

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	:	
SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	
	:	11 Civ. 7033 (JSR)
-against-	:	ECF CASE
	:	
ERIC J. ARONSON, ET AL.	:	NOTICE OF MOTION FOR
Defendants,	:	AN ORDER REOPENING
	:	CASE; RECOVERING AND
and	:	RECLASSIFYING FUNDS;
	:	AND DIRECTING TRANSFER
CAROLINE ARONSON, ET AL.	:	OF THE DISTRIBUTION
	:	FUND TO A RELATED
Relief Defendants.	:	CRIMINAL ACTION FOR
	:	DISTRIBUTION
-----X		

In accordance with paragraph 2(d) of the Individual Rules of Practice of the Court, Plaintiff, the Securities and Exchange Commission (the “SEC”), will move this Court, at a date and time to be determined by the Court for an Order reopening the above-captioned action; directing and reclassifying collections as disgorgement, prejudgment interest, civil penalties, and post-judgment interest, in that order; recovering funds from the U.S. Treasury for combination with collected disgorgement in a distribution fund (the “Distribution Fund”); and directing the SEC to disburse the Distribution Fund, including any funds recovered in the future, to the restitution fund in *U.S. v. Aronson, et al.*, 12-cr-00245-ADS-GRB (E.D.N.Y.) for distribution pursuant to the restitution process in that action.

Responses to the SEC's motion (if any) are due on April 12, 2024.

Dated: March 29, 2024

Respectfully submitted,

/s/ Catherine E. Pappas

Catherine E. Pappas

Pro Hac Admission, ECF No. 194

Attorney for Plaintiff

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CERTIFICATE OF SERVICE

I certify that on March 29, 2024, I caused a copy of the foregoing document to be filed with the Court's CM/ECF system, which will automatically send a copy of the document to all counsel of record.

Dated: March 29, 2024

/s/ Catherine E. Pappas
Catherine E. Pappas (Pro Hac, ECF No. 194)

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ERIC J. ARONSON, ET AL.	:
Defendants,	:
	:
and	:
	:
CAROLINE ARONSON, ET AL.	:
	:
Relief Defendants.	:
	:
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11 Civ. 7033 (JSR)
ECF CASE

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF’S
MOTION FOR AN ORDER REOPENING CASE; RECOVERING AND
RECLASSIFYING FUNDS; AND DIRECTING TRANSFER OF THE DISTRIBUTION
FUND TO A RELATED CRIMINAL ACTION FOR DISTRIBUTION

SECURITIES AND EXCHANGE
COMMISSION

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March 29, 2024

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I. PRELIMINARY STATEMENT

The plaintiff, the Securities and Exchange Commission (the “SEC”), respectfully submits this memorandum in support of its motion for an Order reopening this case; recovering and reclassifying funds from the U.S. Treasury for combination with disgorged funds for distribution (the “Distribution Fund”); and directing the transfer of the Distribution Fund to a related criminal action, *U.S. v. Aronson, et al.*, 12-cr-00245-ADS-GRB (E.D.N.Y.) (the “Criminal Action”), for distribution in accordance with the restitution process. In short, the SEC holds \$40,000 in disgorgement in an SEC-designated account for this action, to which it seeks to add approximately \$6,900 held at the U.S. Treasury, for distribution to harmed investors through the Criminal Action.

The undersigned has conferred with counsel for Messrs. Buonauro and Aaron, each of whom has confirmed that their clients do not oppose the relief sought. Mr. Aronson is not represented by counsel and, on information and belief, has recently passed away. The SEC notes that all the defendants and relief defendants have been terminated on the Court docket -- the matter has been resolved against them as described below. By the judgments entered against them, those from whom money has been collected have relinquished all legal and equitable right, title, and interest in such funds.

Upon the filing of the Motion, the SEC will send a copy of the Motion and the accompanying papers to the last known address of entities identified by the SEC in Exhibit 8 (Schedule of Investors, ECF No. 100-8) to the Declaration of Desiree M. C. Marmita in Support of Plaintiff’s Motion for Summary Judgment (ECF No. 100) (hereinafter referenced as “Exhibit 8”) as having invested in one or more of the defendant entities. The SEC will include in the

accompanying correspondence to investors the name of a contact to direct questions regarding the criminal restitution process, as well as a contact at the SEC to whom to direct any questions.

