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U.S. DISTRICT COURT

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**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF WYOMING**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	)	Case No. 98-CV-213-B
Plaintiff,	)	
v.	)	
ZAPPA INTERNATIONAL CORPORATION,	)	
SCOTT L. SIMPSON, SCOTT B. WALKER,	)	
EQUITY MANAGEMENT SERVICES,	)	
EAGLE VISION HOLDINGS INC.,	)	
WAYNE NATTRASS, WESTMINSTER TRADING TRUST	)	
Defendants.	)	

**AMENDED COMPLAINT**

**SEEKING INJUNCTION AND OTHER EQUITABLE RELIEF**

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Plaintiff United States Securities and Exchange Commission for its amended complaint alleges as follows:

## **SUMMARY**

1. This case involves the offer and sale of investments in purportedly high-yield trading programs in business transactions, commonly known as "prime bank instruments." The defendants made various false statements to investors that these trading programs were conducted by traders licensed by either the Federal Reserve Bank or International Monetary Fund, were paid returns as high as 100 percent per banking week, and were protected against loss by a guarantee issued by a "Top Twenty-Five World Bank." The defendants have engaged in a fraud upon investors, because they either knew, or were reckless in not knowing, that these "prime bank instruments" do not exist, the promised rates of return were never earned or paid, there was no guarantee issued by a top world bank against risk of loss, and investors were repaid out of new investments from other investors rather than from the actual purchase and sale of bank instruments. The defendants also failed to disclose that they received substantial commissions ranging as high as ninety percent for soliciting investors.

2. Since at least September 1996, Defendants Scott L. Simpson, Westminster Trading Trust, Wayne L. Nattrass, and Eagle Vision Holdings Inc. have offered and sold investments in high-yield trading programs in various prime bank instruments. All the investors' funds were pooled in accounts controlled by Simpson. In 1997, Simpson, Nattrass, and Eagle Vision began offering the trading programs primarily through Zappa International Corporation

rather than Westminster Trading Trust. In late 1997 or early 1998, Scott B. Walker and Equity Management Services, an entity he controlled, also began offering and selling the investments in the high-yield trading programs. All the investors' funds were transferred either directly to brokerage or bank accounts of Zappa located in Houston, Texas, or Antigua, which were controlled by Simpson, or indirectly through the bank accounts of Eagle Vision located in Kirkland, Washington and Antigua to accounts of Zappa. Since September 1996, the defendants have raise approximately \$15 million in their fraudulent sales to at least a hundred investors who reside in at least eight states.

3. Defendants, directly and indirectly, are now and have been engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

4. Defendants, directly and indirectly, are now and have been engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business that violate Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)].

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) and (e) of the Exchange Act [15 U.S.C. § 78u(d) and (e)] for an order permanently restraining and enjoining Defendants and granting other equitable relief.

## **JURISDICTION AND VENUE**

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77u(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue lies in this Court pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77u(a) and 78aa].

7. In connection with the transactions, acts, practices, and courses of business described in this Complaint, each of the defendants, directly and indirectly, has made use of the means or instrumentalities of interstate commerce, of the mails, or of the means and instruments of transportation or communication in interstate commerce.

8. Defendant Walker lives in Afton, Wyoming. EMS has its place of business in Afton, Wyoming. In addition, certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within this judicial district.

## **DEFENDANTS**

9. Scott L. Simpson lives in Richmond, Texas. He is a co-trustee and creator of Westminster Trading Trust. He is also a U.S. representative for Zappa and its attorney-in-fact. He controls bank accounts in the United States, Antigua, and Switzerland into which investors' funds were transferred.

10. Westminster Trading Trust (Westminster) is a trust created in 1996 by Simpson and another person for the purpose of pooling investors' funds to participate in a trading program.

11. Zappa International Corporation (Zappa) is a Belizean corporation formed in 1996 that lists business offices in Balmopan, Belize and Houston, Texas. It represents that it raises large pools of money for investment in high yield investment programs.

12. Wayne L. Nattrass lives in Seattle, Washington. He is a director of Eagle Vision, a representative for Zappa, and has solicited investors to participate in various prime bank trading programs sponsored by Westminster and Zappa.

