal charges tomorrow afternoon.

The criminal complaint accuses Pang of using PEMGroup employees to cash checks for amounts less than \$10,000 in order to avoid the filing of Currency Transaction Reports (CTRs), which financial institutions are required to file for all currency transactions that are more than \$10,000. An affidavit in support of the criminal complaint alleges that Pang structured transactions to avoid the filing of CTRs as early as June 2007.

The affidavit explains that a person who intentionally causes a financial institution to fail to file a CTR by engaging in several transactions on the same day or over a period of days, where each currency transaction does not exceed \$10,000, but the total amount of the transactions exceeds \$10,000, is structuring transactions in violation of federal law.

The affidavit details 38 checks – all between \$9,500 and \$9,900 – which were cashed at an El Monte branch of East West Bank. In some cases, two checks were cashed on the same day. Pang personally cashed only four of the checks, while most of the checks were cashed by his personal assistant.

A criminal complaint contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

The crime of structuring cash transactions carries a statutory maximum penalty of 10 years in federal prison.

The case against Pang is the result of an ongoing investigation by the FBI.

The Securities and Exchange Commission filed a lawsuit yesterday against Pang and PEMGroup, and a federal court issued an order freezing the assets of Pang and two of his 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. See: <http://www.sec.gov/litigation/litreleases/2009/lr21013.htm>.

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