II. BACKGROUND

A. The Civil Action and the Civil Fraud Allegations

On October 6, 2011, the SEC filed this action against Eric Aronson (“Aronson”), Vincent J. Buonauro, Jr. (“Buonauro”), Robert S. Kondratick (“Kondratick”), Fredric H. Aaron (“Aaron”), Permapave Industries, LLC (“Permapave”), Permapave USA Corp., Permapave Distributions, Inc. (collectively with Permapave and Permapave UA Corp, the “Permapave Entities”), Permeable Solutions, Inc., Verigreen, LLC (“Verigreen”), Interlink-US-Network, Ltd. (“Interlink”) (collectively, the “Defendants”), and several relief defendants (the “Civil Action”). In its Complaint, the SEC alleged that, from 2006 through the filing of the Complaint (October 6, 2011), Permapave and its affiliates were participating in an ongoing fraudulent scheme that had defrauded at least 150 investors out of, at least, \$16 million. ECF. No. 1, ¶ 1.

The SEC alleged that the Defendants, through material misrepresentations and omissions, first induced investments in unregistered offerings, promissory notes, and “use of funds agreements” issued by the Permapave Entities, a group owned and controlled by Aronson, Kondratick, and Buonauro. *Id.* at ¶¶ 1. According to the Complaint, the Defendants misrepresented the demand for, and profitability of, the Permapave Entities’ pavers;¹ the use of investments; the source of funding to repay investments; and the safety of the investment. *Id.* at ¶¶ 41-42. The SEC alleged that, in fact, there was virtually no demand for the pavers; only approximately \$600,000 of more than \$26 million raised was used to purchase pavers; there

¹ The PermaPave entities purported to sell “pavers,” which are squares comprised of small rocks glued together that purportedly assist with storm drainage. *Id.* at ¶ 38.

were no profits from the sale of the pavers; Aronson and Buonauro misappropriated the investments to pay back investors in Ponzi-like fashion and to fund their lavish lifestyles; and that there was a high risk associated with the investment. *Id.* at ¶¶ 3, 42.

The SEC alleged that, in late 2008, Aronson and Aaron concealed and prolonged the fraud by inducing investors to exchange or convert existing investments into Permeable Solutions debentures, which paid a low interest rate and deferred repayment of principal for two years. *Id.* at ¶¶ 4, 54-72. Among other things, Aronson and Aaron misrepresented to investors that the Permapave Entities' investment agreements were usurious and that the investors committed a felony by signing those agreements; that the Permeable debentures were secured; and that Aronson had no knowledge of the investment agreements until after the fact, but he was offering the exchange as a gesture of goodwill. *Id.* at ¶ 57. According to the Complaint, usury laws were, in fact, inapplicable; there was no security for the debentures; and Aronson was intrinsically involved with the offering and issuance of the investment and the offering of the exchange was an attempt to conceal the misuse of that investment. *Id.* at ¶ 58.

The SEC alleged that, in the summer of 2009, while in default on interest payments on the Permeable debentures, Aronson and Aaron, through misrepresentations of imminent profits from the sale of Permeable, induced investors to convert the Permeable debentures and/or Permapave Entity investments to Permeable common stock. *Id.* at ¶¶ 65-67. Then, in June 2010, the Defendants made another attempt to forestall discovery of their ongoing fraud. In June 2010, Verigreen, the parent of the Permapave Entities, became the majority shareholder of Interlink, a publicly traded company, through a reverse merger. According to the Complaint, at that time, Permeable management sent a letter to investors in Permeable common stock informing them that the number of shares owed to them by Permeable had been "recalculated,"

and that, upon their signing a release of the Permapave Entities and their management, they would receive one share of Interlink common stock to replace every five shares of Permeable common stock. *Id.* at ¶ 71. About half of the investors who were owed shares of Permeable common stock received shares of Interlink common stock, which were worth a fraction of their original investment. *Id.* at ¶ 72.

The litigation of this matter is complete. The Court entered default judgments against all entities except Permeable Solutions, Inc.,² a final judgment by consent as to Kondratick, final judgments against Aronson, Aaron, Buonauro, and dismissed all claims against Deborah Buonauro. *See* ECF Nos. 57, 93, 135, 143-145, 147, 175. Relevant to this motion, the Court ordered Aaron to pay disgorgement of \$1,548,255, of which he was directed to pay \$495,080 individually, and the remainder jointly and severally with some of his co-defendants. ECF Nos. 145, 175. The Court further ordered Aaron to pay a civil penalty of \$250,000 and prejudgment interest of \$274,606, *id.*, and Kondratick to pay \$40,000 in disgorgement, ECF No. 93. Kondratick has paid the \$40,000 in disgorgement. The SEC has collected approximately \$6,900 from Aaron, which has been sent to the U.S. Treasury as post-judgment interest in accordance with the final judgment.

