

in Emery Air Freight (“Emery”). Similar to the situation with Pan Am, TFC’s attempted take-over of Emery was a dismal failure, resulting in massive trading losses to TFC.

31. In the wake of these losses to TFC, Epstein manipulated the price of Emery stock to minimize the losses when the share price began to fall. In order to do so, Epstein opened and maintained a number of brokerage accounts to execute false trades in order to artificially inflate the price of Emery stock – while the company was in reality useless. Because Epstein did not have a license to trade, Epstein traded, purchased and sold stocks, bonds and other securities by what he referred to as “making the orders” through licensed brokers.

32. As the puppet master of Emery stock fraud, Epstein was making sizeable profits off his trading on insider information. According to Hoffenberg’s sworn affidavit, annexed hereto, Epstein misappropriated the proceeds for not only his personal use, but also to start his own company, Defendant TFTC.

33. United Fire and Associated lost over one million dollars (\$1,000,000) on the purchase of Emery securities, due to the fact that the stock was purchased with funds borrowed by using insurance company bonds as collateral.

34. Defendant Epstein and Hoffenberg concealed their unsavory activities through many deceptive actions, including but not limited to, routing all securities trades confirmations from brokerage firms to TFC, rather than to the insurance companies’ offices; causing false entries to be made on the records of the insurance companies; failing to provide supporting documentation for expenditures; providing false information or withholding accurate information in annual and quarterly reports regarding the location and use of bonds; capital contributions made to the insurance companies; creating false documents; and closing out securities positions without regard to the profitability of the transactions.