

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF FLORIDA  
WEST PALM BEACH DIVISION  
[www.flsb.uscourts.gov](http://www.flsb.uscourts.gov)

*In re:*

CASE NO.: 12-30081-BKC-EPK

CSLF III IV, Inc.

CHAPTER 7

Alleged Debtor(s). /

**PETITIONING CREDITORS' OMNIBUS EMERGENCY MOTION FOR ORDER  
DIRECTING IMMEDIATE APPOINTMENT OF INTERIM TRUSTEE**

**[IMMEDIATE EMERGENCY HEARING REQUESTED]**

Peter H.M.A. Ortman, Mildred A.H. Ortman, Marc Vandoorne, and MQIC (the "Petitioning Creditors") move on an emergency basis for the immediate appointment of an interim trustee in this involuntary bankruptcy case. The Petitioning Creditors bring this motion to appoint an interim trustee on an emergency basis to avoid the imminent lapse of the life insurance policy that is held by CLSF III IV, Inc., for the benefit of investors, including the Petitioning Creditors. The Alleged Debtor and its sole officer and registered agent, Deborah C. Peck, are implicated in what European law enforcement authorities have revealed to be a massive fraud. In addition to preserving a wasting asset, the Court should appoint an interim trustee to begin the process of unwinding this fraud. The Petitioning Creditors have served this motion on Deborah C. Peck as well as her counsel. This motion does not lend itself to advance consent. Accordingly, the Petitioning Creditors request that the requirements of Local Rule 9075-1 be waived.

Petitioning creditors, Peter H.M.A. Ortman, Mildred A.H. Ortman, Marc Vandoorne, and Maatschap QI Collectief ("MQIC") (collectively, the "Petitioning Creditors") respectfully move pursuant to 11 U.S.C. §§ 105(a) and 303(g) and Federal Rule of Bankruptcy Procedure 2001, for the immediate appointment of an interim trustee over CLSF III IV, Inc. In support of the Motion, the Petitioning Creditors state as follows:

**BASIS FOR THE IMMEDIATE APPOINTMENT OF A TRUSTEE**

1. This involuntary petition is brought to unwind a massive financial fraud that spanned the globe with operations in the United States, Europe, and the Middle East (the “Quality Investments Offering”). Operating dozens of domestic and foreign business entities, the perpetrators of this fraud used false and misleading statements to raise more than \$223 million from international investors through the offer and sale of life settlements.

2. As is explained more fully herein, the asset being held by the Alleged Debtor is in peril of lapsing because of the negligence, breaches of duty, and unauthorized transfers committed by Deborah C. Peck (“Peck”) and the other perpetrators that organized and conducted the Quality Investments Offering. The Dutch Department of Inland Revenue/FIOD (the “FIOD”) conducted a criminal investigation that revealed the misappropriation of tens of millions of dollars of investor funds to insiders and their entities. The Alleged Debtor was one fund among a network of dozens of funds selling fractional interests in life settlements to investors throughout the globe. The Petitioning Creditors invested more than \$600,000.00 in the Alleged Debtor, and their guaranteed payments are nearly a year past due. The life insurance policy that was supposed to be the source of funds for the payments to the Petitioning Creditors is in danger of lapsing, if it has not lapsed already. Through multiple communications to investors in the funds, including the Petitioning Creditors, Peck admitted that there are insufficient investor funds remaining to pay the premiums necessary to preserve the life insurance policies that are the primary assets to provide returns to investors.

3. An interim trustee must be appointed immediately to prevent the life insurance policy held by the Alleged Debtor from lapsing and to prevent further dissipation of Petitioning Creditors’ and other investors’ funds by Peck. If the life insurance policy lapses or investor funds

are wasted further, Petitioning Creditors will suffer irreparable harm, and the primary asset from which a recovery can be obtained will have been lost. Accordingly, the Court should appoint an interim trustee to protect Petitioning Creditors during the gap period until an order for relief is entered.

### **The Quality Investments Offering**

4. A life settlement is an investment contract in which an insurance policy owner sells his or her life insurance policy to a third party for an amount that exceeds the policy's cash surrender value, but is less than the expected death benefit of the policy. Because life settlements are investment contracts, they are securities, the offer and sale of which are heavily regulated under state and federal law. *See SEC v. Mutual Benefits Corp.*, 408 F.3d 737 (11th Cir. 2005). The issuers who acquire, fractionalize, market, and sell these securities are commonly known as "settlement providers."

5. Since the proliferation of life settlement offerings (initially known as viatical settlements)<sup>1</sup> in the 1990s, the offer and sale of insurance policies to retail investors has been marked by extensive fraud. *See Life Settlement Task Force, Staff Report to the United States Securities and Exchange Commission*, (July 22, 2010). Regulatory actions and criminal prosecutions were common in the late 1990s and early 2000s, culminating in the 2004 SEC enforcement action against Mutual Benefits Corp. *See SEC v. Mutual Benefits Corp.*, 323 F.Supp.2d 1337 (S.D. Fla. 2004).

6. Following the landmark Eleventh Circuit Court of Appeals opinion in *Mutual Benefits Corp.*, which was published in May 2005, the domestic life settlement industry splintered under enhanced regulatory scrutiny. Many unscrupulous life settlement providers

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<sup>1</sup> The only distinction between life settlements and viatical settlements is that in a life settlement, the insured is not terminally or chronically ill. Courts generally do not distinguish between the viatical and life settlements. *See SEC v. Mutual Benefits Corp.*, 323 F.Supp.2d. 1337, n.2 (S.D. Fla. 2004).

moved their investment offerings offshore, targeting unsuspecting international victims in less regulated transactions.

7. It was in this context that Peck, Dennis Moens (“Moens”), and Frank Laan (“Laan”) organized the Quality Investments Offering, employing a network of Florida entities and international shell corporations to target victim-investors in Belgium, the Netherlands, and elsewhere.

8. CLSF III IV, Inc. (the “Alleged Debtor”), is one of dozens of Florida entities that served as an engine of a \$223 million fraud through the actions, omissions, and breaches of fiduciary duty committed by, among others, its incorporator, sole officer, and registered agent, Peck. Hundreds of foreign individuals and corporations invested in dozens of inextricably intertwined life settlement offerings, leaving the investors with unsecured claims against the respective Florida entities organized by Peck, including the Alleged Debtor. In each of these offerings, Peck acted as trustee for the benefit of the investors, charged with acquiring and maintaining the life insurance policies that were intended to be the source of funds from which the investors would receive their distributions. As part of her duties, Peck was entrusted with millions of dollars to be held in trust for the payment of anticipated premium obligations. Unfortunately, and despite over \$223,880,000.00 in total funds invested in the life settlements, the perpetrators of this fraudulent scheme only used approximately \$50,000,000 of investor funds to purchase insurance policies, and those policies are in danger of lapsing because of the waste, breaches of duty, and defalcation of Peck and others. To the extent that investor funds were actually used to purchase insurance policies, those funds were funneled through an undisclosed related party, Watershed, LLC (“Watershed”), which is owned and operated by

Moens. Further, funds that were entrusted to Peck's trust accounts were not safeguarded and were misappropriated by the principals of this fraud.

