

Thomas M. Melton (4999)
meltont@sec.gov
Daniel J. Wadley (10358)
wadleyd@sec.gov
Attorneys for Plaintiff
Securities & Exchange Commission
15 West South Temple Street, Suite 1800
Salt Lake City, Utah 84101
Tel. 801-524-5796
Fax: 801-524-5262

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

EDMUND E. WILSON, an individual, and
WALTER L. ROSS, an individual.

DEFENDANTS.

COMPLAINT

Civil No.: 2:13-cv-00188

Magistrate Judge: Paul M. Warner

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendants Edmund E. Wilson and Walter L. Ross, (collectively, “Defendants”) alleges as follows:

INTRODUCTION

1. This matter involves the fraudulent and unregistered offerings of securities by Fountain Group of Companies of Utah, Inc. (“Fountain Group”) and its president Edmund E. Wilson (“Wilson”). Beginning in September 2005, Wilson through an entity called Fountain Group, a now defunct Utah corporation, offered and sold Fountain Group securities raising

approximately \$11 million from at least 60 investors. Wilson was assisted with solicitations by Walter L. Ross (“Ross”).

2. Wilson and Ross sought out investors who had real estate projects, such as shopping malls or resorts, which the investors wanted to develop. For an investment, referred to by Wilson as a “fee”, of either \$80,000 or \$150,000 per project, Wilson claimed that Fountain Group would leverage a bond backed by senior life settlement policies to generate the funding an investor needed to develop the real estate project.

3. Wilson claimed that the program, called a “substitution of collateral program” (“SCP”), was a “method of financing a project using funds that are generated from a form of collateral that is also self-liquidated by the same income stream, so that the borrower of the funds will not be required to make payments on the loan.”

4. Investors were told that the funds they invested would be used to “pay fees to the various entities as needed in order to activate the funding.” Instead of using investor funds as represented, Wilson transferred investor funds to other entities he operated and controlled where the funds were spent on expenses related to those businesses. In addition, Wilson transferred funds to numerous business associates and used investor funds for personal purposes.

5. Wilson omitted to disclose to investors that their funds would be used for expenses related to other businesses Wilson operated, transferred to Wilson’s business associates or used for his personal use.

6. Ross solicited investments on behalf of Fountain Group, accepted investment contracts and other paperwork from investors, and forwarded the information to Wilson. For his work, Wilson paid Ross \$5,000 per investment.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77t and 77v] and Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u and 78aa].

8. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the District of Utah.

9. Venue for this action is proper in the District of Utah under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because certain of the defendants reside in and transact business in this district.

10. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and course of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

11. Defendants’ conduct took place in connection with the offer, purchase and/or sale of investment contracts issued by Fountain Group, which are securities.

DEFENDANTS

12. **Edmund Edward Wilson**, age 68, is a resident of St. George, Utah. Wilson was the president and a director of Fountain Group of Companies of Utah, Inc. Wilson solicited investments on behalf of Fountain Group.

13. **Walter Len Ross**, age 65, is a resident of Cathedral City, California. Ross solicited investments on behalf of Fountain Group and received transaction-based compensation in connection with the solicitation.

RELATED PARTIES

14. **Fountain Group of Companies of Utah, Inc.** was a Utah corporation with its principal place of business in St. George, Utah. Fountain Group has not registered any offering of its securities under the Securities Act or a class of securities under the Exchange Act. Fountain Group issued investment contracts and raised investor capital from approximately September 2005 to June 2012. Fountain Group was controlled by Wilson. Fountain Group's business registration with Utah is expired.

15. **Shad E. Ellison ("Ellison")**, age 48, resides in Tyler, Texas. During the relevant period, Ellison conducted business through Profilers Diversified Capital Group, LLC ("Profilers"), an entity that he founded and controlled. In May 2006, Fountain Group entered into a contract with Profilers to purchase six bonds backed by life settlement policies valued at \$50 million each. In August 2006, Profilers provided Wilson with an Irrevocable Bond Power purportedly backed by six promissory notes valued at \$50 million per note.

