

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

CLARENCE WAYNE COOK, BRIAN E.
CAUSEY, HAVEN QUEST and CAYMAN
SOUTH INTERNATIONAL, INC. :

Defendants. :

Civil Action File No.

1-98-CV-2236

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

It appears to Plaintiff, Securities and Exchange Commission ("Commission" or "SEC"), and it alleges that:

OVERVIEW OF DEFENDANTS' SCHEME

1. This matter involves a "Prime Bank" scheme orchestrated by defendants Clarence Wayne Cook ("Cook") and Brian E. Causey ("Causey") involving the offer and sale of investments in fraudulent international trading programs.

2. Beginning in or about July or August of 1997, Cook and Causey raised approximately \$566,000 from at least 34 investors in four states for an alleged one-time, \$400,000 trading program (the "Cayman Program"), using their controlled entities Cayman South International, Inc. ("Cayman"), Heritage America Group, Inc. ("Heritage Inc."), and Heritage America Group, L.L.C. ("Heritage L.L.C.").

3. Then, in October of 1997, Cook and Causey launched a second offering involving Haven Quest, a purported investment club ("Haven Quest"), which was to invest in alleged trading programs (the "Haven Quest Programs").

4. Based on available documents, Haven Quest raised over \$2.6 million from over 90 investors in at least 17 states and the District of Columbia.

5. Cook and Causey locate investors primarily by recruiting agents through the use of misleading promotional materials, the offer of lucrative commissions, and other marketing practices often associated with multi-level pyramid schemes.

6. Cook and Causey, individually and through their controlled entities, have made material misrepresentations and omissions of fact to investors and agents regarding the Cayman Program and the Haven Quest Programs (the "Trading Programs").

7. Among other things, the Trading Programs are promoted as legitimate, virtually no-risk investments with projected returns of 900% in about 20 weeks for the Cayman Program and up to 500% over about 10 months for the Haven Quest Programs.

8. However, the Trading Programs are nonexistent, the funds are subject to significant risk, and there is no basis for the projected returns. Further, the defendants engaged in this scheme with full notice of governmental warnings advising the public of caution in prime bank frauds.

9. Cook and Causey used Haven Quest falsely to represent that investor funds would be secured by bank certificates of deposit.

10. In addition, Cook and Causey failed to disclose that Haven Quest would pay at least 20% of all investor funds directly to themselves as purported commissions pursuant to undisclosed agreements with Haven Quest.

11. Cook and Causey also failed to disclose that they used at least \$430,000 of funds raised from Haven Quest investors to refund monies to Cayman Program investors when the Cayman Program failed, and that they allegedly lost \$300,000 of investor funds in a purported unsuccessful "trade."

12. Moreover, Cook and Causey appear to be dissipating and misappropriating investor funds.

13. Defendants Cook, Causey, Haven Quest and Cayman, directly and indirectly, have engaged, and unless enjoined will engage in transactions, acts, practices and courses of business that have constituted and will constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77q(a)] and 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] promulgated thereunder.

14. Pursuant to authority granted by Sections 10(b) and 23(a) of the Exchange Act [15 U.S.C. 78j(b) and 78w(a)], the Commission has promulgated Rule 10b-5 [17 C.F.R. 240.10b-5], which rule was in effect at all relevant times herein and is now in effect.

JURISDICTION AND VENUE

15. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. 78u(d) and 78u(e)] to enjoin the defendants from engaging in transactions, acts, practices and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement of illegally obtained funds and other equitable relief, and for civil money penalties.

16. This Court has jurisdiction of this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and Section 27 of the Exchange Act [15 U.S.C. 78u(d), 78u(e) and 78aa].

17. The defendants, directly and indirectly, made use of the mails, the means and instrumentalities of transportation and communications in interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this complaint.

18. Certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and the Exchange Act have occurred in the Northern District of Georgia, including the solicitation of investors who reside within the Northern District of Georgia.

19. The defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices and courses of business alleged in this complaint, and in transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

20. Clarence Wayne Cook, age 41, is a former licensed insurance agent who resides in Baton Rouge, Louisiana. Cook and his partner Causey together control the activities of Haven Quest, Cayman, Heritage Inc., and Heritage L.L.C.

