35. By the late 1980s, TFC became insolvent as a result of the massive losses it had incurred over the years. According to Hoffenberg, Epstein then devised a new fraudulent scheme to raise capital for TFC – namely, by selling Promissory Notes.

36. From January 1988 through March 1992, TFC sold the Promissory Notes in private placements by means of six (6) separate private placement offering memoranda (the "TFC Promissory Notes"). Defendant Epstein and TFC, represented to investors that the TFC Promissory Notes were collateralized by accounts receivable owned by TFC.

37. The six private placement offerings resulted in the sale of approximately two hundred seventy two million dollars ($272,000,000) in TFC Promissory Notes throughout the United States.

38. Epstein fraudulently induced investors to purchase the TFC Promissory Notes by assisting in the preparation and the distribution of financial statements which used falsified income and asset figures to deceitfully conceal TFC's true financial condition. The falsified income and asset figures were a key component of continuing Defendant Epstein's Ponzi scheme. Since TFC had taken such heavy losses on a series of failed investments, the company was deep in the red. In order to sell investors on the idea of future profits from investment in the TFC Promissory Notes, it was necessary to show investors that TFC was profitable.

39. As set forth in the accompanying Affidavit of Hoffenberg, annexed hereto, Epstein participated, directly and indirectly, in arranging to have a certified public accountant falsely verify that the financial statements reflected TFC's financial condition.

40. Ultimately, only a small fraction of the proceeds from the sale of the TFC Promissory Notes were used for the purpose stated in the offering documents. The proceeds from the sales of the TFC Promissory Notes were used to pay TFC's operating expenses, including