13. Eagle Vision Holdings, Inc. (Eagle Vision) is a Belizean corporation that operates out of Nattrass' home. It has collected investor funds raised by Nattrass, and by Walker and EMS through transfers from the bank account of EMS, and then transferred the funds to Westminster and Zappa. Eagle Vision has bank accounts in Kirkland, Washington and Antigua.

14. Scott B. Walker lives in Afton, Wyoming. He represents himself as the Executive Trustee for EMS and a representative of Zappa. Walker has previously worked as a stock broker.

15. Equity Management Services (EMS) is a trust which does business from Walker's home in Afton, Wyoming. It solicits investors to participate in prime bank instrument investment programs.

## FACTS

### THE DIFFERENT INVESTMENT SCHEMES

#### Westminster Trading Program - 100% per week for Five Weeks

16. Beginning in approximately September 1996, Simpson, Westminster, Nattrass, Eagle Vision, and others began soliciting investors to pool their funds for investment in a high-yield trading program offered by Westminster (referred to hereafter as "Westminster Trading

Program"). Simpson, Westminster, Nattrass, Eagle Vision, and others raised approximately \$1.1 million from at least 35 investors for investment in the Westminster Trading Program.

17. Simpson, Westminster, Nattrass, and Eagle Vision represented that the Westminster Trading Program:

- a. Would pay investors a return of One Hundred Percent (100%) per banking week for five (5) banking weeks;
- b. Was protected by a minimum One Hundred Eight Percent (108%) Return of Principal Guarantee issued by a Top Twenty-Five (25) World Bank;
- c. Would return the investors funds if they were not placed in a Trading Program within thirty (30) days of the investors' initial contribution; and
- d. Would pay fees to Westminster of twenty percent (20%) of the capital gains earned.

18. These statements by Simpson, Westminster, Nattrass, and Eagle Vision were false because they knew, or were reckless in not knowing, that no investment was made in instruments paying one hundred percent per banking week; no top twenty-five world bank guarantee was issued for 108 percent; investors' funds were not returned within thirty days when no investment was made; and the defendants failed to disclose their compensation was to be substantially higher than the twenty percent fee listed in the contract. The defendants failed to disclose to investors that Nattrass and Eagle Vision would receive ten percent (10%) of the profits for arranging the investments with Westminster.

19. In approximately November 1996, Simpson and Westminster invested the \$1.1 million of Westminster investors' funds and an additional \$7.6 million from four other investors in a trading program with the Arch Group that promised 3.125 percent per week for forty weeks.

20. Simpson and Westminster represented that the Arch Group trading program:

- a. Would pay investors a profit of One Hundred Sixty percent (160%); and
- b. Was guaranteed against loss by a bank instrument issued by the Bank of America.

21. Simpson and Westminster knew or were reckless in not knowing that that no investment was made in instruments paying one hundred sixty percent; no bank guarantee was issued by the Bank of America, and the defendants failed to disclose their compensation was to be 90 percent of the amount of funds invested by each client.

22. By December 1996, Westminster's investment in the Arch Group trading program had been returned to Westminster's bank account, purportedly because of problems obtaining the bank guarantee.

**Safeco Trading Program 150% in 15 Days.**

23. In approximately December 1996, Simpson opened an escrow account with Safeco Land Title of Dallas for the purchase of some real estate.

24. In approximately December 1996, Simpson, Westminster, Zappa, Nattrass, and Eagle Vision offered investors the opportunity to invest in the Safeco trading program. Simpson placed Westminster investors' funds with Safeco, obtained additional investments from a trust,

and solicited additional investors through Zappa. Simpson, Westminster, Zappa, Nattrass, and Eagle Vision raised at least \$3.25 million from at least twenty investors.

25. Simpson, Westminster, Zappa, Nattrass, and Eagle Vision represented to Safeco investors that:

- a. They would receive returns of 150 percent for each 15 banking day trading cycle; and
- b. Their investment was guaranteed against loss by Safeco;

26. Simpson failed to disclose that he would receive profits of forty percent (40%) of the returns on the investment.

27. Simpson and Nattrass knew or were reckless in not knowing that the Safeco trading program would not pay a 150 percent return every 15 banking days. They also knew that the agreement with Safeco was to provide escrow insurance related to a real estate program and that it would not protect the funds from loss due to a trading program in bank instruments.