21. Brian E. Causey, age 43, is a licensed insurance agent who resides in Baton Rouge, Louisiana. Causey and Cook together control the activities of Haven Quest, Cayman, Heritage Inc., and Heritage L.L.C.

22. Haven Quest is a purported investment club based in Baton Rouge, Louisiana and was registered as a Louisiana limited liability partnership on October 15, 1997. Cook and Causey

offered members the opportunity to participate in the Haven Quest Programs. Its general partners are Cook and Causey, and its limited partners are the investing members.

23. **Cayman South International, Inc.** is a purported Bahamian corporation controlled by Cook and Causey and allegedly formed in the summer of 1997. Cook has testified before the Commission staff that Cayman is based in Antigua. Cayman engaged in a purported joint venture with investors and agents to participate in the Cayman Program, and served as an offshore participant in the Trading Programs.

Related Entities

24. **Heritage America Group, Inc.** was a Louisiana corporation with its principal place of business located in Baton Rouge, Louisiana. It was controlled by Cook and Causey and was incorporated on May 5, 1997. It was dissolved by voluntary action on March 2, 1998. Heritage Inc.'s bank account was used to collect and disburse Cayman Program funds.

25. **Heritage America Group, L.L.C.** is a Louisiana limited liability company controlled by Cook and Causey and is upon information believed to have been formed in May of 1997. However, the Louisiana Secretary of State has no record of its formation. Heritage L.L.C. recruited agents, provided information about trading programs, and is believed to have collected funds for Cayman.

FACTS CONCERNING THE CAYMAN PROGRAM

A. The Solicitation of Heritage Agents

26. Cook and Causey are business partners and friends who worked together in the insurance industry.

27. In May of 1997, Cook and Causey began using Heritage L.L.C. and Heritage Inc.¹ (collectively, "Heritage") to promote "estate planning" products primarily to insurance agents.

28. These products included the use of offshore entities, private foundations, and trusts ostensibly to protect assets and to avoid or possibly evade United States taxation.

29. Through Cook and Causey, Heritage initiated a mass mailing of advertisement flyers that targeted insurance agents in several states.

30. The flyers offered enticing new marketing programs paying lucrative commissions.

31. One flyer referred to a product with a 25% return on principal every six weeks, "Guaranteed by a Top 25 World Bank," that paid 25% commissions every six weeks. The flyers invited attendance at group meetings to be held in cities throughout the United States.

32. As early as July of 1997, Cook and Causey hosted several group meetings promoting their estate planning products in Texas and Florida.

33. In addition, they took the opportunity at or after the meetings to tell attendees about purported trading programs.

34. To obtain more information, attendees had to become Heritage agents generally by signing a non-disclosure agreement and "Independent Sales Organization Agreement," and by paying a base fee of \$650.

35. At least 16 Heritage agents were recruited in Texas and Florida.

¹ Based upon available information, Cook and Causey used the names Heritage America Group, Inc. and Heritage America Group, L.L.C. at times interchangeably and inconsistently. For purposes of this pleading, these entities are referred to herein as "Heritage" and their activities are referred to herein as "Heritage" activities.

36. Heritage agents received the opportunity to attend a two-day "training school," as well as various "course materials" in the form of computer diskettes that Cook and Causey sent to the Heritage agents.

37. The course materials included an "international bank debenture course" consisting of over 50 pages of data relating to international bank debenture trading programs and offshore tax havens (the "Heritage Report").

38. The Heritage Report described a "typical program and payout" for an "International Bank Debenture Program" in which a \$1.3 million investment yielded profits of over \$3.2 million in just 45 days.

39. The Heritage Report stated that "the risk to the investor's capital in a properly structured Bank Credit Instrument trading program is almost nil."

40. The Heritage Report also provided: "There have also been several highly publicized instances of fraud which has prompted the SEC and Federal Reserve to issue warnings. Although to our knowledge no fraudulent programs have been discovered that utilize the secure investment procedures that we have outlined in this memorandum. The fraudulent activities usually arise when investors give up control of their funds to phony trade managers who use Ponzi scheme type payouts."

B. The Solicitation of Cayman Program Investors

41. In July and August of 1997, Cook and Causey made Heritage agents aware of a \$400,000 trading program called "Operation Jump-Start," structured as a joint venture with Cayman.

42. Heritage agents, ostensibly acting as agents for Cayman, were to "joint venture" with their clients and split the anticipated profits with their clients as the agents determined.