B. The Criminal Action

On April 4, 2012, a grand jury indicted Aronson, Buonauro, and Aaron in a fourteen-count indictment (the “Indictment”) charging conspiracy, securities fraud, wire fraud, mail fraud, money laundering, and criminal forfeiture. Criminal Action, ECF No. 55, attached as Exhibit A.³ The multi-security fraud described in the Civil Action underlies the Indictment,

² The SEC voluntarily dismissed its claims against Permeable. ECF No. 81.

³ The Indictment was unsealed by Order entered April 5, 2012. Criminal Action, ECF No. 57.

beginning with the fraudulent offering of investments in the Permapave Entities, and continuing through the Interlink common stock substitution.

According to the Indictment, beginning in 2006, Aronson, Buonauro, and Aaron solicited investments in the Permapave Entities through misrepresentations and omissions regarding the demand for the pavers, the use of the investments, the anticipated profits, and that they operated the Permapave Entities as a Ponzi scheme and a means by which to pay personal expenses *Id.* at ¶¶ 8-11. In or around January 2009, the defendants concealed their inability to pay returns on investments in the Permapave Entities by persuading many investors, through misrepresentations, to exchange those investments for Permeable debentures that would pay interest for two years, after which investors would recoup the entirety of their investment. *Id.* at ¶¶ 14-15. In the summer of 2009, the defendants misrepresented the imminent sale of Permeable and persuaded investors to convert their debentures to Permeable common stock. *Id.* at ¶ 16. In September 2010, Aronson and Aaron caused Permeable shareholders to be offered Interlink common stock in exchange for the Permeable common stock holdings, where the Interlink common stock was worth a small fraction of the actual investments. *Id.* at ¶ 17.

Final judgments have been entered in the Criminal Action against all the defendants. In the Final Judgment entered December 16, 2016, based on Aronson's guilty plea to count two of the Indictment, the Court ordered Aronson incarcerated for a term of 124 months and to pay restitution in the amount of (approximately) \$20.8 million jointly and severally with Aaron and Buonauro, as well as approximately \$932,000 individually. Criminal Action, ECF No. 297. In the Final Judgment entered on April 11, 2017, based on Aaron's guilty plea to one count of "accessory after the fact" in a superseding indictment, the Court ordered Aaron incarcerated for a term of fourteen months and to pay restitution of \$456,000 jointly and severally with Aronson

and Buonauro. Criminal Action, ECF No. 306. In the (corrected) Final Judgment entered on May 17, 2018, based on Buonauro's guilty plea to counts one and eleven of the Indictment—conspiracy to commit securities fraud and mail fraud—the Court ordered Buonauro incarcerated for twenty months and to pay restitution of (approximately) \$20.8 million jointly and severally with Aronson. Criminal Action ECF Nos. 320 and 323.

As of mid-December 2023, criminal authorities have collected approximately \$125,000 on the joint and several debt in the Criminal Action and have distributed approximately \$73,000 to the victims of the misconduct.

C. The Overlap of the Civil and Criminal Actions

As described above, there is substantial overlap between the Civil Action and the Criminal Action. Underlying both is the fraud conducted by the principals of Permapave Entities from 2006 through 2010, through the offering of securities in the Permapave Entities, Permeable, and Interlink. Although the victim list in the Criminal Action is filed under seal, the SEC has confirmed with criminal authorities that the individuals and entities identified on Exhibit 8 are included in the Criminal Action, either individually or in combination with other investors, unless they were: (1) determined by the criminal authorities to be associated with one of the criminal defendants and thus, excluded; or (2) based on evidence collected in the investigation underlying the Criminal Action and the victim identification process, determined to have not suffered a (net) loss on their investment(s).

