

## Corporate & Financial Weekly Digest

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### Directors Subject to Personal Liability for Alleged Securities Fraud

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The principals of a pharmaceutical company could be held personally liable for securities fraud based on allegations that the defendants misled investors and used the firm as an alter ego for their own interests.

Five principals of Immunosyn Corp. allegedly induced two investors to invest \$1.025 million in the company by promising that the firm had an exclusive right to sell a “super drug” called SF-1019, and that the investors would receive 102,500 free-trading shares of Immunosyn in exchange. The principals then purportedly sold the drug through other channels and forced the investors to accept restricted stock instead of free-trading shares. The investors sued Immunosyn and its principals, alleging fraudulent inducement and that the defendants were personally liable for any losses because they had commingled their personal and business assets.

The defendants sought dismissal, arguing that the investors had not provided sufficient details about the dates of the underlying misrepresentations and that they had provided only conclusory allegations that Immunosyn was the defendants’ alter ego. The U.S. District Court for the Southern District of California disagreed, holding that the plaintiffs had identified a discrete timeframe for the misrepresentations of between early 2006 and May of that year, and that they had sufficiently alleged a failure to follow corporate formalities and a failure to segregate personal and business assets. (*Albergo v. Immunosyn Corp.*, No. 09 Civ. 2653(DMS), 2010 WL 3339398 (S.D. Cal. Aug. 24, 2010))

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