28. The Safeco trading program ended in March 1997 without paying any returns. Simpson withdrew approximately \$797,000 of the investors' funds from the Safeco program, and repaid six investors. The balance of the Westminster investors' funds, approximately \$2.2 million was placed in later trading programs.

#### **Oles Trading Program - 300% in Two Months**

29. Beginning in approximately April 1997, Simpson, Westminster, Zappa, Nattrass, and Eagle Vision began soliciting investors for investment in a "Special Placement Program"

with Bayshore Foundation Fund and Stephen Oles. The defendants raised approximately \$3.25 million from at least seven investors.

30. Simpson, Westminster, Zappa, Nattrass, and Eagle Vision represented that :

- a. Investors' funds were placed in a trading program by a IMF [International Monetary Fund] Licensed Trader;
- b. A top Twenty-Five (25) western European Bank guarantee is issued for 106.5 percent of the investor's full principal; and
- c. The investor would receive a minimum of Two Hundred (200%) percent and return of principal for the two month term of the program.

31. Simpson, Zappa, Nattrass, and Eagle Vision knew or were reckless in not knowing that the International Monetary Fund does not license traders, that no bank guarantee was issued, and that the program did not pay 200% return in two months. They performed no due diligence to determine that Stephen Oles had any authority to enter into an agreement on Bayshore's behalf.

32. Simpson and Zappa entered into an agreement with Nattrass and Eagle Vision to equally divide the profits from the investment with Bayshore, because Nattrass and Eagle Vision had found the investors for the program. Simpson, Zappa, Nattrass and Eagle Vision also agreed to pay a fee of ten percent of the profits to two other persons who located investors. Simpson, Zappa, Nattrass, and Eagle Vision failed to disclose the fee arrangements to the investors.

33. By August 1997, Simpson, Westminster, Zappa, Nattrass, and Eagle Vision knew Stephen Oles had taken the investors' funds and refused to repay the principal invested or the promised returns. Simpson, and Zappa paid approximately \$1.6 million to four of the investors, but the remaining investors were not repaid. Simpson, Zappa, Nattrass, and Eagle Vision failed to disclose these facts to investors in subsequent trading programs.

34. The balance of approximately \$1.25 million is still owed to investors.

**25% Per Month Program.**

35. In May 1997 and continuing thereafter, Simpson, Zappa, Nattrass, and Eagle Vision began offering investors a bank secured "Special Private Placement Program," which was purportedly to pay returns of 25 percent per month. Simpson, Nattrass, Eagle Vision, and Zappa raised approximately \$1.4 million from at least 29 investors for investment in the 25 percent per month trading program.

36. Simpson, Zappa, Nattrass and Eagle Vision represented to investors that:

- a. The investor's funds were placed with an experienced FED [Federal Reserve Bank] Licensed Trader;
- b. The investor's funds were guaranteed by a top Twenty-Five (25) western European Bank by issuance of a One Hundred Six (106%) percent Irrevocable Bank Endorsed Pay Order;

- c. The investor would receive a minimum of Twenty-Five Percent (25%) per month for a period of not less than one month and not more than three months and a return of principal; and
- d. Nattrass represented that he was authorized to sign the "Joint Venture Association and Terms of Non-Circumvention and Non-Disclosure" agreement on behalf of Zappa.

37. Simpson, Nattrass, Eagle Vision, and Zappa knew or were reckless in not knowing that the Federal Reserve Bank does not license traders, that no bank guarantee was issued, and that the program did not pay 25 percent return per month.

38. The \$1.4 million invested in the 25% per month program is still owed to investors.

#### **5 to 1 program**

39. Beginning in September 1997, Simpson, Zappa, Nattrass, and Eagle Vision began offering investors a bank secured "Special Private Placement Program," which was allegedly to pay returns of 200 percent in thirty days. This program was referred to as the "5 to 1 Program." Simpson, Nattrass, Eagle Vision, and Zappa raised approximately \$1.4 million from at least 8 investors for investment in the 5 to 1 trading program.

40. Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that:

- a. The investor's funds were placed with an experienced FED [Federal Reserve Bank] Licensed Trader;

- b. The investor's funds were guaranteed by a top Twenty-Five (25) western European Bank by issuance of a One Hundred Six (106%) percent Irrevocable Bank Endorsed Pay Order; and
- c. The investor would receive a Two Hundred percent (200%) profit within thirty days.

41. Simpson, Zappa, Nattrass, and Eagle Vision knew or were reckless in not knowing that the Federal Reserve Bank does not license traders, that no bank guarantee was issued, and that the program did not pay 200 percent return per month.

42. In fact, Simpson transferred the money to a purported trading program that was to pay 500 percent in 30 days. Simpson, Zappa, Nattrass, and Eagle Vision did not disclose their compensation from the transactions to investors.

43. The \$1.4 million invested in the 5 to 1 program is still owed to investors.

**Antaglobal \$1 million**

44. Beginning in October 1997, Simpson, Zappa, Nattrass, and Eagle Vision began offering investors a bank secured "Special Private Placement Program," which was allegedly to pay returns of 500 percent in thirty days. Simpson, Nattrass, Eagle Vision, and Zappa raised approximately \$1 million from at least four investors for investment in the "Special Private Placement Program" that was transferred to Antaglobal Financial Service for investment.

45. Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that:

- a. The investor's funds were placed with an experienced Federal Reserve Licensed Trader;
- b. The investor's funds were guaranteed by a bank blocked funds letter; and
- c. The investor would receive between Seventy Percent (70%) and Two Hundred Percent (200%) of the guaranteed return of Five Hundred Percent (500%) profit within thirty banking days.

46. Simpson, Zappa, Nattrass, and Eagle Vision knew or were reckless in not knowing that the Federal Reserve Bank does not license traders, that no bank blocked funds letter was issued, and that the program did not pay 500 percent return per month.

47. Simpson, Zappa, Nattrass, and Eagle Vision did not disclose their compensation from the transactions to investors.

48. In December 1997, Antaglobal returned the \$1 million dollar investment to Zappa. However, Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that this \$1 million was profits from the 25 percent per month investment, and used the money to pay profits to those investors and commissions to salesmen, rather than to return the moneys to the investors in the Antaglobal trading program. The \$1 million invested with Antaglobal is still owed to investors.

**Fenmore \$700,000**

49. In approximately November 1997, Simpson, Zappa, Nattrass, and Eagle Vision began offering investors a "Special Private Placement Program," which was to raise funds for

investment with Fenmore International Ltd. Simpson, Zappa, Nattrass, and Eagle Vision raised approximately \$700,000 from at least nine investors.

50. Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that:

- a. The investor's funds were placed with an experienced Federal Reserve Licensed Trader;
- b. The investor's funds were guaranteed by a top Twenty-Five (25) western European Bank by issuance of a One Hundred Six (106%) percent Irrevocable Bank Endorsed Pay Order; and
- c. The investor would receive Seventy Percent of the total program proceeds which were to be a guaranteed return of Five Hundred Percent within thirty days.

51. Simpson, Zappa, Nattrass, and Eagle Vision knew or were reckless in not knowing that the Federal Reserve Bank does not license traders, that no bank guarantee for 106 percent was issued, and that the program did not pay 500 percent return per month. In fact, Simpson's and Zappa's contract with Fenmore did not discuss the transactions being executed by a Federal Reserve Licensed Trader or that the funds were guaranteed by a top western European Bank.

52. The \$700,000 purportedly invested with Fenmore is still owed to investors.

**Fenmore \$1 million**

53. In approximately January 1998, Simpson, Zappa, Nattrass, and Eagle Vision began offering investors a "Special Private Placement Program," which was to raise funds for

another investment with Fenmore International Ltd. Simpson, Zappa, Nattrass, and Eagle Vision raised approximately \$1 million from at least six investors for investment with Fenmore International Ltd. in January 1998.

54. Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that:

- a. The investor's funds were guaranteed by a top Ten (10) western European Bank by issuance of a One Hundred Six (106%) percent instrument; and
- b. The investor would receive Fifty Percent per month for a two month period.

55. Simpson, Zappa, Nattrass, and Eagle Vision knew or were reckless in not knowing that no bank guarantee for 106 percent was issued, and that the program did not pay 50 percent return per month.