16. **Donald C. Brennan ("Brennan")**, age 61, resides in Tampa, Florida. Brennan conducts business through Global Development Group, Inc. ("Global"). Brennan referred clients to Wilson and received compensation from Wilson for those referrals.

STATEMENT OF FACTS

17. Wilson formed Fountain Group in 1995 to attract clients to Fountain Group by "utilizing creative 'financial engineering' techniques, such as substitution of collateral

platforms” to assist client in the “acquisition, development, maintenance and most importantly, the full financing of projects.”

18. Wilson was the president and a director of Fountain Group and had sole control over Fountain Group’s bank accounts. Wilson was solely responsible for Fountain Group’s business functions.

19. Ross referred investors to Fountain Group and Wilson by word of mouth.

WILSON DEFRAUDS FIRST FOUNTAIN GROUP INVESTOR

20. The first sale of securities by Fountain Group occurred in September 2005. In the spring of 2005, Devra Patton-West (“West”), who had been looking for funding to build a medical spa as a high end resort, was referred to Wilson by Brennan.

21. Wilson told West that he could provide funding for her medical spa through a funding program involving life settlement policies.

22. On September 19, 2005, West and Wilson, as chairman and CEO of Fountain Group, executed two investment contracts, titled Collateralized Platform Earnings Agreements. The investment contracts state that Fountain Group “is immediately willing and able to deliver high yield profits in United States Dollars, by good, clean and cleared funds of non-criminal origin against the instrument as hereinafter described.”

23. The contract further describes the instrument as a senior life policies wrapped with a reinsurance bond and a bank promissory note. The contracts listed anticipated total earnings in excess of \$6 million for West’s total investment of \$650,000.

24. The contracts provide that the funds would be used as “the initial wrap for the seed instrument.” Instead of using West’s funds as set forth in the investment contract, immediately after West wired the funds to Fountain Group’s bank account, Wilson transferred

\$30,500 to a creditor of Ellison and another \$300,000 to Ellison's company Profilers Diversified Capital Group ("Profilers"). Wilson used the remaining \$316,000, for personal purposes including payment of attorney fees and payments to a business college.

25. At the time Wilson entered into the agreements with West, Fountain Group did not have senior life policies wrapped with a reinsurance bond and backed by a promissory note and therefore, had no ability to "immediately...deliver high yield profits."

26. In May 2006, Wilson did enter into a contract with Ellison's company Profilers to purchase six bonds backed by life settlement policies valued at \$50 million each. In August 2006, Profilers provided Wilson with an Irrevocable Bond Power purportedly backed by six promissory notes valued at \$50 million per note. However, neither Ellison nor his company ever provided the life settlement policies that were to back the bond and/or promissory note.

27. The investment contracts between Wilson and West required Wilson to perform within 15 to 45 banking days from his receipt of West's funds. To date, Wilson has not provided West with the requested funding nor has he refunded her investment.

WILSON SELLS INVESTMENTS IN FOUNTAIN GROUP'S SUBSTITUTION OF COLLATERAL PROGRAM

28. Despite Profilers' failure to produce a bond that was actually backed by life settlement policies, beginning in March 2007 through June 2012 Wilson sold Fountain Group securities to additional investors. Ross assisted these efforts.

29. Wilson told Ross that he had procured senior life settlement policies that he could leverage on a five to one ratio and thereby produce funding for real estate projects. Wilson claimed that the investment program offered by Fountain Group was a "method of financing a project using funds that are generated from a form of collateral that is also self-liquidated by the

same income stream, so that the borrower of the funds will not be required to make payments on the loan.”

30. Wilson offered Ross the opportunity to participate in Fountain Group’s Substitution of Collateral Program (“SCP”) as a “producer” of clients for Fountain Group and receive transaction-based compensation for doing so. From March 2007 through May 2008, Ross referred 51 investors to Fountain Group and received transaction-based compensation totaling \$340,000, for the referrals.

