UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

JOHN J. CARNEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER, FOR HIGHVIEW POINT PARTNERS, LLC; MICHAEL KENWOOD GROUP, LLC; MK MASTER INVESTMENTS LP; MK INVESTMENTS, LTD.; MK OIL VENTURES LLC; MICHAEL KENWOOD CAPITAL MANAGEMENT, LLC; MICHAEL KENWOOD ASSET MANAGEMENT, LLC; MK ENERGY AND INFRASTRUCTURE, LLC; MKEI SOLAR, LP; MK AUTOMOTIVE, LLC; MK TECHNOLOGY, LLC; MICHAEL KENWOOD CONSULTING, LLC; MK INTERNATIONAL ADVISORY SERVICES, LLC; MKG-ATLANTIC INVESTMENT, LLC; MICHAEL KENWOOD NUCLEAR ENERGY, LLC; MYTCART, LLC; TUOL, LLC; MKCM MERGER SUB, LLC; MK SPECIAL OPPORTUNITY FUND; MK VENEZUELA, LTD.; SHORT TERM LIQUIDITY FUND, I, LTD., Plaintiff, v. LUIS LUGO and MERICA CONSULTING, INC., Defendants.	Case No. 12-cv-00181 (SRU) **JURY TRIAL DEMANDED**

FIRST AMENDED COMPLAINT

John J. Carney, Esq. (the "Receiver"),[1] as court-appointed receiver for the Michael Kenwood Group (the "MK Group") and certain affiliated entities (the "Receivership Entities")[2] in *Securities and Exchange Commission v. Illarramendi, Michael Kenwood Capital Management, LLC et al. C.A.*, No. 3:11-cv-00078 (JBA) (the "SEC Action"), by and through his undersigned counsel, alleges the following:

SUMMARY OF CLAIMS

1. This lawsuit is the next step in the Receiver's continuing efforts to recapture and return the investor proceeds stolen from funds managed and operated as a Ponzi scheme by Francisco Illarramendi ("Illarramendi") and others affiliated with the MK Group and Highview Point Partners, LLC ("HVP Partners").

2. In 2007 and 2008, Illarramendi misappropriated and diverted Receivership property to make transfers totaling $533,200 to Merica Consulting, Inc. ("Merica Consulting"), a company owned, controlled, and dominated by Luis Lugo ("Lugo," and collectively with Merica Consulting, "Defendants") as set forth on Exhibit A (collectively, the "Transfers"). Illarramendi used stolen investor money to finance a buyout of Lugo's interest in Hispanic News Press LLC

[1] Unless otherwise explicitly defined herein, the Receiver adopts for purposes of this complaint the defined terms as set forth in the Amended Receiver Order dated January 4, 2012 (Docket #423).

[2] The Receivership Entities include: Highview Point Partners, LLC; MK Master Investments LP; MK Investments, Ltd.; MK Oil Ventures LLC; The Michael Kenwood Group, LLC; Michael Kenwood Capital Management, LLC; Michael Kenwood Asset Management, LLC; MK Energy and Infrastructure, LLC; MKEI Solar, LP; MK Automotive, LLC; MK Technology, LLC; Michael Kenwood Consulting, LLC; MK International Advisory Services, LLC; MKG-Atlantic Investment, LLC; Michael Kenwood Nuclear Energy, LLC; MyTcart, LLC; TUOL, LLC; MKCM Merger Sub, LLC; MK Special Opportunity Fund; MK Venezuela, Ltd.; and Short Term Liquidity Fund, I, Ltd. The term also includes any additional entities that may, in the future, become Receivership Entities, pursuant to court order.

("HNP LLC"). The Defendants did not provide reasonably equivalent value to the Receivership Entities in consideration for the Transfers.

3. Lugo met Illarramendi through Lugo's business partner Javier Marin ("Marin"). Marin, a friend and confidant of Illarramendi, grew up with Illarramendi in Venezuela, and their families had close ties. Their relationship strengthened over time. By the time Illarramendi started the Ponzi scheme, Marin had moved to the United States and become involved in various business ventures. Marin had a constant need for money to support himself and his businesses, and repeatedly counted on his friend Illarramendi to bail him out of financial difficulties. In return, Illarramendi relied on Marin as a source of information on the Venezuelan financial community and for public relations, in order to further his fraudulent scheme. Illarramendi also requested that Marin recruit new investors and set up potentially lucrative transactions for the Receivership Entities.

4. The Transfers represent monies properly belonging to the Receivership Entities, and ultimately to investors and victims of the fraud, which were instead fraudulently transferred to Merica Consulting. The transfers improperly benefitted the Defendants, who did not provide reasonably equivalent value to the Receivership Entities or their investors.

RELEVANT ENTITIES

5. HVP Partners is a Delaware limited liability company organized on August 27, 2004. HVP Partners was founded by Illarramendi and two other individuals and managed the Highview Point Master Fund, Ltd. (the "Master Fund") and two feeder funds, the Highview Point Offshore Fund, Ltd. (the "Offshore Fund") and Highview Point LP ("HVP LP") (collectively, the "HVP Funds").

6. Illarramendi also served as an owner and control person of a group of affiliated entities organized under the MK Group. MK Group was formed on January 26, 2007 as a

Stamford, Connecticut-based holding company for Michael Kenwood Consulting, LLC ("MK Consulting"), Michael Kenwood Capital Management, LLC ("MK Capital"), and other MK entities (collectively, the "MK Entities"[3]).

7. MK Consulting is a New York limited liability company organized in 2006. MK Consulting is a wholly-owned subsidiary of the MK Group and its principal place of business is located in Stamford, Connecticut.

8. MK Capital is an unregistered investment adviser organized as a Delaware limited liability company in January 2007. MK Capital is a wholly-owned subsidiary of the MK Group and its principal place of business is located in Stamford, Connecticut. Through MK Capital, Illarramendi operated and controlled several hedge funds, including the MK Special Opportunities Fund, Ltd. ("SOF"), the Short Term Liquidity Fund I, Ltd. ("STLF"), and the MK Venezuela Fund, Ltd. ("MKV") (collectively the "MK Funds"). The investors in the MK Funds were primarily offshore individuals and entities, including employee pension funds for a foreign oil company.