9. The life settlement investments sold in the Quality Investments Offering included insurance bonds that purportedly insured the timely payment of each investor's guaranteed return and repayment of their invested capital (the "Maturity Bonds"). The Maturity Bonds were a critical component of this life settlement offering. Without the Maturity Bonds, the life settlements are highly speculative, illiquid and open-ended because the investment's maturity date and return are dependent on the insured's death. Although the identity of the maturity "reinsurer" was not disclosed to investors, the Closed Life Settlement Funds (the "CLSF Funds"), including the Alleged Debtor, purchased Maturity Bonds from Provident Capital Indemnity, Ltd. ("PCI"), a reinsurance company organized and incorporated in Costa Rica. The principals of the Quality Investments Offering claimed that the Maturity Bonds offered a "guaranteed" maturity date for the investments because they obligated the reinsurer to pay investors, or a fiduciary acting for the benefit of the investors, the face value of the underlying insurance policy, if the insured lived past his or her predicted life expectancy date.

10. Each of the victims of the Quality Investments Offering fraud are also victims of an apparently independently operated fraud perpetrated by PCI's principals, which was the subject of a recent SEC action and related criminal proceedings in the Eastern District of Virginia. In that proceeding, PCI was exposed as a fraud.<sup>2</sup> The SEC action and related prosecutions revealed that PCI was insolvent and that its Maturity Bonds failed to provide any real reinsurance coverage for the life settlements offered and sold in the Quality Investments

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<sup>2</sup> The SEC action is styled *Securities and Exchange Commission v. Provident Capital Indemnity, Ltd., Minor Vargas Calvo, and Jorge L. Castillo*, Case No. 3:11-cv-00045-JG in the United States District Court, Eastern District of Virginia (Richmond Division).

Offering. PCI's President, Minor Vargas Calvo, is now in a federal prison for his role in the PCI fraud.

11. The Quality Investments Offering included three structures or life settlement options for investors, known as the CLSF funds, the BGI funds, and the LSF funds, respectively. The primary distinction among the three structures or life settlement options was a variation in the timing and amount of the promised investment return. All of the funds were marketed and "managed" through a single Dutch entity – Quality Investments, BV ("QI").

12. On September 27, 2011, Eurojust, an agency within the European Union dealing with judicial cooperation in criminal matters with its headquarters in the Hague, organized and executed a joint operation in the Netherlands, Belgium, Spain, the UK, Turkey, Switzerland, the United States, and Dubai against various of the entities and individuals related to the Quality Investments Offering fraud. In connection with the joint operation, the various investigators and law enforcement authorities seized real estate, automobiles, yachts, a jet, watches, and jewelry valued in the millions of Euros.

13. In the course of its criminal investigation, the FIOD performed a forensic tracing of the investor funds into and out of the attorney trust accounts of Peck (the "FIOD Report"). The FIOD Report in Dutch is attached hereto as **Ex. A**, and a certified translation of the FIOD report in English is attached hereto as **Ex. B**. According to the FIOD Report, approximately \$223,880,000.00 of investor funds passed through Peck's trust accounts. Of the more than \$223 million in investor funds, at most \$50 million was used to purchase life insurance policies and only \$19.5 million was used to purchase certificates of deposit purportedly acquired to fund periodic returns promised to investors in the BGI Funds. Although more than \$143 million in investor funds were diverted for purposes *other* than purchasing life insurance policies or other

assets, the FIOD established that Peck transferred approximately \$9.5 million of investor funds from her trust accounts for her own benefit. Those transfers total more than 4% of the total investor funds.

14. In addition, the FIOD Report found that Laan, Blom, and Moens received more than \$33,553,320.00<sup>3</sup> of investor funds and Jorre Appel (“Appel”) received \$11,586,000.00. The distributions to these individuals out of Peck’s trust accounts are staggering. Laan is the principal of QI and was instrumental in marketing the life settlement investments in Europe. It is unclear, however, whether there was ever an agreement or other representation that disclosed to investors that any group of individuals connected to the offering could be entitled to as much as 15% of the overall funds invested. There is no such representation in either the CLSF Prospectus or the BGI Prospectus. Moreover, when the Appel transfers are combined with the transfers to Blom,<sup>4</sup> Moens, and Laan, the total of investor funds transferred from Peck’s trust accounts to those individuals is approximately 20% of the total of investor funds. When that total is added to Peck’s transfers to herself, the total of investor funds transferred from Peck’s trust account to Peck, Appel, Blom, Laan, and Moens is \$54,639,320.00 – an astonishing sum, and one that cannot be justified as a reasonable management fee or a necessary operating expense.<sup>5</sup>

15. This involuntary bankruptcy petition is the first of what may prove to be scores of similar cases that will unwind this fraud. In addition, the immediate appointment of a trustee will begin the process of tracing and recovering fraudulently transferred investor funds and

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<sup>3</sup> This total disregards the investor funds transferred to purchase life insurance policies through Watershed, LLC, the Dubai incorporated but Seychelles based entity owned by Moens from which the CLSF and BGI Funds bought nearly all of their policies.

<sup>4</sup> Blom was an attorney with HRM Advocaten, a law firm in Amsterdam, and he provided the “Comfort Letter” that is attached to the CLSF Prospectus. *See Ex. C, p. 12*. The “Comfort Letter” will be explained more fully below.

<sup>5</sup> The Transfers to Appel, Blom, Laan, Moens and Peck comprise approximately 25% of the total of investor funds. There is nothing in either the CLSF or BGI Prospectuses or the respective participation agreements that discloses that management fees or the operating expenses necessary to maintain the Funds could total as much as 25% of investor funds.

preserving those insurance policies that are still viable and valuable. The Alleged Debtor is the custodian of a \$10,000,000 insurance policy (the "Policy") which is on the verge of lapsing. Despite receiving adequate funds to maintain the policy during the life expectancy of the insured, Peck has failed to maintain the policy, and instead has recently sought additional funds from investors to pay the premiums to keep the policy from lapsing. The situation is particularly dire because no Maturity Bond is in place to ensure a return to investors.