43. Agents and investors executed various forms of a joint venture agreement with Cayman, which provided that investors were purchasing "shares" in the venture at \$1,000 per share.

44. Investor funds were to be sent to Heritage L.L.C. or wired to a Heritage Inc. bank account.

45. The affiliation between Cayman and Heritage was not disclosed.

46. Cook and Causey claim not have a list of investors and claim not to know exactly how much was collected for the Cayman Program.

47. When the Commission staff asked Causey how many people invested in the Cayman Program, Causey testified "I don't know. Maybe a dozen."

48. However, based upon available documents, Cook and Causey used Cayman and Heritage to raise approximately \$566,000 from at least 34 investors in four states.

49. A Cayman Program information sheet provided to Heritage agents by Cook and Causey describes trading programs involving "standard Bank Credit Instruments issued by the top 100 rated world banks," and states that the Bank Credit Instrument transactions can be performed with "efficiency, speed and safety."

50. The information sheet and the Cayman joint venture agreements both state that there is no guarantee of any specific return.

51. Nevertheless, an exhibit to the Cayman joint venture agreement for agents projects a return of 900% on principal for a \$400,000, 20-week trading program.

C. The \$400,000 Trade with Quantum.

52. On August 20, 1997, Cayman signed a contract with The Quantum Group ("Quantum"), a purported trade administrator in Texas, and wired \$400,000 of investor funds to Quantum from a Heritage Inc. bank account for a purported trade.

53. Cook and Causey signed the contract on behalf of Cayman, and the contract states that Cook and Causey have "full legal authority to enter into and bind" Cayman to the contract.

54. Teddy Wayne Solomon ("Solomon"), a convicted bank fraud felon, entered into the contract on behalf of Quantum.

55. Causey testified before the Commission staff that Solomon "was supposed to take our money and place it in some trade that he described to us, and give us like a 1,400 percent return over like a 26 or 28 week period or something like that."

56. Prior to wiring the funds, Cook and Causey had not personally met Solomon, and they made virtually no attempts independently to verify Solomon's background or the legitimacy of his claims.

57. In fact, when the Commission staff asked Causey during testimony whether he thought he had any obligation to inquire about Solomon or the purported trade considering that he was using other people's money, Causey testified "I felt I had no obligation to that at all . . . People make their own decisions. They decided that they wanted to participate, and I mean, that was it. I had no obligation."

58. In a letter dated August 21, 1997 on Heritage letterhead, Causey advised at least some Cayman Program agents and investors that "[o]n Wednesday, the 20th of August, our Trader accepted our funds. "

59. He then indicated that our "funds are scheduled to begin trading on or about the 8th of September, 1997."

60. The letter also stated that October 15, 1997 would be the first tentative payment date for the Cayman Program.

61. However, Cayman Program investors and agents did not receive payments on that date.

62. On November 5, 1997, the Commission's Fort Worth District Office filed a complaint in federal court against Solomon, Quantum, and others, and obtained a court order freezing Quantum's remaining assets. See Securities and Exchange Commission v. Teddy Wayne Solomon et al., U.S. District Court for the Northern District of Texas, Dallas Division, Civil Action No. 397CV2712-H.

63. In addition, on or about November 5, 1997, Cook and Causey received a letter from an entity named Quantum Trading Limited located at Quantum's business address, referring to investigations by the Commission and the Federal Bureau of Investigation ("FBI").

64. The letter states that the investigations "yielded no wrong by us," but blamed missed payout deadlines on efforts to prevent an asset freeze as well as an alleged 40% tax on all trading profits in the United Kingdom.

65. The letter also states that Quantum will "keep the balance of September and October trading profits and roll them into November trading," participants will be offered a "lump sum amount, payable beginning December 01 through December 15, 1997," and all monies plus interest will be refunded if "these dates are unacceptable to anyone."

66. Cook and Causey did not contact the Commission or the FBI to verify the accuracy of the letter.

67. Neither, did they ask for a refund of the \$400,000 of investor funds delivered to Quantum.

D. The Bail-Out of the Cayman Program Investors by Haven Quest.

68. Causey testified before the Commission staff that a purported assistant to Solomon, Greg Goulas, claimed that he was in contact with the Commission and that the Commission would return Cayman's principal and some profits.