THE DEFENDANTS

Luis Lugo

9. Lugo was a founder of, and former partner in, HNP LLC with Marin. An officer of HNP LLC until October 2008, Lugo currently owns Merica Consulting. At the time of the filing of the original complaint, Lugo resided in Natick, Massachusetts. Upon information and

[3] The term MK Entities includes: MK Master Investments LP; MK Investments, Ltd.; MK Oil Ventures LLC.; The Michael Kenwood Group, LLC; Michael Kenwood Capital Management, LLC; Michael Kenwood Asset Management, LLC; MK Energy and Infrastructure, LLC; MKEI Solar, LP; MK Automotive, LLC; MK Technology, LLC; Michael Kenwood Consulting, LLC; MK International Advisory Services, LLC; MKG-Atlantic Investment, LLC; Michael Kenwood Nuclear Energy, LLC; MyTcart, LLC; TUOL, LLC; and MK Capital Merger Sub, LLC.

belief, Lugo currently resides in Mexico City, Mexico. Upon information and belief, Lugo received transfers from HVP Partners and the MK Entities, via his company Merica Consulting, as part of a buyout of the Defendants' ownership interest in HNP LLC by Marin.

Merica Consulting, Inc.

10. Merica Consulting is a corporation owned by Lugo, who is the sole officer and shareholder. It was formed under the laws of Massachusetts and is located in Natick, Massachusetts; its registered address is Lugo's former home in Natick. Merica Consulting received the Transfers from HVP Partners and the MK Entities, which financed Marin's buyout of the Defendants' ownership interest in HNP LLC. While Lugo was the managing director of HNP LLC, Merica Consulting held his interest in HNP LLC. HNP LLC paid Lugo's compensation through Merica Consulting.

JURISDICTION AND VENUE

11. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1367 in that this is an action brought by the Receiver appointed by this Court concerning property under this Court's exclusive jurisdiction. *See Securities and Exchange Commission v. Illarramendi, Michael Kenwood Capital Management, LLC et al.*, No. 3:11-cv-00078 (JBA), Amended Order Appointing Receiver (January 4, 2012) (Docket #423).

12. This Court has personal jurisdiction over the Defendants pursuant to 28 U.S.C. § 754 and 28 U.S.C. § 1692 and under applicable state law.

13. The District of Connecticut is the appropriate venue for any claims brought by the Receiver pursuant to 28 U.S.C. § 754 as the acts and transfers alleged herein occurred in the District.

RECEIVER'S STANDING

14. On January 14, 2011, the Securities and Exchange Commission ("SEC") commenced a civil enforcement action against Illarramendi, MK Capital, and various Relief Defendants (the "SEC Defendants"). The SEC's complaint alleges that Illarramendi and others misappropriated investor assets in violation of Section 206(1), (2) and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-(8) thereunder. The SEC also sought equitable relief, including injunctions against future violations of the securities laws, disgorgement, prejudgment interest, and civil monetary penalties.

15. Simultaneously with the filing of its complaint, the SEC sought emergency relief, including a preliminary injunction, in the form of an order freezing the assets of the SEC Defendants. The SEC also sought the appointment of a receiver over those assets.

16. On February 3, 2011, the Court appointed Plaintiff John J. Carney, Esq. as Receiver over all assets "under the direct or indirect control" of Defendant MK Capital and various Relief Defendants. A motion to expand the scope and duties of the Receivership was filed on March 1, 2011, and the Amended Receiver Order was entered on March 1, 2011, expanding both the duties of the Receiver and the definition of the Receivership Estate to include the MK Funds, namely SOF, MKV and STLF.

17. On June 22, 2011, the Court entered a Second Amended Receiver Order, which, *inter alia*, expanded the scope of the Receivership Estate to include HVP Partners as a Receivership Entity. By additional order of the Court, the Receivership was again expanded on July 5, 2011, to include MK Master Investments LP, MK Investments, Ltd. and MK Oil Ventures LLC. On January 4, 2012, the Court entered another modified Receiver Order to include additional reporting requirements. On February 2, 2012, the Receiver filed a Motion to

Expand the Receivership to include the HVP Funds; this Motion is currently pending before this Court.

18. Pursuant to the Court's Amended Order Appointing Receiver of January 4, 2012 ("Amended Receiver Order"), the Receiver has the duty of, among other things, identifying and recovering property of the Receivership Entities to ensure the maximum distribution to the Receivership Entities' defrauded creditors and to maximize the pool of assets available for distribution. Pursuant to the Amended Receiver Order, the Receiver must take control of all assets owned by or traceable to the Receivership Estate, including any funds that were stolen, misappropriated, or fraudulently transferred as alleged herein.

19. The Amended Receiver Order grants the Receiver authority to bring claims that the Receivership Entities could have brought on their own behalf. This includes, among other things, the right to "seek…avoidance of fraudulent transfers" (Amended Receiver Order, Docket #423 at 14) and "bring such legal actions based on law or equity in any state, federal, or foreign court as the Receiver deems necessary or appropriate in discharging his duties as Receiver" (*Id*. at 6) on behalf of the Receivership Entities and for the ultimate benefit of their creditors.

20. At all relevant times, the Receivership Entities were under Illarramendi's control and domination because Illarramendi and his accomplices diverted their corporate assets and deepened their insolvency in furtherance of the Ponzi scheme.

21. Illarramendi's Ponzi scheme and Defendants' receipt of fraudulent transfers originating from it caused harm to the Receivership Entities' business and property. Pursuant to the Amended Receiver Order, the Receiver has standing to bring the claims alleged herein. Because the Receivership Entities were under his domination and control while he diverted their assets, causing them harm, the Receivership Entities are tort creditors of Illarramendi.

22. The Receiver has standing to bring these claims pursuant to Connecticut Uniform Fraudulent Transfers Act ("CUFTA"), CONN. GEN. STAT. § 52-552, and Connecticut common law.