III. DISCUSSION OF THE REQUESTED RELIEF

A. The Distribution Fund, and the Recovery, Reclassification, and Consolidation of Collected Funds

The SEC currently holds approximately \$40,000 in disgorgement paid by Kondratick. The U.S. Treasury holds another approximately \$6,900 collected from Aaron, classified as post-judgment interest in accordance with the Final Judgment entered by this Court.⁴ By this Motion, the SEC seeks an order reopening the case and specifying that funds paid, collected, and/or otherwise recovered in this action be first applied to disgorgement, and then to prejudgment interest, civil penalties, and post-judgment interest, in that order. After the reclassification of recoveries, the SEC seeks an Order directing the SEC to request, and the U.S. Treasury to send, the approximately \$6,900 previously directed to the U.S. Treasury as post-judgment interest for combination with the \$40,000 in disgorgement paid by Kondratick. The reclassification and recovery of post-judgment interest from the U.S. Treasury will increase the amount of money available for distribution to harmed investors. The requested order of application on future recoveries (if any) in this manner will have the same effect, enabling the SEC to distribute all funds obtained until all distributable remedies have been satisfied.⁵ *See, e.g., SEC v. Allen*, 11-cv-882-O (N.D. Tx.), ECF No. 364 (March 10, 2019) (order reclassifying post-judgment interest as disgorgement, prejudgment interest, and civil penalties, and recovering the same for distribution). *Cf. SEC v. ICP Asset Management, LLC, et al.*, 10-cv-04791-LAK-JCF (S.D.N.Y.) ECF No. 276 (May 31, 2023) (approved distribution plan in which

⁴ The final judgment against Aaron, ¶ II, provides that Aaron shall pay post judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

⁵ In the unlikely event that the SEC collects any ordered civil penalties, the SEC will first apply to the Court to establish a Fair Fund pursuant section 308(a) of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7246(a) before seeking to send the funds to the Criminal Action for distribution.

(paragraph 11) future collections are directed applied to disgorgement, civil penalties, prejudgment interest, and post-judgment interest, in that order).

B. The Distribution Fund Should be Sent to the Criminal Action for Distribution Pursuant to the Restitution Process

A district court has broad authority in approving a plan of distribution, and that determination is reviewed for abuse of discretion. *See Official Comm. of Unsecured Creditors of WorldCom, Inc. v. SEC*, 467 F.3d 73, 84 (2d Cir. 2006); *SEC v. Wang*, 944 F.2d 80, 85 (2d Cir. 1991). *Cf. Horwitt v. Flatiron Partners, LP, et al.*, 21-2245(L), 21-2247 (Con), 2023 WL 192500, *1 (2d Cir. Jan. 17, 2023) (applying an abuse of discretion standard to a district court's ruling on the application to approve a distribution plan presented by a receiver); *Commodity Futures Trading Comm v. Walsh*, 712 F.3d 735, 749 (2d Cir. 2013) (reviewing a district court's approval of a receiver's distribution plan for abuse of discretion); *SEC v. Byers*, 637 F. Supp. 2d 166, 174 (S.D.N.Y. 2009) (a district court has broad authority in approving a receiver's plan of distribution). District courts review the SEC's proposed distribution plans to determine whether the plans fairly and reasonably distribute funds to the potential claimants. *See Wang*, 944 F.2d at 85; *SEC v. AR Capital, LLC*, 19 Civ. 6603 (AT), 2021 WL 1988084, *3 (S.D.N.Y. May 18, 2021); *SEC v. CR Intrinsic Investors, LLC*, 164 F. Supp. 3d 433, 435-36 (S.D.N.Y. 2016). *Cf. Horwitt*, 2023 WL 192500, *2 (applying the fair and reasonable standard to the application of a Receiver's distribution plan); *SEC v. Amerindo Inv. Advisors*, 639 F. Appx 752, 755 (2d Cir. 2016) (quoting *Wang*, finding adequate the district court's finding that the receiver's proposed distribution was fair and reasonable); *Byers*, 637 F. Supp. 2d at 168, 174 (same).

In this case, the SEC's request to direct the funds paid in this case to the Criminal Action for distribution is fair and reasonable. As is evident from the descriptions of the two actions above, both actions describe the same fraud: the fraudulent offering of investments in

the Permapave Entities beginning in 2006, the switch to Permeable debentures followed by Permeable common stock, and the offering of Interlink common stock. Moreover, as would be expected given the overlap of the allegations, the identified victims overlap. It is appropriate to send the funds recovered in the SEC Action to the Criminal Action for distribution. Including the funds recovered in this action with those collected in the Criminal Action and conducting one distribution will reduce distribution costs and increase the amount available to compensate victims of the misconduct described in both complaints. *Cf. SEC v. Abdullah*, 10-cv-4957-LAK (S.D.N.Y.), ECF No. 15 (June 23, 2023) (Order Establishing Fair Fund and Distribution of the Fair Fund through a Related [Civil] Action); *SEC v. Thibeault*, Civ. Act. No. 15-10050-NMG, 2017 U.S. Dist. LEXIS 94937, * 4-6 (D. Mass. Jun. 20, 2017) (Court directs assets frozen in civil matter sent to the parallel criminal matter for distribution to victims). Criminal authorities have informed the undersigned of their ability to accept the funds and that restitution payments are ongoing. Accordingly, directing the transfer of the Distribution Fund to the Criminal Action for distribution in accordance with the restitution process is appropriate and in the interest of justice for the harmed investors.