16. In addition and somewhat at odds to Peck's entreaties to investors for additional funds to maintain life insurance policies, life settlement newsletters report that she has sold the CLSF life insurance policy portfolio to "The Strategic Life Settlement Fund, PLC." The Newsletter is attached hereto at **Ex. D**. The investors are not parties to that sale agreement, and they have not seen a copy of the agreement. Upon information and belief, Peck received neither cash nor fund shares for the transfer of the CLSF insurance policy portfolio, but only bonds, the characteristics of which are unknown.<sup>6</sup> The policies for bonds transfer, if such did occur, was structured to avoid oversight by foreign regulators. Accordingly, if the alleged transfer did occur, investors are no better off for the alleged transfer of the policy portfolio, and no returns or distributions to investors are imminent or expected.

17. That Peck may have sold the CLSF insurance policy portfolio, including the Policy owned by the Alleged Debtor, is supported by Peck allowing the Alleged Debtor to be administratively dissolved. A review of the administrative filings on the State of Florida's website, [www.sunbiz.org](http://www.sunbiz.org), reveals that as of September 23, 2011, the Alleged Debtor has been administratively dissolved because of Peck's failure to file the necessary annual report. The administrative dissolution filing for CLSF III IV, Inc. is available on [www.sunbiz.org](http://www.sunbiz.org), and the filing information is attached hereto as **Ex. E**. It is telling that the administrative lapse took place

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<sup>6</sup> Petitioning Creditors have not been able to verify whether the proposed transaction closed.

on September 23, 2011. Only 4 days later, Eurojust conducted its joint operation, which resulted in the arrest of four individuals, including Blom, Laan, and Moens together with Arjan Doorenspleet.

18. In addition to the above breaches of duty involving tens of millions of dollars in unauthorized transfers to individuals, Peck has committed other breaches of her fiduciary duty, including failing to open and maintain adequate trust accounts for each CLSF and BGI Fund, instead commingling investor monies in deficient and unsecured accounts. Investor funds have been commingled in such a fashion that if the unauthorized transfers are recovered, any trustee appointed in the case will not be able to return funds to investors in any other but a *pro rata* fashion, which was not how investor monies flowed into the CLSF and BGI Funds.

19. Peck was also part of the scheme that oversold fractional interests in the insurance policies held by the Alleged Debtor and related entities. Upon information and belief, the face amount of the policies would not be sufficient to pay out the promised returns to investors unless new investor funds are infused – the hallmarks of a classic Ponzi scheme. The FIOD Report describes this in more detail for LSF I, LSF II, LSF V, and CLSF VI with reference to the policy of certain insureds.<sup>7</sup> The policies and investor funds held by entities related to the CLSF entities, including those held by or in any account related to the Alleged Debtor, should be removed from Peck's control to avoid the harm that Petitioning Creditors and other investors continue to suffer from the continuance of this scheme.

### **The Parties**

20. The Alleged Debtor is a Florida “for profit” corporation with its principal address at 631 U.S. Highway 1, Ste. 303, North Palm Beach, FL 33408. The Alleged Debtor's registered agent is Deborah C. Peck, whose address, according to her firm's website, is also 631 U.S.

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<sup>7</sup> The names of such insureds can be provided to the Court *in camera*.

Highway 1, Ste. 303, North Palm Beach, FL 33408.<sup>8</sup> Peck is also listed as the Alleged Debtor's President, Vice President, Secretary, and Treasurer.

21. The Petitioning Creditors are Peter H.M.A. Ortman, whose address is Doornstraat 2, B-3630 Maasmechelen, Belgium. Peter H.M.A. Ortman invested \$240,000 in CLSF III/IV Fund and is owed \$400,000 by the Alleged Debtor. Mildred A.H. Ortman, whose address is Keltenhof 8, B-3621 Lanaken, Belgium, invested \$240,000 in CLSF III/IV Fund and is owed \$400,000 by the Alleged Debtor. Marc Vandoorne, whose address is Egemstraat 104, B-8740 Pittem, Belgium, invested \$120,000 in CLSF III/IV Fund and is owed \$200,000 by the Alleged Debtor. Maatschap QI Collectief is a Belgian partnership, representing more than 700 investors with collective claims as of August 14, 2012 against the CLSF Funds totaling \$92.8 million,<sup>9</sup> and whose members hold claims against the Alleged Debtor.<sup>10</sup>

22. Deborah C. Peck is the sole officer and registered agent for numerous Florida entities that were organized and operated in connection with the Quality Investments Offering, including the Alleged Debtor. Many of these entities, including the Alleged Debtor, were named according to their affiliation with one of the CLSF, BGI or LSF funds.

23. Despite the fact that Peck is only licensed to practice law in the State of New Jersey, she is a resident of Florida with a "law office" in Palm Beach County. Many of the Florida entities organized and controlled by Peck, including the Alleged Debtor, share the same principal business address as Peck's "law firm."

24. Peck has consistently held herself out as the trustee for the investors. As recently as July 7, 2012, Peck wrote to investors (the "July 7, 2012 Letter"), asserting that "between June

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<sup>8</sup> Peck may have recently moved her office to 4521 PGA Blvd., #274, Palm Beach Gardens, Florida 33408.

<sup>9</sup> MQIC also represents investors with claims against the BGI Funds totaling \$49.7 million and \$4.1 million against other QI funds.

<sup>10</sup> The Petitioning Creditors claims are not contingent, are unsecured, and are not subject to bona fide dispute.

2012 through July 6, 2012, twelve policies have lapsed due to lack of payment of premiums.” The July 7, 2012 Letter is attached hereto as **Ex. F**, and the letter is addressed from “Deborah C. Peck, Trustee.” Among the other representations made by Peck in the July 7, 2012 Letter, she warned investors that “July 2012 poses a dire outlook with eight more policies lapsing between July 11 and July 31.” *Id.* She further represents that “without your premium monies being wired to the *trustee* account, I cannot service the policies and keep them in force. The only action left to me is to begin to sell the policies in order to preserve other policies.” *Id.* (emphasis added). The July 7, 2012 Letter goes on to describe Peck’s attempt to strike a deal with Life Settlement Consultants (“LSC”) for management of the policy portfolio. The July 7, 2012 Letter references a letter from LSC, but no such letter was attached to this copy. In the July 7, 2012 Letter Peck also references a letter from a Colorado attorney named Michael L. Glaser that purportedly opines on her authority to act under Florida law and informs her interpretation of “my powers set forth in the various trusts naming me as trustee and under Florida statutes applicable to trustees.” *Id.* Glaser’s opinion letter was not attached to the July 7, 2012 Letter, and requests to obtain that letter from Peck and Glaser have been denied.