23. As alleged herein, at all relevant times the Receivership Entities were creditors of Illarramendi because they each had a claim to the funds that Illarramendi diverted and misappropriated in furtherance of his Ponzi scheme. Because Illarramendi routinely commingled funds between and among Receiver Entities each such entity is a creditor of one another. Accordingly, the Receiver has standing to recover the fraudulent transfers made to the Defendants.

THE FRAUDULENT SCHEME

I. ILLARRAMENDI'S NETWORK OF ENTITIES AND FUNDS

24. The Ponzi scheme at the center of this action (the "Fraudulent Scheme") involves the misappropriation and misuse of investor assets by Illarramendi through his domination and control over two Stamford, Connecticut-based investment advisers—namely, HVP Partners and MK Capital.

25. To perpetrate and prolong his fraud, Illarramendi fabricated entire transactions and the profitability of actual transactions in an effort to conceal his scheme and defraud creditors. To obfuscate the ever-growing shortfall, Illarramendi played a shell game with the remaining investor funds, constantly shuffling funds from one entity or fund to the next, pervasively commingling funds and giving off the false appearance of profitability. Illarramendi showed no regard whatsoever for corporate form or formalities while operating the Receivership Entities and HVP Funds.

26. Illarramendi was the managing member and one-third owner of HVP Partners, which he co-founded with Christopher Luth and Frank Lopez in 2004. Beginning in or about

2006, Illarramendi was also the majority owner of and control person for a group of affiliated entities, the MK Entities, which would eventually become organized as the MK Group.

27. In blatant disregard for his duties as a fiduciary both to the funds he managed and to his investors, Illarramendi not only used money provided by new investors to pay the returns he promised to earlier investors, but also (a) created fraudulent documents to mislead and deceive his investors, creditors, and the SEC about the existence and amount of the HVP and MK Funds' assets; (b) made false representations to his investors and creditors (and those of the HVP and MK Funds) in an effort to obtain new investments from them and to prevent them from seeking to liquidate their investments; (c) commingled the investments in each individual hedge fund with investments in the other hedge funds and other third parties without regard to their structure, stated purpose, or investment limitations; (d) engaged in transactions that were not in the best interests of the HVP and MK Funds and agreed to pay kickbacks to certain persons connected with those transactions; and (e) diverted funds for his own personal benefit. As result of these fraudulent activities, Illarramendi left a gap between the liabilities owed to the HVP and MK Funds' investors and assets actually possessed by the HVP and MK Funds. Illarramendi estimated this gap exceeded $300 million, in testimony before this Court.

28. From at least 2005 through the fall of 2010, Illarramendi caused HVP Partners, the HVP Funds, the MK Entities, and the MK Funds to engage in scores of extraordinarily complex and multi-layered transactions as part of a fraudulent scheme to conceal investment losses and the misappropriation of investor assets. Illarramendi conducted the fraud using the HVP Funds and the MK Funds in tandem, engaging in many related transactions between the two groups, which included extensive undocumented transfers of cash between them for the purpose of concealing massive losses in order to hinder, delay or defraud the investors and

creditors of the Receivership Entities and the HVP Funds. At the end of 2010, the purported value of one of the MK Funds, STLF, was as high as $540 million. In fact, however, STLF was insolvent with assets substantially less than that primarily because many of its assets were used during 2010 to pay redemptions to investors in MKV, other MK Funds, and other third parties.

29. Illarramendi utterly disregarded the corporate form and formalities and separate identities of the MK Funds and the HVP Funds in carrying out the Fraudulent Scheme, and freely and indiscriminately commingled, misappropriated, and looted investor proceeds to further the fraud and conceal it from investors and creditors.

30. On or about March 7, 2011, the United States Attorney's Office for the District of Connecticut filed a Criminal Information (the "Information") against Illarramendi alleging that Illarramendi, with others, had engaged in a massive Ponzi scheme involving hundreds of millions of dollars of money supplied primarily by foreign institutional and individual investors.

31. According to the Information, Illarramendi engaged in or caused multiple acts in furtherance of the Ponzi scheme, including but not limited to: (1) making false statements to investors, creditors and employees of the Receivership Entities, the SEC, and others to conceal and continue the scheme; (2) creating or causing fraudulent documents to be created; (3) engaging in multiple transactions without documentation in an effort to conceal and continue the scheme; (4) transferring millions of dollars of assets across the Receivership Entities and other entities he controlled to make investments in private equity companies; and (5) commingling assets across the Receivership Entities and other affiliated entities. On March 7, 2011, Illarramendi pleaded guilty to a much larger fraud than was originally pleaded in the SEC Action. He pleaded guilty to felony violations of wire fraud (18 U.S.C. § 1343), securities fraud

(15 U.S.C. §§ 78j(b) and 78ff), investment adviser fraud (15 U.S.C. §§ 80b-6 and 80b-17) and conspiracy to obstruct justice (18 U.S.C. § 371).

32. As Illarramendi publicly acknowledged during his plea allocution in the related criminal case, he began engaging in this scheme years earlier to hide from investors and creditors the losses he had incurred and the massive discrepancy that existed between the commingled assets and liabilities of the funds.[4]

II. THE GENESIS OF THE FRAUD

33. As noted above, in August 2004, Illarramendi and two others formed HVP Partners with each holding a one-third ownership share. According to the LLC agreement, the stated purpose of HVP Partners was to act as the investment manager of the Offshore Fund, a hedge fund to be nominally based in the Cayman Islands (in fact, the fund was completely dominated and controlled by Illarramendi through HVP Partners) and for engaging in any other lawful act or activity for which a limited liability company may be formed under the Delaware Limited Liability Company Act.