IV. CONCLUSION

For the foregoing reasons, the SEC respectfully requests that this Court issue the proposed Order submitted with this Memorandum.

Dated: March 29, 2024

Respectfully submitted,

/s/ Catherine E. Pappas
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Pro Hac Admission, ECF No. 194
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Exhibit A (Indictment)

Exhibit A to Memorandum

(Criminal Action- Indictment)

JM:SC:WPC
F.#2007R01655

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

- - - - - X

UNITED STATES OF AMERICA

- against -

ERIC ARONSON,
VINCENT BUONAURO and
FREDRIC AARON,

Defendants.

I N D I C T M E N T

Cr. No. _____
(T. 15, U.S.C., §§ 78j(b)
and 78ff; T. 18, U.S.C.,
§§ 981(a)(1)(C), 982, 1341,
1343, 1956(a)(1)(B)(i), and
3551 et seq.; T. 21, U.S.C.,
§ 853(p); T. 28, U.S.C., §
2461(c))

- - - - - X

THE GRAND JURY CHARGES:

INTRODUCTION

At all times relevant to this Indictment, unless
otherwise indicated:

A. The Permapave Entities

1. Permapave Industries, LLC ("Permapave Industries")
was a New York limited liability company established in or about
2006 that maintained offices at different times in Syosset, New
York and Jericho, New York. It claimed to be a licensed reseller
of Permapave paving stones, which were manufactured in Australia.

2. Permapave USA Corporation ("Permapave
USA") (together with Permapave Industries, the "Permapave
Entities" or "Permapave") was a New York corporation that was
established in or about 2006. Permapave USA was the parent of
Permapave Industries and also claimed to sell Permapave products.

3. Permeable Solutions, Inc. ("Permeable Solutions") was a Nevada corporation established in or about 2008 and was the parent company of Permapave USA. The parent company of Permeable Solutions was Verigreen Group, a Nevada limited liability company ("Verigreen").

4. Interlink-US Network, Ltd. ("Interlink") was a publicly traded company based in Los Angeles, California that supposedly provided a range of telecommunication and data services in the United States. On or about June 28, 2010, Verigreen Group became the majority shareholder of Interlink.

B. The Defendants

5. The defendant ERIC ARONSON held various management positions with the Permapave Entities from approximately August 2006 to approximately December 2010. ARONSON claimed at different times that either Permapave Industries or Permapave USA was the exclusive sales representative of Permapave products in the United States.

6. The defendant VINCENT BUONAURO held various management positions at one or more of the Permapave Entities from August 2006 until the summer of 2008.

7. The defendant FREDRIC AARON was an attorney licensed to practice in New York state who maintained an office at the offices of the Permapave Entities.

C. The Scheme to Defraud

8. Starting in approximately August 2006, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON solicited money from investors through materially false representations and material omissions and operated the Permapave Entities as a Ponzi scheme through which the defendants paid returns to investors from other investors' funds or money paid by new investors, instead of from any actual profit earned by the Permapave Entities.

9. To induce investors to invest in the Permapave Entities and improperly retain their investments, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, made materially false, fraudulent and misleading statements in offering materials and verbally to investors, that:

a. the defendants would use investor funds to purchase and ship Permapave products from Australia to the United States when, in fact, only a small fraction of the investors' money was used for that purpose;

b. Permapave had signed contracts with various municipalities to install Permapave products when, in fact, there were no such contracts for anything other than pilot programs that would produce only immaterial amounts of revenue. For example, ARONSON falsely told investors in 2009 that he had

"finalized an agreement with the city of Augusta, Georgia" to install Permapave products; and

c. Permapave's operations generated profits that enabled it to pay investors monthly rates of return from 7.8% to 33.3%, or 94% to 400% per annum, when, in fact, there were minimal profits generated as a result of Permapave's operations. For example, BUONAURO falsely told investors in 2008 that "through May 12, 2008, we ordered approximately \$5,400,000 of [Permapave] product" which, if true, would generate an expected \$1 million gross profit.

10. The defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON offered securities to investors in the form of promissory notes, which supposedly were to be repaid when Permapave products arrived in the United States from Australia. Those promissory notes were issued to investors by either of the Permapave Entities (the "Permapave Notes").

11. The defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON paid investment returns to existing Permapave investors from funds received from newer Permapave investors.

12. The defendants ERIC ARONSON and VINCENT BUONAURO, and others used investor funds to pay for personal expenses, including credit card bills and mortgages.