31. Investors submitted an application requesting a specific amount of funding for a real estate development project. The investor was required to pay an advance fee, of either \$80,000 or \$150,000 per project to participate. Investors were told that their funds would “pay fees to the various entities as needed in order to activate the funding.”

32. Upon receiving the application and advance fee, the investment contracts required Fountain Group to submit the investor’s application to an audit company for approval and assign to a segregated escrow account a promissory note secured by life settlement policies.

33. Wilson, as project manager, was responsible for delivering to the investor’s escrow account 20% of the gross funding requested by the investor. Wilson was then responsible for leveraging those funds to produce the entire amount of funding requested by the investor through “private exchange transactions” of the bonds backed by life settlement policies.

34. Investors were told that they would not be required to repay the funding they received because Fountain Group’s SCP would create an income stream that would pay back the funding.

35. From March 2007 through May 2008, Wilson and Ross offered and sold Fountain Group investment contracts to 51 investors raising approximately \$7 million. In May 2008, Ross

stopped referring clients to Fountain Group. Wilson, however, continued to solicit new investments.

36. Beginning in 2008, Wilson told investors that he was working with someone he referred to as “the General” from Hong Kong, who would provide the funding for the real estate development projects. Wilson claimed that the General had access to millions of dollars of cash specifically slated for investment in real estate project located in the United States.

37. Wilson told at least one investor that the General had shored up HSBC bank when there was a stock run.

38. In connection with Wilson’s representations regarding the General, Wilson solicited additional investments from investors, claiming additional funds were needed for fees and expenses.

39. In total, from September 2005 through June 2012, Fountain Group raised over \$11 million from at least 60 investors.

MATERIAL MISREPRESENTATIONS AND OMISSIONS

40. Wilson made a number of material misrepresentations and omissions in connection with the offer and sale of Fountain Group securities.

41. Wilson used false and misleading statements to create the appearance that Fountain Group actually had promissory notes or a bond backed by life settlement policies that would be leveraged to generate the requested funding.

42. The investment contract between Fountain Group and the investor provided that upon payment by the investor, Fountain Group would cause to be delivered “a promissory note secured by life policies/settlements issued by United States based Life Companies rated “A” or better by Standard & Poors or AM Best in the name of the client and [Wilson].” However,

Wilson failed to inform investors that the promissory notes referenced in the investment contracts were not secured by life policies/settlements.

43. In order to convince investors that Fountain Group's bond existed and could be leveraged to produce the requested funding, Wilson registered Fountain Group's bond with CUSIP Service Bureau and provided this information to investors. Wilson failed to inform investors that Fountain Group's bond was not backed by any assets and therefore, could not be leveraged to produce the requested funding.

44. Wilson also omitted to tell investors material information regarding the use of investor funds. Investors were told that their funds would be used to "pay fees to the various entities as needed in order to activate the funding." Despite these representations, Wilson transferred a significant portion of investor funds to other entities he owned or controlled where the funds were used for expenses related to those entities.

45. For example, Fountain Group bank records reflect that Wilson transferred over \$1.9 million to bank accounts in the name of Zoomobile Alliances, Inc., a parent company for other companies Wilson controlled that had nothing to do with obtaining funding for investors. In addition, Wilson transferred \$390,000 to a bank account in the name of Zoo Mobile, Inc. a wireless and technology company and \$29,000 to Home Enhancers, LLC, a producer of pre-cast foam and concrete products, both companies Wilson controlled. These companies had nothing to do with obtaining funding for investors.

46. Wilson also failed to tell investors that their funds would be used to make payments to business colleagues and commissions to sales people including Ross and Brennan.

47. From March 2007 through May 2008 Wilson paid a Florida woman, who was an advisory board member for Zoomobile Alliances, over \$500,000 from investor funds.

48. Wilson also used investor funds for personal purchases, including travel, purchases at a jewelry store and Build-A-Bear Workshop, payments to a chiropractor and an investment in a company called Simply-Me-TV. While the Fountain Group investment contract provides that Wilson will receive transaction-based compensation at the time the investor received the promised funding, Wilson did not tell investors that he would use their funds for his own personal purchases.