69. However, Cook and Causey never contacted the Commission to verify this information.

70. In the meantime, they kept for themselves, as undisclosed "commissions," all of funds collected from Cayman investors in excess of the \$400,000 wired to Quantum.

71. The excess investor funds amounted to at least \$166,000.

72. Causey testified before the Commission staff that "Wayne and I kept it [*i.e.*, the excess investor funds] as a commission because we were going to pay everybody an equal portion. And that's the way I've always done business. I've been an insurance agent, we make commissions off of what we do."

73. Causey claims that he told investors that he was going to charge a commission, but did not tell them how much he was going to charge.

74. Rather, he has testified before the Commission staff that "I just kept the excess. Nobody objected."

75. Cook testified that no profits were ever received from the Cayman Program.

76. Cook and Causey gave agents and investors various excuses for the delayed payments, including that payments were delayed because of a new 40% tax in England affecting the Cayman Program funds.

77. Eventually, Cook and Causey began to make refunds to investors on their request.

78. Cook and Causey have told some agents for Heritage and Haven Quest that refunds were made from their personal funds.

79. However, Cook and Causey have advised the Commission staff that Haven Quest "bought" the Cayman contracts for \$430,000, and bank records show that refunds were made to Cayman Program investors in classic "Ponzi" style using funds collected from Haven Quest investors.

80. Cook has testified before the Commission staff that his personal funds were not used to make the refunds.

81. However, Causey testified that he considered those Haven Quest funds to be his personal funds owed to him for undisclosed commissions.

82. In any event, all Haven Quest investors and agents were not informed and still have not been informed that their funds were used to reimburse Cayman investors.

FACTS CONCERNING THE HAVEN QUEST PROGRAMS

A. The Solicitation of Haven Quest Agents and Investors.

83. Haven Quest is an investment club that began operations on October 1, 1997, but was registered as a Louisiana limited liability partnership on October 15, 1997.

84. Haven Quest replaced Cayman/Heritage as the vehicle used by Cook and Causey for promoting international trade programs.

85. The investing members purchased a minimum of 10 "Units" in a specified "Block Fund" at \$1,000 per Unit, and paid a non-refundable "membership, expense and administrative fee" (the "Administrative Fee") of \$30 per Unit.

86. The minimum investment therefore was \$10,300--\$10,000 for the purchase of 10 Units plus \$300 for the Administrative Fee.

87. Members who invested on or before November 20, 1997 apparently purchased Units in "Block Fund Number One," and the remaining Haven Quest investors purchased Units in "Block Fund Number Two."

88. Cook and Causey repeatedly have failed to produce an accurate list of Haven Quest investors showing the amounts collected from those investors.

89. However, upon information and belief, it appears that Cook and Causey through Haven Quest raised over \$2.6 million from over 90 investors in at least 17 states and the District of Columbia.

90. Cook and Causey informed Heritage agents and potential investors about bank debenture programs and Haven Quest at purported "training schools" offered to Heritage agents and by word-of-mouth.

91. Cook and Causey claim that neither they nor Haven Quest actually solicited any investors or agents--rather, members somehow found Haven Quest and those members recruited new members.

92. Investors and agents were required to sign a so-called "non-solicitation agreement" confirming that they had not been solicited, that no offering was involved, and that the transaction was a private placement and did not involve the sale of securities.

93. However, a Haven Quest instruction sheet for agents which was, upon information and belief, prepared by Cook and Causey states that Heritage members are encouraged to recruit agents.

94. In addition, Haven Quest executed contracts styled "Independent Sales Organization Agreement" and "Independent Sales Agent Agreement" with at least 55 agents and subagents (collectively, the "Haven Agents"), pursuant to which Haven Quest expressly appointed the Haven Agents as a "Member" to "locate, qualify, and enroll Member/Partners in Club."

95. Over 40 Haven Agents recruited investors in Haven Quest, although in some cases the recruited investor was the Haven Agent himself.

96. Cook and Causey recruited Haven Agents through marketing efforts typical of a multi-level pyramid scheme.

97. The agreements signed by Haven Quest and the Haven Agents contained "commission" schedules which identified the number of Units that the Haven Agent would receive as commissions for every Unit purchased by the agent's recruited investor.