25. As of the date of this Petition, Peck is still holding herself out as a fiduciary for the investors, claiming that her status as trustee over the various trusts empowers her to make sweeping decisions. She continues to misrepresent her authority as trustee, even attempting to irrevocably convey some or all of the insurance policies underlying the life settlement investments to an international vulture fund. Of greatest importance is that Peck acknowledges that policies with death benefits in the tens of millions of dollars are already lapsing, requiring investors to send her additional funds, if only to have her misuse those funds collected from investors with rights in one policy to pay insurance premiums due on other policies.

26. These developments are disturbing and completely at odds with representations made to investors in the prospectuses and other marketing materials used to induce their investments. Moreover, they are inconsistent with recent lulling statements made by Peck, including those set forth in a letter to investors following the law enforcement action against the principals of PCI (the "January 25, 2011 Letter"). Addressing investors as "Dear Beneficiaries," Peck promised each creditor that "your investment in the life insurance policy held within the trust is secure". The January 25, 2011 Letter is attached hereto as **Exhibit G**.

27. In truth and in fact, Peck knew that the Quality Investments Offering was far from secure and that millions of dollars collected from her beneficiaries had already been transferred to related parties, secreted to foreign accounts, or otherwise misappropriated in breach of her fiduciary duties.

**The Closed Life Settlement Funds and CLSF III IV, Inc.**

28. The Closed Life Settlement Funds (the "CLSF Funds") were a series of inextricably intertwined life settlement offerings that promised identical investment returns on substantially similar terms (i.e. that, upon maturity, each investor would realize a lump sum payment comprised of a 15% annualized return plus the return of the invested capital). Therefore, each investor, including the Petitioning Creditors, was promised an unsecured payment of \$400,000 on each \$240,000 investment to be paid on or before a date certain (the "Maturity Date").

29. Each of the Closed Life Settlement Fund offerings was given a "CLSF" designation and was assigned an identifying roman numeral. The prospectus used to induce the Petitioning Creditors' participation in the CLSF Trust III/IV Stichting Closed Life Settlement Fund UA dtd 07/09/2007 ("CLSF Trust III/IV") is attached hereto as **Exhibit C**. The summary

section of the CLSF Prospectus provides: “[t]he CLSF Trust III/IV is the owner of an American Life Settlement, concluded on the life of one American insured person, with an insured amount of \$10,000,000.00.” **Ex. C, p.5.**

30. The “American Life Settlement” to which the CLSF Prospectus refers is the purchased life insurance policy referenced in the “Contract for Sale and Purchase of Life Settlement” between Watershed and CLSF Trust III/IV Stichting Closed Life Settlement Fund UA dtd 07/09/2007 (“CLSF Trust III/IV”), an entity for which Peck served as trustee.

31. The CLSF Prospectus also provides:

CLSF Trust III/IV has concluded a Reinsurance. Should the Life Settlement not release payment before 1 July 2011, the Reinsurance will, at the latest on 1 October 2011, pay \$10,000,000.00 to CLSF Trust III/IV after which the Participants will be paid immediately. To put it briefly, each and every participant is *guaranteed* to, per Participation of \$240,000.00, receive \$400,000.00 at the latest on **1 October 2011**.

(Emphasis and bold added). Accordingly, the CLSF Prospectus guaranteed a \$400,000 return for each \$240,000 investment because Maturity Bonds would provide the funds for investor payouts if the life insurance policy had not yet matured (and thus also avoid further premium indebtedness). October 1, 2011 has passed, and the investors, including Petitioning Creditors, have not been paid their *guaranteed* returns.

32. In the “General Information” section, the CLSF Prospectus explains that CLSF has established “a Trust in America, named the CLSF Trust III/IV/Foundation Closed Life Settlement Fund III/IV UA DTD July 9, 2007,”<sup>11</sup> which has “the exclusive objective to act as custodian of the policy for the benefit of CLSF.” **Ex. C, p. 5.** The CLSF Prospectus goes on to identify that Deborah C. Peck, Esq. at 631 U.S. Highway 1, Suite 303, North Palm Beach, Florida 33408 is acting as manager and custodian of the CLSF Trust III/IV in America. As set

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<sup>11</sup> The CLSF Trust III/IV was actually incorporated by Peck as CLSF III IV, Inc. – the Alleged Debtor.

forth above, Peck incorporated the Alleged Debtor, CLSF III IV, Inc. on May 29, 2009. Although the Alleged Debtor does not bear the identical name to that “Trust in America” referred to in the CLSF Prospectus, documents evidencing the transfer and ownership of the underlying life insurance policy and emails from Peck to investors reveal that the investors in CLSF Fund III/IV, including Petitioning Creditors, had an expectation that their investments would be funded by a life insurance policy that is owned by the Alleged Debtor.

33. The CLSF Prospectus also provides that CLSF Fund III/IV is the owner of the life settlement by having purchased the beneficial rights to policy proceeds from an insured of an American insurance company, that the Maturity Bonds had been fully purchased and fully paid for, and that participants in the CLSF Fund will acquire their share in the future payment of the life settlement by payment of their participation to Peck’s trust account. **Ex. C, p. 6.**

34. Of even greater significance in this proceeding, the CSLF Prospectus provides that “[t]he American Lawyer/Trustee verified whether the policy of Life Settlement is real,” whether the relevant insurance company acknowledges that CLSF Trust III/IV is the owner and beneficiary of the policy/life settlement, and whether the policy premiums were current at the time of purchase from the insured. *Id.* at p. 6. The Letter from Peck to Blom, dated April 14, 2008, verifies that the policy of “H\*\*\*\*\*” number JF55\*\*\*\*\* was in full force as of the date of the letter. *Id.* at p. 16. The policy information appears on page 17 of the CSLF Prospectus.

35. The “Comfort Letter” from Blom of HRM Advocaten, dated September 18, 2007, which appears on p.13 of the CLSF Prospectus represents that Blom established that the Maturity Bond insurer has “again reinsured 80% of its obligation on account of the 2<sup>nd</sup> policy [the Maturity Bond] at companies who are all appreciated with an “A” or higher rating by AMBEST and STANDARD AND POORS.” The Maturity Bond insurer, PCI, however, did not reinsure its

obligations on any insurance policies with “A” rated companies. PCI did not reinsure its obligations at all, and any investor funds that were used to pay PCI’s (re)insurance premiums are gone as result of the PCI fraud.

36. The CLSF Prospectus also attaches a sample “Purchase Agreement,” which is identical to that executed by the Petitioning Creditors (the “Participation Agreement”). The Participation Agreement provides the economic terms of a participant’s investment, which mirrors the “Summary” section of the CLSF Prospectus, and also recites the additional terms of participation, including how much of an investor’s contribution would be devoted to insurance premiums to maintain the underlying life insurance policy and the Maturity Bond. From each investment of \$240,000, the participant/investor contributed \$26,200 toward life insurance premiums, which is broken into a first year premium of \$13,100 and an equal “premium buffer” of \$13,100, and fully paid premium(s) for Maturity Bond(s) of \$24,000.