56. The \$1 million purportedly invested with Fenmore is still owed to investors

#### **Banque de Luxembourg**

57. In approximately March 1998, Simpson, Zappa, Nattrass, Eagle Vision, Walker and EMS began offering investors a "Special Private Placement Program," which was to raise funds for another investment to obtain a loan from the Banque De Luxembourg. Simpson, Zappa, Nattrass, Eagle Vision, Walker and EMS raised approximately \$3.1 million from at least thirty-two investors for investment.

58. Simpson, Zappa, Nattrass, and Eagle Vision represented to investors that:

- a. The investor's funds were raised to obtain a loan from the Banque de Luxembourg; and
- b. The investor was to receive profits of One Hundred Percent (100%) of the initial investment within twenty-three days;

59. Simpson, Zappa, Nattrass, Eagle Vision, Walker and EMS knew or were reckless in not knowing that there was no loan with the Banque of Luxembourg, and that profits of 100 percent of investment were not to be paid. By approximately April 1998, Simpson knew that the agreement for the transaction had failed. However, Simpson did not immediately return investors funds. In April 1997, Simpson withdrew approximately \$250,000. In July 1997, he transferred approximately \$250,000 of investors' funds to Konstantin Winz, who was not an investor, and transferred approximately \$50,000 of investors' funds to his wife. By August 1998, he had returned \$2.175 million to investors.

60. In August 1998, Simpson transferred approximately \$510,000 of investors' funds from the bank account at Hottinger et Cie Banquiers in Zurich, Switzerland to an account at Ruegg Bank also in Zurich, Switzerland. Simpson placed these funds in another investment that was to pay \$36 million within 30 days. Simpson failed to disclose this use of proceeds to investors.

61. Although Walker and EMS were to place investors' funds in the Banque De Luxembourg program, they did not disclose this information to investors, but rather described a trading program in debentures and other prime bank instruments, as discussed below.

## **Bank Debenture Trading Program**

62. Since at least February 1998, Walker and EMS have offered and sold securities in the form of investments in what they claimed were two prime bank instrument trading programs, the Zappa International Asset Management Program and the Bank Debenture Trading Program. Walker and EMS claimed they pooled investors' funds in these two trading programs, for the purpose of purchasing prime bank instruments.

63. Walker and EMS represented in the Bank Debenture Trading Program brochure (Debenture brochure) provided to investors between February and May of 1998, that high returns were guaranteed, and "there is no risk of losing the investor's principal investment." They represented that the investor's funds were secured by a bank-endorsed guarantee issued by the "Top One Hundred World Banks." Walker represented to at least two investors in March and May 1998, that the banks participating in the program included Barclays' Bank of London and Credit Suisse of Zurich, Switzerland.

64. Walker and EMS knew, or were reckless in not knowing, that these statements were false. In fact, the Bank Debenture Trading Program has no guarantee. Barclays' Bank and Credit Suisse do not guarantee investments in any of the bank instruments as described by Walker and EMS.

65. Walker and EMS represented in the Debenture brochure provided to investors that the "World's Top One Hundred Banks" offer various bank instruments which are approved by

the International Chamber of Commerce and the Federal Reserve. Walker and EMS further represented that these bank instruments are offered in denominations of \$10 million or more.

66. Walker and EMS knew, or were reckless in not knowing, that these statements are false. These bank instruments described in the Debenture brochure do not exist and the International Chamber of Commerce and the Federal Reserve do not participate in, or approve such programs.

67. Walker and EMS represented investors would receive profits ranging from ten to fifty percent on each trade.

68. Walker and EMS knew, or were reckless in not knowing, that no such profits would be received because no such bank instruments are available for trading.

69. Walker and EMS failed to disclose that they received commissions ranging from 10 to 20 percent of the money invested. They failed to disclose that they paid commissions to other persons who acted as finders of new investors. They also failed to disclose the actual use of investors' funds to repay other investors and for personal expenses of Walker.

70. In May 1998, when Walker was specifically asked by an investor about commissions, he disclosed that he paid his finders a fee but failed to disclose his own commissions.