49. Wilson also made material misrepresentations and omissions in connection with his representations to investors that the General would provide the requested funding.

50. In June 2008, Wilson told one investor that funds were needed to open “three separate bank accounts in Hong Kong, China.” Wilson claimed that if the investor would invest an additional \$140,000, Fountain Group could provide the investor with \$10 million by the middle of July, 2008. Wilson represented that the additional investment would be used for travel to Hong Kong and to fund the accounts.

51. In order to convince the investor to invest the additional \$140,000, Wilson told the investor that the SEC and FBI had conducted investigations of Fountain Group’s SCP and found it in good standing. This representation was false.

52. Based on Wilson’s representations, the investor transferred \$140,000 to Fountain Group’s account. Instead of using the funds to open bank account in Hong Kong, Wilson transferred all of the funds to other entities he controlled where the funds were used for expenses related to those companies.

53. In August 2008, Wilson requested that an investor provide Fountain Group with an additional \$115,000 to be used for fees and expenses related to obtaining the funding from Hong Kong. Relying on Wilson’s representation that the funds would be used for fees and

expenses related to Fountain Group's SCP, the investor invested an additional \$115,000. Wilson used these funds for transactions unrelated to Fountain Group, including transfers to another company Wilson controlled, travel and transfers to a private equity fund.

54. The misrepresentations and omissions detailed above would be material to a reasonable investor.

55. Wilson acted with scienter. He controlled Fountain Group's bank accounts and authorized all transfers of funds. He made all business decisions for Fountain Group. He also knew that the representations made to investors regarding the use of investor funds were false.

FIRST CAUSE OF ACTION
EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD
Violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

56. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 55 above.

57. Defendant Wilson, by engaging in conduct described above, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes, or artifices to defraud.

58. By reason of the foregoing, Wilson, directly or indirectly, violated, and unless restrained and enjoined by this Court, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

SECOND CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)]

59. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 55 above.

60. Defendant Wilson, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

61. By reason of the foregoing, Wilson, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

THIRD CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES
Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
thereunder [17 C.F.R. § 240.10b-5]

62. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 55 above.

63. Defendant Wilson, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or (3) engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

64. By reason of the foregoing, Wilson violated, and unless restrained and enjoined will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

FOURTH CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]

65. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 55 above.

66. Defendants Wilson and Ross, and each of them, by engaging in the conduct described in the paragraphs above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold Fountain Group securities or, directly or indirectly, or carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

67. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

68. By reason of the foregoing, the defendants, directly or indirectly, violated, and unless enjoined will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

FIFTH CAUSE OF ACTION
OFFER AND SALE OF SECURITIES BY AN UNREGISTERED BROKER OR DEALER
Violation of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]

69. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 55 above.

70. Defendants, and each of them, directly or indirectly, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or

attempt to induce the purchase and sale of securities in Fountain Group without being registered as a broker or dealer with the Commission or associated with a broker-dealer registered with the Commission.

71. By reason of the foregoing, Defendants, and each of them, violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. 78o(a)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the violations charged herein.

II.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that permanently enjoin Wilson and his officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act, and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that permanently enjoin Ross and his officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in

transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a) and 5(c) of the Securities Act, and Sections 15(a) of the Exchange Act.

III.

Enter an order directing Defendants, and each of them, to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV.

Enter an order directing Defendants to disgorge all ill-gotten gains received during the period of violative conduct and pay prejudgment interest on such ill-gotten gains.

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

Dated March 14, 2013.

Respectfully submitted,

/s/Thomas M. Melton
Thomas M. Melton (Utah Bar No. 4999)
meltont@sec.gov
Attorneys for Plaintiff
Securities and Exchange Commission
15 West South Temple, Suite 1800
Salt Lake City, Utah 84101
Tel: 801-524-5796
Fax: 801-524-5262