37. Investors were instructed to wire their investments to the “trustee for the fund,” Peck, at TD Bank, NA, 555 Warren Avenue, Spring Lake Heights, NJ 07762. The TD Bank account is described in the CLSF Prospectus as the “Deborah C. Peck Trust Account,” No.78.59.14,49.46. *Id.* at p. 20. Accordingly, investor funds, including those of Petitioning Creditors, were wired exclusively to Peck’s trust account for the purchase and maintenance of insurance policies.

38. The “Frequently Asked Questions” section of the CLSF Prospectus answers the question “What is a Trust” as follows:

. . . A Trust is an agreement between three parties, being the ‘Settlor,’ the ‘Trustee,’ and the ‘Beneficiary.’ The Settlor puts the Life Settlement policy and the reinsurance policy in the Trust. Once the policies are received by the Trust, the Settlor can no longer undo this. The Trustee is the official manager of the Trust. Somebody can only be a Trustee if [sic] he or she is also independent. If somebody wants to act as Trustee for a specific Trust, the Trustee will need to

dispose of a permit. CLSF works with American Lawyers/Trustees. As a Lawyer they are authorized to act as a Trustee and fall, when it comes to verification of their behavior, under the American disciplinary law for lawyers. The beneficiary is the person or persons who will eventually receive the benefits from the Trust. In the case of CLSF this involves the participants in the fund.

*Id. at p. 31.*

39. Although the wording is somewhat awkward,<sup>12</sup> the CLSF Prospectus makes clear that Peck is acting as a trustee for the investors -- the beneficiaries of the CLSF Trust III/IV. Moreover, Peck was held out to be independent and subject to the “American disciplinary law for lawyers.” Because Peck did not exercise independence, but instead made unauthorized transfers of tens of millions of investor funds for the benefit of herself and her co-conspirators, she should be disciplined according to the dictates of the New Jersey Bar, where she is licensed to practice, and Florida, where she has committed multiple breaches of her fiduciary duty.

40. In addition, the CLSF Prospectus, ironically, asks “[h]ow big is the risk that the reinsurer goes bankrupt?” The answer provided proved to be tragic for the investors: “Research evidences that the reinsurer is very creditworthy. The reinsurer has again covered its obligations for 80%-85% at large well-known reinsurance companies like Zurich, AIG, Hannover, Swiss RE, . . .” *Id. at p. 31.* The perpetrators of the Quality Investments Offering fraud, however, omitted to disclose and concealed the identity of PCI as QI’s reinsurer. The Maturity Bond insurer, PCI, did not cover its obligations at all, much less at such well-known insurers. Instead of performing real diligence on PCI, the organizers of the CLSF Funds chose an insurer from Costa Rica, which they knew was not rated by AMBest, Moodys, Standard and Poors, Forrester Research, or a rating agency that typically reviews and independently grades insurers.

41. Finally, when the CLSF Prospectus asks, “[w]hy would I participate in CLSF?” it discloses that “[t]here are risks!” These risks include: “[i]f the insurance company goes bankrupt

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<sup>12</sup> This may be a function of the translation.

(this never happened) you will lose your contribution.” The underlying United States life insurance companies, to the knowledge of the Petitioning Creditors, are not bankrupt. The Maturity Bond (re)insurer, however, is bankrupt, which the CLSF Prospectus addresses: “[i]f the reinsurer goes bankrupt you will possibly need to wait longer for your benefit.” *Id.* at p. 32. But, in an attempt to assuage these risk disclosures, the Prospectus reassures investors that “[t]he benefit is paid from America and directly to the participant. No additional costs. Complete openness of affairs.” *Id.* Accordingly, investors expected to be paid from an American account, administered by Peck, upon the maturity of the underlying life insurance policy or from the proceeds of Maturity Bonds. Neither the life insurance policies nor the Maturity Bonds have provided a source for investor payments, and the maturity date provided in the CLSF Prospectus has passed. Accordingly, Petitioning Creditors “guaranteed” investment looks ever more doubtful.

42. The Alleged Debtor was not established in accordance with investor expectations as set forth in the CLSF Prospectus. On July 9, 2007, The CLSF Trust III/IV was established with Watershed as the settler and Peck as the trustee (the “Trust Agreement”). The Trust Agreement is attached hereto as **Ex. H**. The Trust Agreement attaches as Exhibit I thereto a schedule of the life insurance policy owned by the CLSF Trust III/IV (the “Policy”), which policy number corresponds with the redactions that appear in the CLSF Prospectus.<sup>13</sup> The face value of the Policy is \$10,000,000, and the CLSF Trust III/IV paid Watershed \$6,000,000 for the Policy. The Policy was purchased from Watershed by The CLSF Trust III/IV through an agreement dated July 1, 2007 (the “Purchase Agreement”).<sup>14</sup> The purchase Agreement is

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<sup>13</sup> The name of the insured and the policy number on exhibit I to the Trust Agreement and in the Trust Agreement itself have been redacted to preserve the confidentiality of the insured. The unredacted versions of these documents will be made available to the Court *in camera*.

<sup>14</sup> The Policy number and name of the insured are redacted in the Purchase Agreement as well.

attached hereto as **Ex. I**. The \$6,000,000.00 purchase price (the “Purchase Price”) is significant because the premiums for the life insurance policies skyrocket in the first few years after a large life insurance policy is purchased by an elderly individual. The Purchase Price, when coupled with escalating premiums on a Policy that has no Maturity Bond quickly renders the life settlement investment increasingly expensive, more risky, and makes re-solicitation of investor premiums to maintain the Policy a near given. The Purchase Price, among other omissions, was not disclosed to Petitioning Creditors and other investors, nor was the risk that additional large premium contributions would be required in the event that the Maturity Bond insurer went bankrupt.

43. Exhibit II to the Trust Agreement lists the beneficiaries at that time, including two of the four Petitioning Creditors.<sup>15</sup> The Alleged Debtor, CLSF III IV, Inc., now owns the Policy. The insurer on the Policy, Lincoln Financial Group, has sent letters to CLSF III IV, Inc., addressed to the Alleged Debtor and Deborah Peck in response to inquiries by Peck to the insurer to verify coverage (the “Policy Letters”). The Policy Letters identify the Alleged Debtor as the beneficiary. The Policy Letters are attached hereto as **Ex. J**. Based on the Prospectus and other documents provided to investors, the Petitioning Creditors are the proper beneficiaries of the Policy held by the Alleged Debtor.