#### **Zappa International Asset Management Program**

71. From February through at least May 1998, Defendants Walker, EMS, Simpson, Zappa, Nattrass, and Eagle Vision also offered and sold investments in Zappa's Asset

Management Program and gave investors the Zappa International Asset Management Program brochure (Zappa brochure).

72. The defendants represented in conversations with investors and in the Zappa brochure provided to investors that the program invested in high yield investments through programs registered with the Federal Reserve and the International Monetary Fund.

73. Defendants Walker, EMS, Simpson, Zappa, Nattrass and Eagle Vision knew, or were reckless in not knowing, that these representations are false because neither the Federal Reserve nor the International Monetary Fund register prime bank instruments.

74. The Zappa brochure provided to investors represents that the investment is protected risk free by a "Principal Guarantee" issued by a "Top World Bank." The defendants represented to at least two investors that Barclays Bank and Credit Suisse Bank were participating in these guarantees.

75. Walker, EMS, Simpson, Zappa, Nattrass and Eagle Vision knew, or were reckless in not knowing, that these statements were false because Barclays Bank and Credit Suisse Bank do not participate in these guarantees.

76. The Zappa brochure provided to investors represented that two investment programs, which had been completed and were closed to investors in 1997, provided returns in one program of thirty percent and in the other of two hundred percent in ten banking days.

77. The Zappa brochure provided to investors also represents that two investment programs were currently available which pay returns of twenty percent monthly and twenty-five

percent monthly. Based on an "initial investment of \$100,000 compounded at 25% per month for 12 months" investors were to receive \$1,455,192 at the end of twelve months.

78. Walker, EMS, Simpson, Zappa, Nattrass and Eagle Vision knew, or were reckless in not knowing, that these statements about returns were false because the defendants did not invest the money in bank instruments that produced the reported returns.

79. Between February and May, 1998, at least six investors invested approximately \$380,500 with EMS. Walker and EMS transferred \$230,000 to bank accounts of Eagle Vision in Kirkland Washington and Antigua, and transferred \$110,000 to bank accounts of Zappa in Houston, Texas. Walker used with the balance of \$40,500 to refund \$10,000 to one investor, to pay commissions, and to cover his personal expenses. Walker knew that he paid the investor who requested the \$10,000 refund from funds EMS received from another investor.

80. When another investor asked for a refund, Walker requested that Eagle Vision return the \$100,000. However, Walker received the money from a Swiss bank where Zappa has an account.

**COUNT I**  
(Violations of Exchange Act Section 10(b) and Rule 10b-5)

81. Plaintiff repeats and realleges Paragraphs 1 through 80 above.

82. Defendants, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the

circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities in violation of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5].

83. By reason of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 and unless restrained and enjoined will continue to do so.

**COUNT II**  
(Violations of Securities Act Section 17(a)(1))

84. Plaintiff repeats and realleges Paragraphs 1 through 80 above.

85. Defendants, with scienter, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly employed devices, schemes or artifices to defraud in violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)].

86. By reason of the foregoing, Defendants violated Sections 17(a)(1) of the Securities Act and unless restrained and enjoined will continue to do so.

**COUNT III**  
(Violations of Securities Act Section 17(a)(2) and (3))

87. Plaintiff repeats and realleges Paragraphs 1 through 80 above.

88. Defendants, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly (a) obtained money or property by means of untrue statements of material facts or

omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities in violation of Section 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)].

89. By reason of the foregoing, Defendants violated Sections 17(a)(2) and (3) of the Securities Act and unless restrained and enjoined will continue to do so.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Enter an injunction, preliminary during the pendency of this action and permanently thereafter, restraining and enjoining Defendants, their subsidiaries, officers, directors, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with them, and each of them, from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5.

II.

Enter an injunction, preliminarily during the pendency of this action and permanently thereafter, restraining and enjoining Defendants, their subsidiaries, officers, directors, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with them, and each of them, from violating, directly or indirectly, Section 17(a) of the Securities Act.

III.

Order Defendants, their officers, agents, servants, employees and attorneys, to account for and disgorge all illegal gains, together with prejudgment interest.

IV.

Order Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)].

V.

Grant any and all such other relief as this Court may deem just or appropriate.

Dated: November 10, 1998

Respectfully submitted,

Leslie J. Hendrickson  
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