98. Haven Agents also received commissions in the form of Units based upon the number of Units sold by their subagents.

99. These Units ostensibly represented the agents' interests in the profits to be derived from the Haven Quest trading programs.

100. Haven Agents thus could supposedly become entitled to trading profits without ever investing any of their personal funds in the club.

101. Pursuant to their agreements with Haven Quest, Haven Agents paid an annual membership fee of \$195 "in consideration for membership and all materials supplied by Club."

102. The fee apparently was waived for Heritage agents.

103. The agreements also contained a provision by which Haven Agents agreed never to "divulge any information about Club, Club's Partnership [apparently referring to Cook and Causey], or any Member's [sic] of Club to any individual, person, corporation, or entity that has any affiliation or involvement with any state or Federal Regulatory Agency."

104. Cook testified before the Commission staff that "[b]asically, every non-solicitation agreement or contract that we signed always had that in it," but he gave no plausible explanation for the purpose of the provision.

B. Haven Quest Offering Materials.

105. Cook and Causey distributed various promotional materials to Haven Agents and possibly others that offer the possibility of exorbitant commissions.

106. Promotional materials indicate that Haven Quest will pay for members and their guests to attend quarterly club meetings in exotic locations, and all members are asked to specify on their initial membership paperwork whether they want their first free trip to be to London or Paris.

107. Apparently at least one agent was informed that agents would attend the meetings for free as well.

108. Thus far, there have been no Haven Quest membership meetings.

109. Haven Quest's promotional materials project exorbitant potential profits, although the profits are not guaranteed.

110. For example, one information sheet indicates that, for a typical \$10,000 investment, the "total return will vary, but based upon past profits of similar investments, it should range from 200 to 500 percent per year" for a purported 10-month trading cycle.

111. Another information sheet indicates that Haven Quest "has the connections to get small investors from **one to ten percent, per week, paid every month to the investor.**" (Emphasis in original by Haven Quest).

112. Haven Quest's promotional materials also indicate that an investment involves little or no risk. Another information sheet states: "Haven Quest's **NUMBER ONE** strategy entails investment *protection* by depositing Member funds into a Bank C.D . . . Our **NUMBER TWO** strategy is the incredible **NO RISK profits** generated by the lucrative Eurodollar Bank Credit Instrument market." (Emphasis in original by Haven Quest).

113. The materials later indicate that "funds are deposited into Domestic and/or International Bank Certificates of Deposit. This means that the money is well protected."

114. However, Haven Quest funds were not in fact placed in any such certificates of deposit.

115. Each investing member of Haven Quest supposedly signed an Application for Membership which showed the number of "Units" purchased by the investor, and purportedly represented that the investor had not been solicited by the club or its members.

116. In addition, each investor, as Limited Partner, signed the same form of Haven Quest limited partnership agreement directly with Cook and Causey, as General Partners (collectively, the "Partnership Agreement").

117. The Partnership Agreement contemplates the existence of other limited partners, and states that accumulated funds in blocks of \$1 million will be "collateralized by an insured Bank Certificate of Deposit issued to Club."

118. However, no such bank certificate of deposit was ever issued.

119. In March and April 1998 updates to members, after Cook and Causey used investor funds to make purported trades, Haven Quest unilaterally changed this provision to state: "No security is available at this time to guarantee the invested funds."

C. Management; Undisclosed Commissions.

120. Cook and Causey testified before the Commission staff that they control the management of Haven Quest, and make all investment decisions for Haven Quest.

121. In addition, the Partnership Agreement states that they "shall conduct the affairs and the purpose of the Club," which are broadly defined.

122. The Partnership Agreement also includes a "Durable Power of Attorney" by which investors appoint Cook and Causey as their attorney in fact to act in the investors' name with respect to the purposes of the club.

123. The Partnership Agreement states that Cook and Causey receive as compensation 1% of the net profits generated by Haven Quest, and that they can "select a broker and enter into such agreements with the broker as required for the purchase or sale of securities."

124. Cook and Causey testified that Haven Quest entered into such a "broker" agreement with themselves as the brokers, pursuant to which they claim to be entitled to a 20% advance commission on all collected funds in addition to their 1% compensation.

125. Cook and Causey did not disclose the existence of this purported broker agreement to the staff until they testified, and they have not disclosed the existence of the purported agreement to agents or investors.