13. Defendant ERIC ARONSON caused cash withdrawals to be made from accounts holding investor funds and converted that

cash for his personal use. To do so, ARONSON made out multiple checks in amounts made payable to various Permapave employees to cash on the same day from accounts holding investor funds. ARONSON falsely annotated the checks as reimbursement for expenses. ARONSON then handed the checks to different employees and instructed them to cash the checks and return the cash to ARONSON. The employees cashed the checks at banks insured by the Federal Deposit Insurance Corporation. In turn, ARONSON provided a small percentage of the cash to each employee and kept the remainder for himself.

D. The Exit Strategy

14. In or about January 2009, the defendants did not have the funds needed to pay the returns they had promised to the Permapave investors. To conceal their scheme, the defendants ERIC ARONSON, FREDRIC AARON and others persuaded many investors to exchange their investments in Permapave for convertible debentures issued by Permeable Solutions. A convertible debenture is a type of loan issued by a company that can be converted into stock at a later date.

15. The defendants ERIC ARONSON, FREDRIC AARON and others told the Permapave Note holders that the new convertible debentures would pay 1% monthly interest on the original investment, not the amount owed, and that the investors would recoup their entire investment in two years. Many, but not all,

investors exchanged their Permapave Notes for those convertible debentures.

16. In or about the summer of 2009, the defendants ERIC ARONSON, FREDRIC AARON and others told the Permeable Solutions investors that Permeable Solutions had been sold or was about to be sold. They urged these investors to convert their convertible debentures into shares of Permeable Solutions common stock, which many, but not all, investors did.

17. In or about June 2010, Verigreen, a privately held company, became the majority shareholder of Interlink, a publicly traded company. In or about September 2010, the defendants ERIC ARONSON, FREDRIC AARON and others caused those Permapave Note investors who converted their notes to shares of Permeable Solutions to be offered shares of Interlink stock in exchange for their Permeable Solutions stock. Those Interlink shares were worth a small fraction of both the investors' Permeable Solutions stock and their initial investment in the Permapave Notes.

COUNT ONE

(Conspiracy to Commit Securities Fraud)

18. The allegations contained in paragraphs 1 through 17 are realleged and incorporated as though fully set forth in this paragraph.

19. In or about and between August 2006 to December 2010, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants ERIC

ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, did knowingly and willfully conspire to use and employ manipulative and deceptive devices and contrivances, contrary to Rule 10b-5 of the Rules and Regulations of the Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances in which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which would and did operate as a fraud and deceit upon members of the investing public, in connection with the purchases and sales of the Permapave Notes, directly and indirectly, by use of the means and instrumentalities of interstate commerce and the mails, contrary to Title 15, United States Code, Sections 78j(b) and 78ff.

20. In furtherance of the conspiracy and to effect its objects, within the Eastern District of New York and elsewhere, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, committed and caused to be committed, among others, the following:

OVERT ACTS

a. On or about May 30, 2008, in response to investors' queries about the status of their investments, the

defendants ERIC ARONSON and VINCENT BUONAURO sent a letter to investors claiming that "through May 12, 2008, we ordered approximately \$5,400,000 of [Permapave] product," which, if true, would generate an expected \$1 million gross profit.

b. On or about February 18, 2009, in response to investors' queries about the status of their investments, the defendants ERIC ARONSON and FREDRIC AARON sent a letter to investors stating that Permapave "finalized an agreement with the city of Augusta, Georgia" to install Permapave products.

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNT TWO
(Securities Fraud)

21. The allegations contained in paragraphs 1 through 17 are realleged and incorporated as though fully set forth in this paragraph.

22. In or about and between August 2006 to December 2010, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, did knowingly and willfully use and employ manipulative and deceptive devices and contrivances, contrary to Rule 10b-5 of the Rules and Regulations of United States Securities and Exchange Commission (Title 17, Code of Federal Regulations, Section 240.10b-5), by (a) employing devices, schemes, and

artifices to defraud; (b) making untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which would and did operate as a fraud and deceit upon members of the investing public, in connection with the purchases and sales of the Permapave Notes, directly and indirectly, by use of the means and instrumentalities of interstate commerce and the mails.

(Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNTS THREE THROUGH EIGHT
(Wire Fraud)

23. The allegations contained in paragraphs 1 through 17 are realleged and incorporated as if fully set forth in this paragraph.