34. By January 2006, with over $72 million of assets in the Offshore Fund under the exclusive control of HVP Partners, the hedge fund's structure was changed to a "master-feeder" structure by creating the Master Fund, turning the Offshore Fund into an offshore feeder fund, and creating another entity called Highview Point L.P., as a domestic feeder fund. As part of this

[4] Illarramendi has admitted as part of his plea agreement to operating the hedge funds he managed as a Ponzi scheme in which he used money provided by new investors to pay out returns he had previously promised to old investors. *See United States v. Illarramendi*, No 3:11-cr-00041-SRU (Docket No. 10).

change in structure, the Master Fund was incorporated in the Cayman Islands in January 2006. Again, absolute investment and contracting powers over the fund were handed to HVP Partners.

35. In October of 2005, Illarramendi brokered a deal on behalf of the Offshore Fund and others to purchase and then immediately sell at a profit a Credit Lyonnais bond ("Calyon Bond"). The Calyon Bond deal went awry from the beginning and generated losses which should have been disclosed to and recognized by the investors. Rather than disclose these losses, Illarramendi decided to conceal them fraudulently. Despite the fact that the Calyon Bond transaction resulted in a loss, Illarramendi caused proceeds received in the transaction to be transferred to each investor, other than the Offshore Fund, in amounts greater than each investor's initial investment. These transfers made it fraudulently appear that those investors had received profits from the transaction rather than sustaining significant losses. This caused a substantial cash shortfall that was absorbed by the Offshore Fund and fraudulently concealed on the fund's books and records along with falsely reported fictitious profits to the Offshore Fund from the deal. The difference between the actual proceeds distributed to the Offshore Fund and what was fraudulently recorded on the funds' books and records was approximately $5.2 million and was the beginning of the "hole." At the end of October 2005, this $5.2 million hole constituted roughly ten percent of the $52 million net asset value reported in the falsified books and records of the Offshore Fund.

36. To cover up the $5.2 million shortfall, Illarramendi instructed GlobeOp, the HVP Funds' administrator, to record entries in the books and records of the Offshore Fund falsely reflecting that approximately $5.2 million in funds had been transferred to, and invested in Ontime Overseas Inc. ("Ontime"), an entity controlled by Illarramendi's brother-in-law, Rufino Gonzalez-Miranda. These falsifications of the books and records of the Offshore Fund made it

appear that the Offshore Fund actually received a profit and caused the Offshore Fund's books and records to be fraudulently misstated. In reality, no proceeds of the Calyon Bond transaction were transferred to Ontime.

37. This initial fraudulent concealment of the $5.2 million hole did not buy Illarramendi enough time to replace the missing funds. In order to ensure that the fraudulent transaction was removed from the books before the year-end audit, on or about December 15, 2005, Illarramendi arranged for Ontime to transfer $7.4 million to the Offshore Fund to make it appear that the falsely recorded phony investment in Ontime was being "redeemed." In fact, no such investment had been made, and Ontime was merely serving as a shell to move funds at Illarramendi's command.

38. To fund the fraudulent transfer from Ontime, which made it falsely appear that a redemption had occurred, Illarramendi, disregarding corporate form or conflicts of interest, transferred $5.5 million to Ontime from the Wachovia bank account of HVP Partners in several transactions in November and December. Further disregarding corporate form, and failing to conduct business at arm's length, Illarramendi caused HVP Partners to fund these fraudulent transfers primarily through a loan from BCT Bank International ("BCT Bank") to HVP Partners. The use of money provided by others to conceal the hole, for the most part enlarged it, as others required compensation for the use of the funds. Thus began a series of convoluted transactions over the next five years designed to hide the "hole."

III. "OFF-THE-BOOKS" BANK ACCOUNTS

39. In order to fraudulently conceal the hole, perpetuate the Ponzi scheme, and engage in transactions that were not recorded in the books and records of HVP Partners and MK Capital, Illarramendi used various bank accounts, including accounts in the names of shell companies such as Naproad Finance S.A ("Naproad"), and HPA, Inc. ("HPA"). As described

below and detailed on Exhibit A, Illarramendi used the HPA Account and the Naproad Account to make fraudulent transfers to the Defendants.

40. At all relevant times, those bank accounts were under the control of Illarramendi and HVP Partners and contained commingled funds from Receivership Entities, the HVP Funds, and other third-party entities. Illarramendi used these accounts as an extension of the fraudulent scheme that began at HVP Partners.

41. HPA was incorporated in Panama in July 2005 and was dissolved in May 2008. In August 2005, HVP Partners was provided with full power of attorney over HPA. In 2007, HPA filed documents to effect a corporate name change from HPA to HIGHVIEWPOINT CST, INC. Bank statements for accounts opened in the name of HPA (the "HPA Account") were addressed to HVP Partners' office in Stamford, Connecticut. In order to effectuate transactions using the HPA Account, Illarramendi repeatedly sent wire instructions, on HVP Partners letterhead, to HPA's bank. In these wire authorization letters, Illarramendi referred to the HPA Account as "our" (i.e. HVP Partners) bank account. Thus, the HPA Account was, in reality, a HVP Partners bank account opened under a false name.

42. Naproad was also incorporated in Panama in July 2005 and was dissolved in May 2008. In September 2005, HVP Partners was provided with full power of attorney over Naproad. In 2007, Naproad filed documents to effect a corporate name change from Naproad to HPP INTERNATIONAL S.A. Bank statements for accounts opened in the name of Naproad (the "Naproad Account") were addressed to HVP Partners' office in Stamford, Connecticut. In order to effectuate transactions using the Naproad Account, Illarramendi repeatedly sent wire instructions, on HVP Partners letterhead, to Naproad's bank. In these wire authorization letters,

Illarramendi referred to the Naproad Account as "our" (i.e. HVP Partners) bank account. Thus, the Naproad Account was, in reality, a HVP Partners bank account opened under a false name.

43. Illarramendi, in an effort to conceal the fraud, engaged in various transactions in the unofficial Venezuela currency market. Upon information and belief, the "permuta market" or swap market was a parallel currency market in operation in Venezuela in which government bonds could be bought in bolivars and then sold for dollars. Upon information and belief, it was possible to purchase a bolivar-denominated bond through brokerage houses, swap it for a dollar-denominated bond (clearable through Euroclear) and then sell it to receive U.S. dollars offshore. As a result, the relation between the prices of these two bonds became a proxy for the quasi-free market exchange rate.