126. Cook has testified before the Commission staff that he did not tell any of the agents or investors that Cook and Causey would be the "broker" mentioned in the Partnership Agreement because it "never came up" and "[n]obody's ever asked us."

127. Causey testified that he thought the broker agreement would be an important document, but he did not tell agents or investors about the agreement because "I didn't feel there was a need to."

128. Cook and Causey did not produce the purported broker agreement until after their testimony, in which they admitted that they had taken so-called "commissions."

129. After their testimony, they produced an undated, one-page "Broker Agreement" which states that the term of the agreement begins October 15, 1997, that the purpose of the agreement is to allow Cook and Causey, as "Broker," to purchase or sell securities as defined in the Haven Quest Partnership Agreement, and that Cook and Causey would receive compensation of 20% of "all money collected" and reimbursement of all related expenses.

130. At the same time, Cook and Causey also produced an undated, one-page "Agreement" which states that the term of the agreement begins October 15, 1997, that the purpose of the agreement is to allow Cook and Causey to place Haven Quest funds "in any program they deem profitable for the Partnership at the time of submission," and that Cook and Causey will be compensated for their "placements" by "(1) twenty percent (20%) of the gross

funds submitted for placement paid in advance and (2) one hundred percent (100%) of all related expenses to placement reimbursed."

131. Cook and Causey rely on these undisclosed, purported agreements to justify their having taken at least 20% of all funds collected from investors.

D. The Purported Haven Quest Trades.

132. Cook and Causey transferred \$1,050,000 of investor funds from Haven Quest's bank account for the alleged purpose of participating in three purported high yield investment programs, pursuant to which Cook wired to three different contact persons: (i) \$300,000 on November 10, 1997 (the "\$300,000 Trade"), (ii) \$250,000 on January 13, 1998 (the "\$250,000 Trade"), and (iii) \$500,000 on January 20, 1998 (the "\$500,000 Trade").

133. None of these alleged investments generated the exorbitant profits anticipated by Haven Quest investors and agents.

134. Furthermore, there is no evidence that the purportedly invested funds were protected by deposit into a bank certificate of deposit in Haven Quest's name as indicated by Haven Quest's promotional materials.

135. Cook and Causey claim that the \$300,000 payment has been lost in a bad trade although they allegedly are still trying to have the funds returned.

136. Causey admits that the \$300,000 loss has not been disclosed to all current investors and agents.

137. According to Cook and Causey, the \$250,000 Trade was supposed to "pay approximately 160% to 180% on or about the middle of March 1998," although no such payments were received.

138. Instead, they claim that Haven Quest received about \$190,000 of ostensible "profits" in March of 1998, and they allegedly distributed about \$183,000 of this amount to "Block Fund Number One" investors and agents in late March.

139. The staff has been unable to confirm the source of these alleged "profits" or that Cook and Causey actually distributed all of the \$183,000 to investors and agents.

140. In fact, Cook and Causey cannot identify the trader or explain the supposedly profitable transaction.

141. Causey claims that the "profits" from the \$250,000 Trade were wired by a contact person to Haven Quest's bank account in Louisiana.

142. Haven Quest's March 31, 1998 bank account statement reflects a deposit of \$190,000; however, this amount apparently was transferred from another bank account in the name of Causey d/b/a Cayman South International, over which both Cook and Causey have signatory authority.

143. Furthermore, the contact person for the purported \$250,000 Trade has advised the staff that his company returned the entire \$250,000 payment to Cook and Causey in March of 1998.

144. The evidence indicates that Cook and Causey kept the \$250,000 refund and then distributed a portion of the refund as alleged "profits."

145. The status of the purported \$500,000 Trade is not certain. However, Cook testified before the Commission staff that he was trying to obtain a refund of Haven Quest's \$500,000 principal payment because "the trade has gone way beyond what the contract, they called for."

146. The escrow attorney to whom Cook wired the \$500,000 has produced a document in Spanish which has been identified as a record from a bank in Costa Rica which authorizes the transfer on May 26, 1998 of \$500,000 to a Bank One Louisiana, N.A. account for the benefit of Cayman, Cook and Causey.

147. On June 16, 1998, Bank One Louisiana, N.A. produced an accountholder signature card which indicates that the holder of the foregoing account is Causey d/b/a Cayman South International, and that both Cook and Causey signed the signature card for the account.