44. The CLSF III/IV Fund was not set up according to the expectations of investors and as set forth in the CSLF Prospectus and related documents. Instead of being direct beneficiaries of a U.S. insurance policy, the victims were rendered merely unsecured creditors of the Alleged Debtor, a Florida corporation that is both the legal and beneficial owner of the Policy. Moreover, the Policy did not mature on time and no reinsurance was in place to fund a payout to investors in CLSF III/IV Fund. Instead, investors were never paid by the Alleged

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<sup>15</sup> Exhibit II to the Trust Agreement has been redacted.

Debtor, and Peck no longer possesses adequate funds to pay the premiums to maintain the Policy.

45. Peck has attempted to solicit more funds from investors at the same time as she has sold or attempted to sell policies to overseas entities for unknown prices. She has warned investors that if they do not pay new funds to her, she will have to sell some policies to maintain others. *See Ex. F.* Such actions have been and will continue to be extremely harmful to investors and warrant the immediate appointment of a trustee. On July 20, 2012, Peck sent an email to a representative of MQIC, attaching a lapse schedule for all of the policies that are held by the various CLSF and BGI entities in Florida (the “July 20, 2012 Email”).<sup>16</sup> The July 20, 2012 Email recounts Peck’s solicitation to investors that they pay the most urgent of the lapsing policies. The July 20, 2012 Email with the list of lapsing policies is attached hereto as **Ex. K.** The need for investors to pay further premiums should never have arisen. Each participant paid a “buffer premium” to cover just such a contingency. In addition, maturity insurance was supposed to preclude the need to pay further premiums, but the reinsurer chosen by QI and its related entities and personnel turned out to be a fraud.

46. What is also alarming is that the lapse schedule attached to the July 20, 2012 Email reveals that life insurance policies with an aggregate face value in excess of \$170.2 million may lapse or may already have lapsed due to the mismanagement of Peck, among others. The moment that the PCI fraud came to light, Peck should have been taking measures to extend the policies, communicating honestly and openly with investors, not falsely telling investors that their investments were still secure, and not telling them more than a year after the PCI fraud was discovered that she may have to sell certain policies to keep others from lapsing.

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<sup>16</sup> The Policy is one of the lapsing life insurance policies listed on the Lapse Schedule. The Lapse Schedule has been redacted.

### The BGI Funds

47. The BGI Funds are a second series of inextricably intertwined life settlement offerings marketed to investors and administered by QI. The BGI Funds also promised a guaranteed return on a participant's investment based on the expected receipt of life insurance proceeds from purchased life settlements. The prospectus for BGI Fund (the "BGI Prospectus") is attached hereto as **Ex. L**.<sup>17</sup> The BGI Funds were also supposedly backed by adequate (re)insurance, Maturity Bonds, that would be used to "purchase" the underlying life insurance policy from the investors for an amount equal to anticipated payment at maturity, if the policy failed to mature on or before the Maturity Date. *Id.* at p.5. The key difference between the BGI Funds and the CLSF Funds is that the BGI Funds promised to deliver a lower annualized return on investment (8%), and the return was to be paid monthly throughout the life expectancy of the insured, with the invested principal returned in a lump sum payment on the Maturity Date. *Id.*

48. QI claimed that the BGI Funds' monthly interest payments would be funded by "bank guarantees/certificates of deposit purchased by a large American bank". *Id.* Each BGI Fund had a term of investment ranging from 2 and 5 years, depending on the specific life settlement selected by each investor. Since June 2011, investors in the BGI Funds have not received their monthly (or other periodic) interest payments. The vast majority of investors in the BGI Funds have moreover received no return of their principal investments.

49. The BGI Prospectus discloses that Deborah C. Peck, Esq. is the "Administrator and Depository on behalf of BGI Trust in America." *Id.* at 6. Under the section titled "Realising the goal" [*sic*], the BGI Prospectus explains that "[a]s the fund is comprised of all the participants together, they are collectively the legal person entitled to receive payment of the

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<sup>17</sup> As with the CLSF Funds, there are numerous BGI Funds. The BGI Prospectus, however, applies to and sets the terms for all of the BGI Funds. *See Ex. L, p.5.*

insured sum on the life insurance policy.” *Id.* at 7. In the same section, the BGI Prospectus represents that “an amount equal to the annual premiums for the life insurance policy during the entire term of the contract has been paid into the trust.” *Id.* The “Risks” section of the BGI Prospectus also represents that “[t]he reinsurance company also insures its risks with insurance companies that have a rating of A.M. Best and Standard & Poor’s “A” rating or higher.” *Id.* To date, most participants in the BGI Funds have not received the insured sum on any life insurance policies, Peck is telling investors that several of the policies owned by Florida entities related to the BGI Funds are lapsing or lapsed, and there is no maturity (re)insurance to provide payments to the investors in the BGI Funds. Accordingly, the assurances and guarantees set forth in the BGI Prospectus were illusory, as was the case with the CLSF Prospectus.

50. As with the CLSF Funds, the BGI Prospectus attaches a “Comfort Letter” from Blom. The BGI Prospectus references BGI Fund I, a life settlement based on a life insurance policy with a \$5,000,000 face value. Investors in BGI Fund I were promised that they would receive monthly interest payments, and their invested capital would be funded out of the \$5,000,000 of insurance proceeds at the Maturity Date, identified as “no later than 1 November 2011.” **Ex. L, pp.18-20.**

51. The BGI Prospectus also attaches a letter from Peck verifying, under penalty of perjury, that the Policy Number G\*\*\*\*\* is in full force and current on its premiums.” *Id.* at p.22. It gives instructions for participation in the fund, including those instructions on the Participation Agreement. *Id.* at p.25. The Participation Agreement also includes wire instructions for investor payments to be sent to Peck’s trust account at TD Bank NA, 555 Warren Avenue, Spring Lake Heights, NJ 07762. The account is identified as “Deborah C. Peck Attorney Trust Account, 631 U.S. Highway 1, Suite 303, North Palm Beach, Florida 33408.” *Id.* at 26.

52. As with the CLSF Prospectus, the BGI Prospectus includes a “Frequently Asked Questions” section, which includes the nearly identical explanation for the question, “What is a Trust” as the answer to question 12. The BGI Prospectus explains:

. . . The Trustee is the official administrator of the Trust. In order to be a Trustee, a person must be independent. In order to act as a Trustee for a specific Trust, the Trustee must have a license. BGI Fund works with American Lawyers/Trustees. As lawyers, these persons are authorized to act as Trustee and are subject, when it comes to evaluating their actions, to the American code of behavior and disciplinary rules for lawyers. The Beneficiary is the person or the collection of persons who in the end receive payments from the Trust. In the case of the BGI Fund, these are the participants in the fund. *Id.* at p.37.