24. In or about the dates shown below, within the Eastern District of New York and elsewhere, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, did knowingly and intentionally devise a scheme and artifice to defraud, and to obtain money and property from, investors in the Permapave Notes by means of materially false and fraudulent pretenses, representations and promises and, for the purpose of executing such scheme and artifice, transmitted and caused to be transmitted by means of wire communication in

interstate commerce, writings, signs, signals and sounds, as set forth below:

Count	Approx. Date	Description
THREE	4/24/07	Wire transfer of an investment of \$100,000 from an account controlled by Victim #1 at New Alliance Bank in Connecticut to the account of Permapave Industries, LLC at Commerce Bank, N.A. in Long Island, New York
FOUR	10/16/07	Wire transfer of an investment of \$200,000 from an account controlled by Victim #2 at New Dominion Bank in North Carolina to the account of Permapave Industries, LLC at Commerce Bank, N.A. in Long Island, New York
FIVE	7/17/08	Wire transfer of an investment of \$725,000 from an account controlled by Victim #3 at Mechanics Bank in California to the account of Permapave Industries, LLC at Commerce Bank, N.A. in Long Island, New York
SIX	11/5/08	Wire transfer of an investment of \$765,000 from an account controlled by Victim #4 at Bank of America in Georgia to the account of Permapave Industries, LLC at Commerce Bank, N.A. in Long Island, New York
SEVEN	11/21/08	Wire transfer of an investment of \$1,360,000 from an account controlled by Victim #4 at Bank of America, N.A. in Georgia to the account of Permapave Industries, LLC at TD Bank in Long Island, New York

Count	Approx. Date	Description
EIGHT	2/10/09	Wire transfer of an investment of \$100,000 from an account controlled by Victim #5 at U.S. Bank, N.A. in Arizona to the account at Astoria Federal Savings, in Long Island, New York, in the name of Fredric H. Aaron, attorney escrow account

(Title 18, United States Code, Sections 1343, 2 and 3551 et seq.)

COUNTS NINE THROUGH ELEVEN
(Mail Fraud)

25. The allegations contained in paragraphs 1 through 17 are realleged and incorporated as if fully set forth in this paragraph.

26. On or about the dates set forth below, within the Eastern District of New York and elsewhere, the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, together with others, did knowingly and intentionally devise a scheme and artifice to defraud investors and potential investors in the Permapave Notes, and to obtain money and property from those investors, by means of materially false and fraudulent pretenses, representations and promises, and, for the purpose of executing the scheme and artifice and attempting to do so, placed and caused to be placed in a post office and authorized depository for mail matter the following mail matter and things to be sent and delivered by the United States Postal Service, as set forth below:

Count	Approximate Mailing Date	Description of Mailing
NINE	2/18/09	Letter signed by the defendant ERIC ARONSON to investors.
TEN	1/8/09	Letter signed by the defendant FREDRIC AARON to investors.
ELEVEN	5/30/08	Letter signed by the defendant VINCENT BUONAURO to investors.

(Title 18, United States Code, Sections 1341, 2 and 3551 et seq.)

COUNTS TWELVE THROUGH FOURTEEN
(Money Laundering)

27. The allegations contained in paragraphs 1 through 17 are realleged and incorporated as if fully set forth in this paragraph.

28. In or about and between April 2007 and January 2009, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendant ERIC ARONSON, together with others, did knowingly and intentionally conduct one or more financial transactions in and affecting interstate commerce, which transactions in fact involved the proceeds of fraud in the sale of securities, a specified unlawful activity, while knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity and that the transactions were designed in whole and in part to conceal and disguise the nature, location,

source, ownership and control of the proceeds of the specified unlawful activity, as set forth below:

Count	Approximate Transaction Date	Description of Transaction
TWELVE	9/18/09	Cashing of check made payable to Permapave Employee #1 at Bank of America, N.A., purportedly for reimbursed expenses in the amount of \$5,000.
THIRTEEN	12/31/09	Cashing of check made payable to Permapave Employee #2 at Bank of America, N.A., purportedly for reimbursed expenses in the amount of \$8,000.
FOURTEEN	6/11/10	Cashing of check made payable to Permapave Employee #3 at TD Bank, purportedly for reimbursed expenses in the amount of \$7,500.

(Title 18, United States Code, Sections 1956(a)(1)(B)(i), 2 and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATIONS AS TO
COUNTS ONE THROUGH ELEVEN

29. The United States hereby gives notice to the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON, upon their convictions of any of the offenses charged in Counts One through Eleven, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), of any property constituting or derived from proceeds obtained directly or

indirectly as a result of such offenses, including but not limited to:

- a. a sum of money equal to and including the proceeds of the offenses;
- b. a 2007 Mercedes Benz SL65, VIN WDBSK79F126766;
- c. a Pablo Picasso painting title "Untitled from bloch 1776";
- d. a Pablo Picasso painting title "imaginary portraits";
- e. a black and silver Zeno watch bearing serial number 8577/2; and
- f. a black and silver Concord watch bearing serial number 14C51893/1306617.

30. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
 - b. has been transferred or sold to, or deposited with, a third party;
 - c. has been placed beyond the jurisdiction of the court;
 - d. has been substantially diminished in value;
- or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 28, United States Code, Section 2461(c); Title 18, United States Code, Section 981(a)(1)(C); Title 21, United States Code, Section 853(p))

CRIMINAL FORFEITURE ALLEGATION AS TO
COUNTS TWELVE THROUGH FOURTEEN

31. The United States hereby gives notice to the defendants ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON that, upon conviction of any of the offenses charged in Counts Twelve through Fourteen, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(1), of all property involved in each offense of conviction in violation of Title 18, United States Code, Section 1956, or conspiracy to commit such offense, and all property traceable to such property, including but not limited to:

- a. a sum of money equal to and including the proceeds of the offenses;
- b. a 2007 Mercedes Benz SL65, VIN WDBSK79F126766;
- c. a Pablo Picasso painting title "Untitled from bloch 1776";
- d. a Pablo Picasso painting title "imaginary portraits";

e. a black and silver Zeno watch bearing serial number 8577/2; and

f. a black and silver Concord watch bearing serial number 14C51893/1306617.

32. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

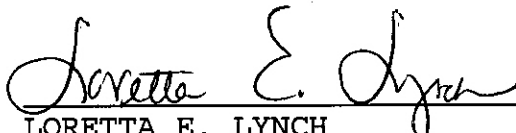
e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any

other property of such defendants up to the value of the
forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Section 982(a)(1) and
(b)(1))

A TRUE BILL


LORETTA E. LYNCH
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK


FOREPERSON

No.

UNITED STATES DISTRICT COURT

EASTERN District of NEW YORK

CRIMINAL DIVISION

THE UNITED STATES OF AMERICA


vs.

ERIC ARONSON, VINCENT BUONAURO and FREDRIC AARON,

Defendants.

INDICTMENT

(T. 15, U.S.C. §§ 78j(b) and 78ff; 18, U.S.C., §§ 981(a)(1)(c), 982, 1341, 1343, 1956(a)(1)(B)(i), 2 and 3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

A true bill.

Foreman

Filed in open court this _____ day,

of _____ A.D. 20 _____

Clerk

Bail, \$ _____

William P. Campos, Assistant U.S. Attorney (718-254-6104)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X	
SECURITIES AND EXCHANGE COMMISSION,	:
Plaintiff,	:
	:
-against-	:
	:
ERIC J. ARONSON, ET AL.	:
Defendants,	:
	:
and	:
	:
CAROLINE ARONSON, ET AL.	:
	:
Relief Defendants.	:
	:
-----X	

11 Civ. 7033 (JSR)
ECF CASE

**[PROPOSED] ORDER REOPENING CASE,
RECOVERING AND RECLASSIFYING FUNDS,
AND DIRECTING TRANSFER OF THE DISTRIBUTION FUND
TO A RELATED CRIMINAL ACTION FOR DISTRIBUTION**

The Court has reviewed the Securities and Exchange Commission’s (“SEC”) Motion (the “Motion”) for an Order reopening this case and seeking relief necessary to transfer the funds recovered in this action for distribution through the related criminal action, *U.S. v. Aronson, et al.*, 12-cr-00245-ADS-GRB (E.D.N.Y.) (the “Criminal Action”); the accompanying memorandum; and all documents filed, and arguments made, in connection with the Motion;

AND finding good cause;

IT IS HEREBY ORDERED:

1. The above-captioned action is reopened;
2. The Motion is granted;
3. Any funds paid, collected, or otherwise recovered in this action shall be applied first to ordered disgorgement, then to ordered prejudgment interest, civil penalties, and post-judgment interest, in that order;

4. After the reclassification of recoveries in accordance with paragraph 3., the SEC is directed to request, and the U.S. Treasury is directed to send, any funds reclassified as disgorgement and prejudgment interest, to the SEC-designated account at the U.S. Treasury for this action, for combination with funds already held in that account (the “Distribution Fund”); and

5. The SEC is directed to disburse the Distribution Fund, including any funds obtained or collected in the future, to the Criminal Action for distribution pursuant to the restitution process in the Criminal Action.

Dated: _____, 2024

The Honorable Jed S. Rakoff
United States District Court Judge