148. The evidence indicates that Cook and Causey arranged for the deposit of \$500,000 directly to their own bank account rather than Haven Quest's bank account.

E. Misuse of Investor Funds.

149. Bank records and other produced documents indicate that Cook and Causey are dissipating and misappropriating investor funds.

150. As of March 31, 1998, the Haven Quest bank account balance was only \$26,217.22. Cook and Causey misused at least \$1,480,000 of investor funds in reimbursing the Cayman Program investors and engaging in purported trades.

151. They offer only implausible explanations for the whereabouts of the remainder of the investor funds.

152. Cook and Causey have transferred over \$500,000 from Haven Quest's bank account directly to themselves or their controlled entities, and they have written checks for substantial amounts to their relatives and friends.

153. Over \$560,000 of checks were written to cash or the issuing bank, some of which were written in large amounts (including two checks written to cash for \$13,510 each and a check written to the issuing bank for \$250,005).

154. Canceled checks also show that Cook and Causey have used substantial funds to pay for expensive international and domestic travel expenses, the rental and furnishing of new office space, loans to friends, and other expenses which apparently are not related to Haven Quest.

155. Significant amounts have been transferred directly out of Haven Quest's account to unidentified sources.

156. In addition, it was authorized for a transfer of \$500,000 by a bank in Costa Rica to a Louisiana bank account for the benefit of Cayman, Cook and Causey.

157. The staff has obtained a copy of the signature card for this account indicating that the accountholder is Causey d/b/a Cayman South International, and that both Cook and Causey signed the signature card for the account.

158. Cook and Causey have misappropriated at least \$500,000 of investor funds to the extent that they have received a refund for the \$500,000 Trade and deposited the proceeds into their personal account.

159. Contrary to their obligations under the Partnership Agreement, Cook and Causey are refusing to make refunds to investors who request a return of their investments.

160. The Partnership Agreement states that an investor may withdraw his capital account on 10 days' written notice to Cook and Causey, and a refund will be made no later than 10 "international" working days after receipt of the notice.

161. At least two investors requested refunds of their \$10,000 investments in March of 1998, and had not received the funds as of July 8, 1998.

162. Cook or Causey told one of the investors that the money could not be returned because Haven Quest was waiting for a wire transfer from England.

163. In another conversation, Cook apparently suggested that the payments could not be made due to the Commission's investigation.

164. Similarly, an agent requested refunds of \$51,500 on behalf of three clients on May 8, 1998, and the clients had not received the funds as of July 8, 1998.

165. Cook told the agent that the client investments were not refunded because Haven Quest's funds are being held overseas.

166. A Haven Quest information sheet entitled "Anticipated Payment Dates" indicates that Block Fund Number One investors should receive anticipated monthly payments on specified dates from March through December of 1998, and Block Fund Number Two investors should receive anticipated monthly payments on specified dates from April through December of 1998.

167. Cook and Causey have made only one purported payment to Block Fund Number One investors in late March 1998, and they have made no payments to Block Fund Number Two investors.

168. One investor/agent in Block Fund Number Two who delivered \$820,000 to Haven Quest repeatedly has been told by Cook that the payments are delayed, although he has not yet received the anticipated payments.

169. Cook and Causey are deceiving investors and agents about the status of investor funds.

CLAIMS FOR RELIEF

COUNT I

Violations of § 17(a) of the Securities Act [15 U.S.C. § 77q(a)]

170. Paragraphs 1-169 are hereby realleged and are incorporated herein by reference.

171. From in or about mid 1997 through at least July 1998, the defendants Cook, Causey, Haven Quest and Cayman in the offer of securities, specifically the above-described securities,

by use of the means and instruments of transportation and communication in interstate commerce or by use of the mails,

(a) directly and indirectly employed devices, schemes and artifices to defraud purchasers of such securities;

(b) directly and indirectly obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, not misleading; and

(c) engaged in transactions, practices and a course of business which would have operated as a fraud or deceit upon the purchasers of such securities, all as more particularly described in paragraphs 1-169 above.