44. Upon information and belief, this market was abolished by the Venezuelan government in or about May 2010. In its place, Venezuelan authorities created the Sistema de Transacciones con Títulos en Moneda Extranjera, essentially a bond-trading system run by the Venezuelan central bank, which sells dollars at a fixed rate.

45. Upon information and belief, Illarramendi relied on access to the permuta market to assist in his operation of the Ponzi scheme.

46. The Fraudulent Scheme was overarching in nature and involved the massive commingling of funds and the operation and use of the HVP Funds and their bank accounts to facilitate the fraud. Corporate formalities were ignored and the monies invested in the HVP Funds, along with money from others, were used to engage in a huge Ponzi scheme. The Ponzi scheme culminated in fraudulent losses of more than $300 million.

THE RECEIVERSHIP ENTITIES FINANCE LUGO AND MERICA CONSULTING'S BUYOUT FROM HNP LLC

47. Marin and Lugo were business partners in, and part-owners of, HNP LLC. Lugo and Marin met in approximately 2000. Upon information and belief, Lugo spearheaded the initiative to create HNP LLC in 2002. Marin held his shares of HNP LLC through his company Hispanic News Press Inc. while Lugo held his through Merica Consulting. In 2006 Merica Consulting owned approximately 17.5% of HNP LLC while Hispanic News Press Inc. owned approximately 40%. HNP LLC owned the largest circulation Spanish-language newspaper in New England, El Planeta, and its other enterprises included consulting and radio advertising in Latin America. El Planeta covered Spanish-language news, with distribution in Boston and other areas of New England. At that time, Marin and Lugo planned to expand the paper's reach, with additional distribution in multiple cities in Connecticut and Massachusetts.

48. Lugo served as managing director of HNP LLC and played an active role in its business operations. While Lugo worked for HNP LLC, the company paid his compensation to Merica Consulting. As managing director, Lugo was responsible for the financial side of the business, including designing the entity's financial initiatives and recruiting clients.

49. Despite several years of hard work, HNP LLC never achieved the financial success the members hoped for, and in 2007 Lugo and Marin decided to part ways. Upon information and belief, Lugo's initial capital contribution to HNP LLC amounted to several thousand dollars.[5] However, Marin agreed to pay Lugo more than $500,000 for his share of the

[5] Upon information and belief, Merica Consulting loaned HNP LLC an additional $72,000 in 2006, $60,000 of which HNP LLC repaid.

company. Upon information and belief, HNP LLC was never audited by an independent auditing firm and the agreed-upon price for Lugo's share was not based on any formal valuation of the company. Instead, Lugo set the price for his shares and Marin agreed to pay. The parties never memorialized this agreement.

50. Upon information and belief, Lugo knew that Marin did not have the funds necessary to pay Lugo the agreed-upon price for his shares and would need to obtain funds from other sources. Marin decided to sell El Planeta and use the proceeds in part to finance his buyout of Lugo.

51. However, Marin and HNP LLC had a difficult time selling El Planeta and finally sold it in 2008 to one of the newspaper's minority owners, receiving far less than anticipated. The sale took a long time to complete, and in the meantime, Marin had to fund Lugo's exit from the business.

52. As Marin did not have the funds to complete the buyout, he instead turned to his friend Illarramendi to provide them. Illarramendi, through the Receivership Entities, transferred money to Merica Consulting at various times in 2007 and 2008. Payments from the Receivership Entities to Merica Consulting were spread out over nearly a one-year period, at approximately six month intervals.

53. Marin had multiple e-mail conversations with Illarramendi related to the Transfers, in April 2007, October 2007, and March 2008. During these e-mail exchanges, Marin forwarded instructions Lugo provided for wire transfers to Merica Consulting. At no point in these conversations was there any mention of what value would return to the Receivership Entities from Lugo, Merica Consulting, or any other individual or entity in exchange for these Transfers.

54. Lugo provided Marin and another HNP LLC employee the bank account information for the Transfers. For instance, in Spanish-language email correspondence dated April 13, 2007, Marin forwarded to Illarramendi the transfer information Lugo provided, and made clear to Illarramendi that Merica Consulting is Lugo's business. In Spanish-language e-mail correspondence with Marin from March 17, 2008, Lugo referred to "his Merica account" and asked for the transfer to be done the same way as the previous transfers in October 2007.

55. Lugo was familiar with Illarramendi and the Receivership Entities. Upon information and belief, Lugo met with Illarramendi in January 2006 to discuss various business-related topics, including the operations of HNP LLC and El Planeta, and sought Illarramendi's advice on developing a financial strategy for those two entities. In connection with this meeting, Lugo provided Illarramendi with financial documents and other information concerning El Planeta. Lugo also sent Illarramendi, who was working in HVP Partners' offices in Stamford, Connecticut, a follow-up e-mail dated February 3, 2006, thanking him for the meeting and for whatever ideas Illarramendi had for him. When Merica Consulting received the Transfers from the HVP Partners and MK Consulting accounts, Merica Consulting and Lugo knew or should have known that the Receivership Entities were the source of the funds and not Marin. Upon information and belief, Lugo made no effort to further inquire into the details of these questionable financial arrangements, or why they came from Illarramendi's entities. Upon information and belief, Lugo knew about the difficulties relating to the El Planeta sale and that Marin could not personally afford the buyout. Lugo, as a sophisticated businessman, knew or should have known that the receipt of substantial payments from a third party—here the Receivership Entities—without providing reasonably equivalent value in return is not a practice done in the normal course of business.