Accordingly, Peck serves in the same capacity and is subject to the same disciplinary regimes in her capacity as trustee for the BGI Funds. The Petitioning Creditors have already filed a bar complaint against Peck in New Jersey, and this Court should not allow her to inflict any further damage on investors, including Petitioning Creditors.

### **Relief Requested**

53. The Petitioning Creditors seek the immediate appointment of an interim trustee to preserve property of the estate, prevent further losses, and avoid the irreparable harm that the Petitioning Creditors will suffer if Peck is permitted to further dissipate assets of the Alleged Debtor. The Petitioning Creditors are not sure whether the Policy held by the Alleged Debtor has lapsed or is still in force. What is clear, however, is that the Alleged Debtor is not paying its debts as they become due. The Alleged Debtor is a shell that either holds an asset to which the Petitioning Creditors have a claim or else it has recently conveyed the Policy in an unauthorized transaction for insufficient consideration. To prevent further loss through potential fraudulent transfers or wasting of the Policy and policies owned by related entities, Peck should not be

permitted to retain control of the Alleged Debtor. The Court should appoint an interim trustee immediately, and the Policy should be wrested from Peck's control.<sup>18</sup>

54. The Petitioning Creditors and other investors have no confidence in Peck. The Petitioning Creditors and numerous other investors justifiably refuse to send more money to her for the purpose of preserving viable policies. Her contradictory communications with Petitioning Creditors, lapses in judgment, and breaches of duty through the litany of unauthorized transfers as detailed in the FIOD Report compel the appointment of an interim trustee to take control of whatever policies can be extended. Appointing an interim trustee will instill enough confidence in investors that any further funds devoted to their investments will be fairly handled and put to a proper purpose.

55. Bankruptcy Code Section 303(g) empowers the Court to direct the appointment of an interim trustee to, *inter alia*, take possession of property of the estate and prevent losses or waste of assets. Section 303(g) provides:

At any time after the commencement of an involuntary case under chapter 7 of this title but before an order for relief in the case, the court on request of a party in interest, after notice to the debtor and a hearing, and if necessary to preserve the property of the estate or to prevent loss to the estate, may order the United States trustee to appoint an interim trustee under section 701 of this title to take possession of the property of the estate and to operate any business of the debtor.

11 U.S.C. § 303(g).

56. "Section 303(g) provides a remedy to prevent an alleged debtor dissipating his or her assets by allowing a party in interest to seek appointment of an interim trustee during the involuntary 'gap period.'" *In re Levin*, 2011 WL 1469004 \*1, \*2 (Bankr. S.D. Fla. April 15, 2011) (J. Ray). Courts have directed the appointment of an interim trustee where necessary to

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<sup>18</sup> The Petitioning Creditors expect that the trustee appointed in this case will see an immediate need to take control of all of the policies owned by related entities for the protection of all investors.

protect and preserve property of the estate “by preventing concealment, waste or loss of assets by the alleged debtor, or preventing irreparable harm which would likely result during the gap period.” *Id.* (citing *In re DiLorenzo*, 161 B.R. 752, 754 n.8 (Bankr. S.D.N.Y. 1993)); *In re Alpine Lumber & Nursery*, 13 B.R. 977, 979 (Bankr. S.D. Cal. 1981) (same).

57. Bankruptcy Courts have appointed interim trustees where a debtor has shown to have diverted, depleted, or secreted assets. See *Babbitt v. Schwartz (In re Lollipop, Inc.)*, 205 B.R. 682, 684 (Bankr. E.D.N.Y. 1997); *Gems N’ Things, Inc.*, 60 B.R. 288, 288-89 (Bankr. S.D.N.Y. 1986). Additionally, interim trustees have been appointed to prevent concealment, waste, or loss of assets by the alleged debtor. See *Matter of R.S. Grist Co.*, 16 B.R. 872, 873 (S.D. Fla. 1982) (district court affirmed bankruptcy court’s conclusion that “the appointment of an interim trustee is necessary to preserve the assets of the estate for the [d]ebtor’s creditors, specifically to prevent diversion of assets from the estate without adequate consideration being received therefor”);<sup>19</sup> *Alpine Lumber*, 13 B.R. at 979.

58. When determining whether to authorize the appointment of a trustee under Section 303(g), courts have sought to balance the harm to creditors against the potential damage that the alleged debtor’s business may incur or otherwise to prevent irreparable harm that would likely result between the time of the filing of the petition and the scheduled hearing. See *In re DiLorenzo*, 161 B.R. at 754 n.8; *In re James Plaza Joint Venture*, 62 B.R. 959, 961 (Bankr. S.D. Tex. 1986) (interim trustee appointed because of concern that the funds would be disposed of, distributed, or dissipated); *In re Reed*, 11 B.R. 755, 757 (Bankr. S.D. W.Va. 1981).

59. This view is supported by the legislative history of Section 303(g), which provides that an interim trustee should be appointed if it is shown that the alleged debtor would

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<sup>19</sup> In the underlying bankruptcy case, the court approved appointment of an interim trustee without notice to the debtor in order to avoid irreparable loss. *Matter of R.S. Grist Co.*, 16 B.R. 872 (S.D. Fla. 1982).

“attempt to abscond with assets, dispose of them at less than their fair market value or dismantle his business, all to the detriment of its creditors.” H.R. Rep. No. 95-595, at 819 (1977), *as reprinted in* 1978 U.S.C.C.A.N. 5963, 6279, *quoted in DiLorenzo*, 161 B.R. at 754.

60. In this case, the immediate appointment of an interim trustee is necessary to avoid the irreparable harm that will befall the Petitioning Creditors if Peck and her related co-conspirators are permitted to secret more assets out of the Alleged Debtor and its related entities and to allow life insurance policies, including the Policy, that are still valid to lapse or be fraudulently conveyed to foreign entities and individuals. It is essential to protecting what is left of the assets of the Alleged Debtor and its related entities that an interim trustee take immediate control of the books and records of the entity, preserve any valid life insurance policies that the Alleged Debtor controls, seize all bank and trust account information related to the Alleged Debtor, and begin to unwind the numerous fraudulent transactions that the FIOD detailed for the benefit of all creditors that have invested in the CLSF and BGI Funds, including the Petitioning Creditors.