172. Defendants Cook, Causey, Haven Quest and Cayman knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

173. By reason of the foregoing, defendants Cook, Causey, Haven Quest and Cayman have violated and, unless restrained and enjoined, will continue to violate § 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

COUNT II

Violations of § 10(b) of the Exchange Act **[% 15 U.S.C. 78j(b) and Rule 10b-5 Thereunder [17 C.F.R. § 240.10b-5]**

174. Paragraphs 1-169 are hereby realleged and are incorporated herein by reference.

175. From in or about mid 1997 through at least July 1998, the defendants Cook, Causey, Haven Quest and Cayman, by their conduct as set forth above, singly and in concert, by the use of means and instruments of interstate commerce and by the use of the mails, directly and indirectly:

(a) employed devices, schemes, and artifices to defraud;

(b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(c) engaged in acts, practices and courses of business which operated as a fraud and deceit upon persons, all more particularly described in paragraphs 1-169 above.

176. Said defendants knowingly, intentionally and/or recklessly engaged in the above-described conduct.

177. The statements and representations alleged herein were known to defendants or recklessly disregarded by them to be materially false and misleading. In making the material misrepresentations of fact and material omissions described herein, defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud with reckless disregard for the truth.

178. By reason of the foregoing, defendants Cook, Causey, Haven Quest and Cayman have violated and, unless restrained and enjoined will continue to violate § 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Plaintiff Commission, respectfully prays that the Court:

I.

Make findings that each and every defendant committed violations alleged herein.

II.

§ 17(a) of the Securities Act

Issue temporary restraining orders, preliminary and permanent injunctions restraining and enjoining defendants Cook, Causey, Haven Quest and Cayman as well as their agents, servants, employees, attorneys and all persons in active concert or participation with them, who receive actual notice of the order of injunction, by personal service or otherwise, and each of them in the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, from directly or indirectly:

(a) employing any device, scheme, or artifice to defraud;

(b) obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser of such securities.

III.

§ 10(b) of the Exchange Act and Rule 10b-5 Thereunder

Issue temporary restraining orders, preliminary and permanent injunctions restraining and enjoining defendants Cook, Causey, Haven Quest and Cayman as well as their agents, servants, employees, attorneys, and all persons in active concert or participation with them, who receive actual notice of the order of injunction, by personal service or otherwise, and each of them in connection with the purchase or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, from directly or indirectly:

(a) employing any device, scheme or artifice to defraud;

(b) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person.

IV.

Order Prohibiting Destruction of Documents

Orders prohibiting defendants Cook, Causey, Haven Quest and Cayman, their agents, servants, employees, and those persons in active concert or participation with them who receive actual notice of the orders by personal service, facsimile or otherwise, and each of them, from directly or indirectly, tampering with, mutilating, altering, erasing, concealing, removing, destroying or otherwise disposing of any and all books, records, documents, files, correspondence, computer tapes, computer disks, computer diskettes or any other data recordings or any type, however created, produced or stored, relating to, pertaining to or referring to the defendants, their officers, directors, employees and agents, or any financial transactions by any of the defendants or to which any of the defendants was a party.

V.

Order Requiring Accounting, Freeze Of Assets, Repatriation Of Foreign Deposited Assets And Disgorgement Of Ill-Gotten Gains

Issue Orders requiring an accounting from the defendants and of all funds received from the sale of securities described in this Complaint, an order freezing the assets of the defendants, an order directing repatriation of investor funds deposited outside the country by the defendants and an order requiring defendants Cook, Causey, Haven Quest and Cayman to disgorge all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

VI.

Civil Money Penalties

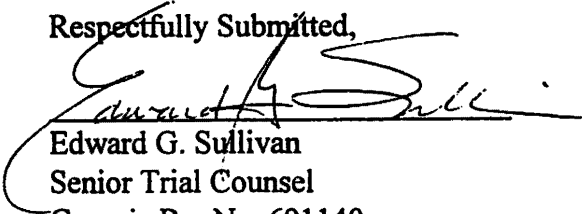
Issue an Order requiring defendants Cook, Causey, Haven Quest and Cayman to pay civil penalties pursuant to § 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and § 21(d)(3) of the Exchange Act.

VII.

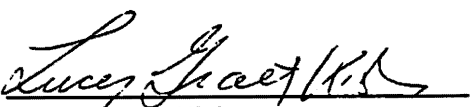
Other Relief

Issue findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure, along with such other and further relief as may be just, equitable and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors. Further, the Securities and Exchange Commission respectfully prays that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that are entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully Submitted,



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