56. According to Massachusetts Secretary of State filings, Lugo is and has been at all applicable times the sole owner of Merica Consulting and acted as the president, treasurer, secretary, and director. The most recent filing states that Lugo is the sole officer and director. As the sole officer and director, Lugo sets all company policy and makes all decisions for Merica Consulting. As the sole shareholder, Lugo had full control and ownership of Merica Consulting's assets, and was free to use them as he saw fit. Lugo ran his company out of his home, which is listed as its principal place of business. Moreover, Lugo is Merica Consulting's registered agent, with the listed address being Lugo's former home in Natick, Massachusetts. The most recent filing with the Massachusetts Secretary of State dates from 2011 and covers calendar year 2010. The Receiver is unaware of any subsequent filings and there is no indication Lugo has changed Merica Consulting's registered agent since that time.

57. Upon information and belief, at all relevant times, Lugo exercised full domination and control over Merica Consulting. Lugo's salary from HNP LLC was paid to Merica Consulting, according to HNP LLC payroll records.

THE TRANSACTIONS

58. As part of the aforementioned purchase of the Defendants' shares in HNP LLC by Marin, Illarramendi made multiple transfers to Merica Consulting through the Receivership Entities. Using payment instructions provided by Marin and one of his coworkers, Illarramendi made several payments totaling $533,200 to Merica Consulting from the Receivership Entities. These payments were made at three different times, at roughly six month intervals, and originated from three different accounts. Lugo and Merica Consulting did not provide any reasonably equivalent value to any of the Receivership Entities in exchange for the transfers. To date, the Receiver's investigation has not uncovered any value whatsoever that returned to the Receivership Entities in exchange for the Transfers.

59. Specifically, on or about April 13, 2007, Illarramendi transferred $60,000 to Merica Consulting from the Naproad Account. Later that year, on or about October 15, 2007, Illarramendi transferred $237,200 from the HPA Account to Merica Consulting. Then, on or about October 16, 2007, MK Consulting transferred $36,000 in Receivership assets to Merica Consulting. Finally, on or about March 23, 2008, Illarramendi transferred another $200,000 from the HPA Account to Merica Consulting. All of these transfers are set out on Exhibit A attached hereto.

60. The Transfers benefitted all parties involved but were to the detriment of the Receivership Entities. Upon information and belief, Marin was unable to consummate his buyout of Lugo's shares in HNP LLC and would not have been able to complete it but for the Transfers from the Receivership Entities. Lugo and Merica Consulting provided no reasonably equivalent value, services, or other consideration to either of HVP Partners or MK Consulting in exchange for the Transfers.

THE NATURE OF THE CAUSES OF ACTION AGAINST DEFENDANTS

61. At all times relevant hereto, the Receivership Entities, including all of their affiliated entities and funds, were insolvent in that (i) their liabilities exceeded the value of their assets by millions of dollars; (ii) they could not meet their obligations as they came due; and/or (iii) at the time of the Transfers to Defendants described herein, the Receivership Entities were left with insufficient capital to pay their investors and creditors.

62. This action is being brought to recover misappropriated investor money and Receivership property fraudulently transferred to Defendants, as well as damages for unjust enrichment and conversion, so that these funds can be returned and equitably distributed among the investors and creditors of the Receivership Entities.

63. At all relevant times, Illarramendi was involved in a Ponzi scheme and the Transfers were made to hinder, delay or defraud creditors and continue to conceal his fraudulent conduct.

64. Upon information and belief, some or all of the Transfers were subsequently transferred by Merica Consulting to Lugo (collectively, the "Subsequent Transfers").

65. The Subsequent Transfers, or the value thereof, are recoverable from Lugo pursuant to sections 52-552i(b) and 52-552h of CUFTA.

66. The Receiver was only able to discover the fraudulent nature of the above-referenced Transfers made by Illarramendi and his accomplices through the Receivership Entities after Illarramendi and his accomplices were removed from control of the Receivership Entities upon the appointment of the Receiver. Moreover, the Receiver also had to undertake a time-consuming and extensive review of thousands upon thousands of paper and electronic documents relating to the Receivership Entities to discover the fraudulent nature of the Transfers. This action was brought within one year of the Receiver's appointment. The Receiver's investigation is still ongoing. No amount of reasonable diligence by the Receiver could have detected the Transfers sooner. As a result, there may be evidence of other assets belonging to the Receivership Estate or other fraudulent transfers of funds that the Receiver has yet to discover, including the possibility of additional transfers to Defendants not included among the Transfers, or other Receivership assets held by them. If such transfers or assets are later discovered, the Receiver will seek to amend this Complaint to assert claims regarding such transfers or assets

67. To the extent that any of the recovery counts below may be inconsistent with each other, they are to be treated as pleaded in the alternative.

FIRST CAUSE OF ACTION

CUFTA SECTION 52-552e(a)(1) (ACTUAL FRAUD)
As To All Defendants

68. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

69. The Transfers were (a) made on or within four years before the date of this action or (b) discovered, and could only have been reasonably discovered, by the Receiver within one year before the date of this action.

70. At the time of each of the Transfers, one or more of the Receivership Entities were each "creditors" within the meaning of section 52-552(b)(4) of CUFTA.

71. Each of the Transfers constitutes a transfer of an interest of property of the Receivership Entities within the meaning of section 52-552(b)(12) of CUFTA.

72. Each of the Transfers occurred during the course of a Ponzi scheme, when Illarramendi diverted and misappropriated the Receivership Entities' corporate assets and commingled investor money among the insolvent Receivership Entities. Illarramendi thus directed the Transfers through the Receivership Entities at a time when such entities were insolvent. Accordingly, at all relevant times herein, the Receivership Entities had a claim to the funds used for the Transfers.

73. At all relevant times, the Receivership Entities were "creditors" of Illarramendi and his accomplices within the meaning of section 52-552(b)(4) of CUFTA for the various Transfers alleged herein.

74. Each of the Transfers was made to, or for the benefit of, the Defendants.

75. Each of the Transfers was made without receipt of reasonably equivalent value from the Defendants.

76. Each of the Transfers was made by Illarramendi and others through the Receivership Entities to further the Ponzi scheme and was made with the actual intent to hinder, delay or defraud the Receivership Entities and their then-existing creditors.