61. Moreover, the on-going harm to the Petitioning Creditors outweighs any possible harm of which the Alleged Debtor could complain. The Alleged Debtor has been administratively dissolved since September 23, 2011. *See Ex. E.* Peck, as the president, vice president, treasurer, secretary, and registered agent of the Alleged Debtor has failed to keep the entity active. Moreover, the lapse coincidentally occurred within mere days of Eurojust arresting four principals associated with Quality Investments and seizing a plane, yachts, real estate, and watches worth millions of dollars. The administrative dissolution of the Alleged Debtor makes the appointment of an independent trustee that much more compelling. The Alleged Debtor, through its administrative dissolution, is representing to the Secretary of State that it is no longer

conducting business. Accordingly, the Alleged Debtor and/or Peck cannot argue that there is on-going business that would be harmed by an involuntary bankruptcy case or the appointment of a trustee. It also cannot be disputed that the Alleged Debtor is not paying its debts as they become due. The Court, therefore, should appoint an interim trustee immediately.

62. The Petitioning Creditors believe that any argument the Alleged Debtor or Peck, in her capacity as Trustee, controlling officer, or principal shareholder<sup>20</sup> for CLSF III IV, Inc., could make that the Alleged Debtor is a functioning businesses that will suffer damages as a result of the involuntary petition is without merit. In the event, however, that the Alleged Debtor has taken some undisclosed actions to reinstate itself with the Secretary of State, the Court should still appoint an interim trustee to seize its books and records and take such actions as are necessary to protect the interests of creditors.

63. Rule 2001(b) of the Federal Rules of Bankruptcy Procedure provides that “[a]n interim trustee may not be appointed under this rule unless the movant furnishes a bond in an amount approved by the court, conditioned to indemnify the debtor for costs, attorney’s fees, expenses, and damages allowable under § 303(i) of the Code.” In this instance, the Court should waive the Rule 2001 requirement for a bond because the Alleged Debtor is not conducting any business that would be detrimentally impacted by the involuntary petition. Moreover, the Petitioning Creditors should not be required to post a bond that indemnifies the Alleged Debtor for costs or attorney’s fees because the Petitioning Creditors have already lost enough money due to the Alleged Debtor and Peck’s lapses and unauthorized conduct. The Petitioning Creditors already suspect that any fees devoted to defending against the involuntary petition or the wave of discovery that will flow upon the appointment of an interim trustee will already be paid from

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<sup>20</sup> The Articles of Incorporation for CLSF III IV, Inc. reveal that 200 shares in the entity were issued upon its incorporation. The Petitioning Creditors, however, do not have information that identifies the actual holders of those 200 shares. Accordingly, they do not know if Peck is a shareholder of the Alleged Debtor.

investor funds. Requiring the Petitioning Creditors to post a bond to help Peck or the Alleged Debtor defend themselves will only add insult to injury.

64. In addition to the Alleged Debtor being administratively dissolved and having no ongoing business, there is a danger that the assets of the Alleged Debtor could be transferred or subject to further waste by Peck. The FIOD Report details tens of millions of dollars in transfers of investor funds to individuals and entities that are at best highly suspicious and unexplained, and at worst fraudulent. Bankruptcy courts have found that a significant element of cause warranting the appointment of a chapter 11 trustee is where the funds of an alleged debtor have been improperly transferred out of the alleged debtor for its benefit or the benefit of others and to the detriment of creditors. *In re Bibo, Inc.*, 76 F.3d 256, 257-58 (9th Cir. 1996) (appointment of trustee was warranted where management had siphoned funds from the debtor); *In re Sharon Steel Corp.*, 871 F.2d 1217, 1228 (3rd Cir. 1989) (systematic siphoning of debtor's assets to other companies under shareholders common control constitutes cause for the appointment of a trustee).

65. In this instance, the FIOD has traced millions of dollars of outflows of investor funds through Peck's trust accounts in the United States. Of the approximately \$223,880,000.00 that the FIOD traced through Peck's trust accounts, at most \$50,000,000 was transferred for policy purchases. Seventy-seven percent (77%) of those funds flowed to a related entity for the purchase of insurance policies where, at least according to the FIOD Report, Moens and Peck benefited from those outflows. It is unclear to investors what those funds were spent on and whether the collective face amount of the various life insurance policies held by the CLSF and BGI Funds would be adequate to pay investors what is owed to them, even if the policies were not lapsing. Another \$30,000,000.00 was paid to insurance carriers as premium payments, and

another \$19,551,000 was paid for the purchase of certificates of deposit.<sup>21</sup> Of the total taken in from investors, \$144,132,000.00 of investor funds flowed through Peck's trust accounts that were not used to purchase life insurance policies, pay premiums to maintain such policies, purchase certificates of deposit, or otherwise to buy or to protect assets for the benefit of investors. While it may be reasonable for the administrators of such investments to charge a fair percentage of each investment to cover marketing costs, salaries, regulatory costs, and general administrative costs, the amount of investors funds that have been devoted to purposes aside from asset purchases and maintenance is unconscionable.

66. Of the approximately \$144,132,000 in investor funds that were not devoted to purchasing life insurance policies, paying premiums, or purchasing certificates of deposit, tens of millions of dollars were paid to individuals and entities connected to the Alleged Debtor and its affiliates, including (1) approximately \$11,586,000 to Appel; (2) \$33,553,320 to Blom; Laan, and Moens and (3) \$9,500,000 to Peck. Of the \$9,500,000 that Peck paid herself, it is unclear how much of this was related to reasonable operating expenses of the Alleged Debtor and its affiliates in the United States, but under no circumstances was Peck entitled to a \$9,500,000.00 fee for processing investor payments. Investors, including the Petitioning Creditors would like to know where the money went, and they want a full accounting from Peck.

67. The situation with all of the domestic entities related to the CLSF Funds, including the Alleged Debtor, is dire. The Court should appoint an interim trustee to protect

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<sup>21</sup> It is significant, however, that the certificates of deposit that were purchased returned only \$252,000.00 on a \$19,551,000 investment. The BGI Prospectus promised investors an 8% annualized rate of return for the certificates of deposit that would be purchased, but the CDs actually returned far less than 8% percent. The actual results are not surprising. The BGI Funds were incorporated and solicited investors beginning in 2008, during the height of the financial crisis. The interest rate environment since that time has been historically low. To counsel's knowledge there was not and there is not an FDIC insured certificate of deposit that offers 8% annual interest.

investors during the gap period and prevent further loss or dissipation of the Alleged Debtor's assets.

WHEREFORE, the Petitioning Creditors respectfully request that the Court (1) appoint an interim trustee for the Alleged Debtor, (2) authorize the interim trustee to seek any and all discovery from Deborah C. Peck and other individuals and entities related to the Alleged Debtor, the CLSF Funds, and the BGI Funds, (3) waive the requirement for the Petitioning Creditors to post a bond, and (4) for such other and further relief as the Court deems just.

*I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court for the Southern District of Florida and I am qualified to practice in this Court as set forth in Local Rule 2090-1(A).*

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