77. The Transfers constitute fraudulent transfers avoidable by the Receiver pursuant to section 52-552e(a)(1) of CUFTA and recoverable from the Defendants pursuant to section 52-552h of CUFTA.

78. As a result of the foregoing, pursuant to sections 52-552e(a)(1) and 52-552h of CUFTA, the Receiver is entitled to a judgment: (i) avoiding and preserving the Transfers; and (ii) recovering the Transfers, or the value thereof, from the Defendants for the benefit of the Receivership Estate.

SECOND CAUSE OF ACTION

CUFTA SECTION 52-522e(a)(2) (CONSTRUCTIVE FRAUD)
As To All Defendants

79. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

80. The Receiver seeks to avoid those Transfers that were made on or within four years before the date of this action.

81. Each of the Transfers constitutes a transfer of an interest of property of the Receivership Entities within the meaning of section 52-552(b)(12) of CUFTA.

82. Each of the Transfers occurred during the course of a Ponzi scheme, when Illarramendi diverted and misappropriated the Receivership Entities' corporate assets and commingled investor money among the insolvent Receivership Entities. Illarramendi thus directed the Transfers through the Receivership Entities at a time when such entities were

insolvent. Accordingly, at all relevant times herein, the Receivership Entities had a claim to the funds used for the Transfers.

83. At all relevant times, the Receivership Entities were "creditors" of Illarramendi and his accomplices within the meaning of section 52-552(b)(4) of CUFTA for the various Transfers alleged herein.

84. Each of the Transfers was made to, or for the benefit of, the Defendants.

85. Each of the Transfers was made without receipt of reasonably equivalent value from the Defendants.

86. At the time of each of the Transfers, the Receivership Entities were insolvent, were engaged in a business or transaction, or were about to engage in a business or a transaction, for which any property remaining with the Receivership Entities was an unreasonably small capital.

87. At the time of each of the Transfers, the Receivership Entities intended to incur, or believed that they would incur, debts that would be beyond their ability to pay as such debts matured.

88. The Transfers were not made by the Receivership Entities in the ordinary course of business.

89. The Transfers constitute fraudulent transfers avoidable by the Receiver pursuant to section 52-552e(a)(2) of CUFTA and recoverable from the Defendants pursuant to section 52-552h of CUFTA.

90. As a result of the foregoing, pursuant to sections 52-552e(a)(2) and 52-552h of CUFTA, the Receiver is entitled to a judgment: (i) avoiding and preserving the Transfers made on or within four years before the date of this action; and (ii) recovering the Transfers made on

or within four years before the date of this action, or the value thereof, from the Defendants for the benefit of the Receivership Estate.

THIRD CAUSE OF ACTION

CUFTA SECTION 52-522f(a) (CONSTRUCTIVE FRAUD)
As To All Defendants

91. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

92. The Receiver seeks to avoid those Transfers that were made on or within four years before the date of this action.

93. Each of the Transfers constitutes a transfer of an interest of property of the Receivership Entities within the meaning of section 52-552(b)(12) of CUFTA.

94. Each of the Transfers occurred during the course of a Ponzi scheme, when Illarramendi diverted and misappropriated the Receivership Entities' corporate assets and commingled investor money among the insolvent Receivership Entities. Illarramendi thus directed the Transfers through the Receivership Entities at a time when such entities were insolvent. Accordingly, at all relevant times herein, the Receivership Entities had a claim to the funds used for the Transfers.

95. At all relevant times, the Receivership Entities were "creditors" of Illarramendi and his accomplices within the meaning of section 52-552(b)(4) of CUFTA for the various Transfers alleged herein.

96. Each of the Transfers was made to, or for the benefit of the Defendants.

97. Each of the Transfers was made without receipt of reasonably equivalent value from the Defendants.

98. At the time of each of the Transfers, the Receivership Entities were insolvent, or became insolvent, as a result of the transfer in question.

99. The Transfers constitute fraudulent transfers avoidable by the Receiver pursuant to section 52-552f(a) of CUFTA and recoverable from the Defendants pursuant to section 52-552h of CUFTA.

100. As a result of the foregoing, pursuant to sections 52-552f(a) and 52-552h of CUFTA, the Receiver is entitled to a judgment: (i) avoiding and preserving the Transfers made on or within four years before the date of this action; and (ii) recovering the Transfers made on or within four years before the date of this action, or the value thereof, from the Defendants for the benefit of the Receivership Estate.

FOURTH CAUSE OF ACTION

CUFTA SECTION 52-552i(b) (SUBSEQUENT TRANSFEREE LIABILITY)

As To Lugo

1. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

2. Lugo benefited from the receipt of money from the Receivership Entities in the form of the Subsequent Transfers alleged herein which were the property of the Receivership Entities and their investors, and for which the Defendants did not adequately compensate the Receivership Entities or provide value.

3. At the time of each of the Transfers, one or more of the Receivership Entities were each "creditors" within the meaning of section 52-552(b)(4) of CUFTA.

4. Each of the Transfers constitutes a transfer of an interest of property of the Receivership Entities within the meaning of section 52-552(b)(12) of CUFTA.

5. Each of the Transfers was made without receipt of reasonably equivalent value from Defendants.

6. Upon information and belief, the Subsequent Transfers were transferred by Merica Consulting to Lugo.

7. Each of the Subsequent Transfers was made directly or indirectly to Lugo. Each of the Subsequent Transfers was made to, or for the benefit of, Lugo.

8. Lugo is an immediate or mediate transferee of the Subsequent Transfers from Merica Consulting.

9. As a result of the foregoing, pursuant to sections 52-552i(b)(2) and 52-552h of CUFTA, the Receiver is entitled to a judgment: recovering the Subsequent Transfers, or the value thereof, from Lugo for the benefit of the Receivership Estate.

FIFTH CAUSE OF ACTION

UNJUST ENRICHMENT
As To All Defendants

10. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

11. The Defendants each benefited from the receipt of money from the Receivership Entities in the form of payments, and other Transfers alleged herein which were the property of the Receivership Entities and their investors, and for which the Defendants did not adequately compensate the Receivership Entities or provide value.

12. The Defendants unjustly failed to repay the Receivership Entities for the benefits they received from the Transfers.

13. The enrichment was at the expense of the Receivership Entities and, ultimately, at the expense of the Receivership Entities' creditors.

14. Equity and good conscience require full restitution of the monies received by Defendants from the Receivership Entities for distribution to the creditors.

15. By reason of the above, the Receiver, on behalf of the Receivership Entities and its creditors, is entitled to an award in an amount to be determined at trial.

SIXTH CAUSE OF ACTION

CONSTRUCTIVE TRUST
As To All Defendants

16. The Receiver incorporates by reference the allegations contained in the previous paragraphs of the Complaint as if fully rewritten herein.

17. As set forth above, the assets of the Receivership Entities have been wrongfully diverted as a result of fraudulent transfers, unjust enrichment, and other wrongdoing of the Defendants for their own individual interests and enrichment.

18. The Receiver has no adequate remedy at law.

19. Because of the past unjust enrichment and the Transfers made to the Defendants, the Receiver is entitled to the imposition of a constructive trust with respect to any transfer of funds, assets, or property from Receivership Entities, as well as to any profits received by the Defendants in the past or on a going forward basis from transfers derived from the Receivership Entities.

20. The Receiver is entitled to and demands title, possession, use, and/or enjoyment of the foregoing property for the benefit of the Receivership Estate.

SEVENTH CAUSE OF ACTION

ACCOUNTING
As To All Defendants

21. The Receiver incorporates by reference the allegations contained in the previous paragraphs of the Complaint as if fully rewritten herein.

22. As set forth above, the assets of the Receivership Entities have been wrongfully diverted as a result of fraudulent transfers, unjust enrichment, and other wrongdoing of the Defendants for their own individual interests and enrichment.

23. The Receiver has no adequate remedy at law.

24. To compensate the Receivership Entities for the amount of monies the Defendants diverted from Receivership Entities for their own benefit, it is necessary for the Defendants to provide an accounting of any transfer of funds, assets, or property received from the Receivership Entities, as well as to any profits in the past and on a going forward basis in connection with Receivership Entities. Complete information regarding the amount of such transfers misused by the Defendants for their own benefit is within their possession, custody, and control. An accounting is necessary due to the Fraudulent Scheme, of which the Transfers to Defendants were a part.

EIGHTH CAUSE OF ACTION

PIERCING THE CORPORATE VEIL
As To All Defendants

1. The Receiver incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

2. At all relevant times, Lugo was the president, secretary, treasurer, and director of Merica Consulting and was its sole owner. Lugo completely dominated, directed, and controlled

the financial, policy, and business practices of Merica Consulting such that Merica Consulting had no separate existence on its own.

3. At all relevant times, there was such unity of interest and ownership among the Defendants that the independence of Merica Consulting had in effect ceased or never begun and an adherence to the fiction that Lugo and Merica Consulting were separate entities would serve only to defeat justice and equity by permitting the economic entities to escape liability.

4. As a direct and foreseeable result of the aforementioned interest of ownership, the Receivership Entities have suffered harm.

5. Lugo used Merica Consulting to facilitate transaction that belonged to him rather than the company.

6. Lugo ran Merica Consulting out of his home in Massachusetts, as listed in Massachusetts Secretary of State filings.

7. Permitting Lugo to escape liability in this action through his use of the shell of Merica Consulting as the entity receiving the Transfers and by imposing liability for the Transfers solely on Merica Consulting, would work an injustice on the Receiver's efforts to return money to the Receivership Entities and their creditors.

8. By reason of the above, the court should pierce the corporate veil of Merica Consulting and impose liability for fraudulent transfers and unjust enrichment upon Lugo.

WHEREFORE, the Receiver respectfully requests that this Court enter judgment in favor of the Receiver and against Defendants as follows:

i. On the First Cause of Action; pursuant to sections 52-552e(a)(1) and 52-552h of the Connecticut Fraudulent Transfers Act: (i) avoiding and preserving the Transfers; and (ii)

recovering the Transfers, or the value thereof, from each of the Defendants for the benefit of the Receivership Estate;

ii. On the Second Cause of Action; pursuant to sections 52-552e(a)(2) and 52-552h of the Connecticut Fraudulent Transfers Act: (i) avoiding and preserving the Transfers made on or within four years before the date of this action; and (ii) recovering the Transfers made on or within four years before the date of this action, or the value thereof, from each of the Defendants for the benefit of the Receivership Estate;

iii. On the Third Cause of Action; pursuant to sections 52-552f(a) and 52-552h of the Connecticut Fraudulent Transfers Act: (i) avoiding and preserving the Transfers made on or within four years before the date of this action; and (ii) recovering the Transfers made on or within four years before the date of this action, or the value thereof, from each of the Defendants for the benefit of the Receivership Estate;

iv. On the Fourth Cause of Action; pursuant to sections 52-552i(b) and 52-552h of the Connecticut Fraudulent Transfers Act: recovering the Subsequent Transfers, or the value thereof, from Lugo for the benefit of the Receivership Estate;

v. On the Fifth Cause of Action against each of the Defendants for unjust enrichment and for damages in an amount to be determined at trial;

vi. On the Sixth Cause of Action against each of the Defendants for imposition of a constructive trust upon any transfers of funds, assets, or property received from the Receivership Entities;

vii. On the Seventh Cause of Action against each of the Defendants for an accounting of any transfer of funds, assets, or property of the Receivership Entities;

viii. On the Eighth Cause of Action against each of the Defendants for an order piercing the corporate veil of Merica Consulting to impose individual liability upon Lugo;

ix. On all Causes of Action, awarding the Receiver all applicable pre-judgment and post-judgment interest, costs, and disbursements of this action; and

x. On all Causes of Action, granting the Receiver such other, further, and different relief as the Court deems just, proper and equitable.

The Receiver respectfully requests a jury trial for all of the preceding causes of action.

Date: July 20, 2012

/s/ Jonathan B. New

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