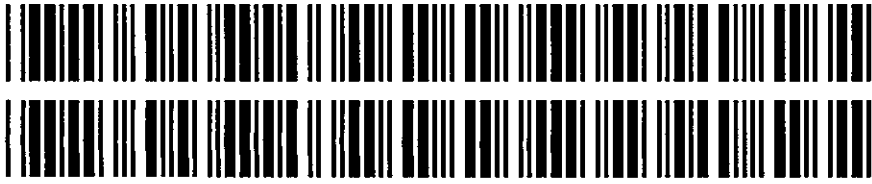


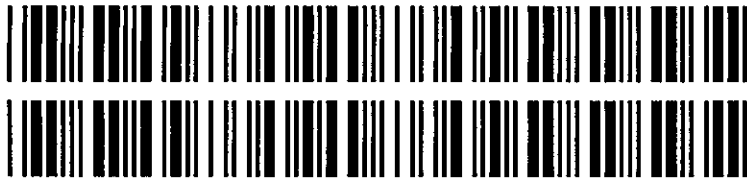
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11 UNITED STATES DISTRICT COURT

12 DISTRICT OF NEVADA

13 CV-S-00-1160-PMP-RJJ

14 _____ :
15 SECURITIES AND EXCHANGE COMMISSION, :
16 _____ :
17 Plaintiff, :
18 _____ :
19 v. :
20 _____ :
21 COUNTRYLAND WELLNESS RESORTS, INC.; :
22 FRED CRUZ (a.k.a. FEDERICO CRUZ :
23 GONZALEZ); LUIS R. HIDALGO, JR.; :
24 and DONALD E. STUDER, :
25 _____ :
26 Defendants. :
27 _____ :

COMPLAINT

28 Plaintiff Securities and Exchange Commission ("Commission")
alleges:

JURISDICTION

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a)] and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e) & 78aa].

SUMMARY

2. Defendant Countryland Wellness Resorts, Inc., and its

1 Chief Executive Officer, defendant Fred Cruz a/k/a Federico Cruz
2 Gonzalez, caused defendant Countryland Wellness Resorts, Inc. to
3 report phony assets in periodic reports and registration
4 statements filed with the Commission from 1996 through the
5 present. Specifically, these defendants falsely reported assets
6 consisting of "gold in storage," "proven mining reserves," and
7 Indonesian "bank guarantees" purportedly ranging in value from
8 \$19 million for the "gold in storage" to over \$2 billion for the
9 "mining reserves." These phony assets represented at least 89%
10 of all assets reported by Countryland Wellness Resorts, Inc., and
11 overstated by at least 800% the assets reported by the company in
12 documents filed with the Commission.

13 3. Additionally, the company's independent auditor,
14 defendant Luis R. Hidalgo, Jr., fraudulently rendered unqualified
15 audit reports regarding the company's 1996 and 1997 financial
16 statements and a qualified report for 1998, failing to adhere to
17 Generally Accepted Auditing Standards when he did so.

18 4. Finally, defendant Fred Cruz and the company's counsel,
19 defendant Donald E. Studer, acted fraudulently when, without
20 authorization from the company's auditor, defendant Luis R.
21 Hidalgo, Jr., they knowingly included an audit report in several
22 registration statements filed with the Commission.

23 DEFENDANTS

24 5. Countryland Wellness Resorts, Inc., formerly
25 Continental Wellness Casinos, Inc. ("Countryland"), a Delaware
26 corporation, maintains its offices in Las Vegas, Nevada at the
27 home of its Chief Executive Officer, defendant Fred Cruz.
28 Countryland claims to be engaged in the mining and electrical

1 contracting industries and purports to plan to operate a
2 longevity center at a wellness resort and casino in Las Vegas,
3 Nevada. Countryland has repeatedly sought listing of its stock
4 on the National Association of Securities Dealers' Automated
5 Quotation system ("NASDAQ") and the Pacific Stock Exchange but
6 has been unsuccessful each time. Countryland stock is listed on
7 the NASDAQ over the counter (OTC) Bulletin Board but is not
8 actively trading.

9 6. **Fred Cruz, a/k/a Federico Cruz Gonzalez ("Cruz")**,
10 resides in Las Vegas, Nevada. Since 1987, Cruz has served as
11 Countryland's President, Chairman of the Board and a Director.
12 Since 1995, Cruz has also been Countryland's Chief Executive
13 Officer ("CEO").

14 7. **Luis R. Hidalgo, Jr. ("Hidalgo")** resides in Fremont,
15 California. Hidalgo obtained his license as a certified public
16 accountant ("CPA") in 1981 from the State of California. He
17 presently teaches managerial accounting and a graduate level
18 course in advanced accounting and financial control at a small
19 university in San Francisco. Since 1993, Countryland has been
20 Hidalgo's only audit client. The California State Board of
21 Accountancy investigated Hidalgo's 1995 and 1996 Countryland
22 audits and, in October 1999, revoked his CPA license, permanently
23 prohibited him from performing audits and imposed a fine of
24 \$6,811 to be paid over two years. In that matter, Hidalgo
25 admitted that his audits of Countryland constituted extreme
26 departures from Generally Accepted Auditing Standards ("GAAS").
27 The revocation of Hidalgo's CPA license was stayed, however,
28 pending Hidalgo completing a sixty-day actual suspension and

1 three years probation.

2 8. Donald E. Studer ("Studer") resides in West Monroe,
3 Louisiana. Studer has served as a Director and corporate counsel
4 for Countryland since 1984. Studer maintains licenses to
5 practice law in California and Louisiana.

6 THE FRAUDULENT SCHEME

7 A. False Financial Statements Are Filed With The Commission On
8 Behalf Of Defendant Countryland

9 9. As set forth in detail below, in each of its annual
10 Form 10-K reports and quarterly Form 10-Q reports filed with the
11 Commission from February 1997 to the present, Countryland grossly
12 misstated its financial condition by falsely representing that it
13 owned assets which were in fact nonexistent.

14 10. Additionally, between November 19 and December 2, 1999,
15 Cruz and Studer filed four amendments to Countryland's
16 registration statement on Form S-1. These amendments also
17 contain material misstatements concerning Countryland's financial
18 condition. The amendments also contained an unauthorized audit
19 report and consent to the use of the audit report from Hidalgo as
20 to his audit of the company's 1998 financial statements.

21 11. In the periodic filings and in the amendments to its
22 registration statement, Countryland falsely reported various
23 assets consisting of "gold in storage," "proven mining reserves,"
24 and "Indonesian bank guarantees" as follows:

- 25 *
- 26 *
- 27 *
- 28 *

FILING AND DATE FILED	"GOLD" IN STORAGE	"PROVEN" MINING RESERVES	INDONESIAN "BANK GUARANTEES"	TOTAL ASSETS
1996 10-K (2/3/97)	\$27.3 million	not listed as asset	N/A	\$30.7 million
1997 10-K (4/13/98) FYE 10/31/97	\$27.3 million	not listed as asset	N/A	\$30.7 million
1997 10-K (4/15/98) FYE 12/31/97*	\$27.3 million	\$2.1 billion	N/A	\$2.1 billion
1998 10-K (4/14/99)	\$22 million (warehouse receipt)	\$1.5 billion	\$1.1 billion	\$2.6 billion
1999 1st Qtr 10-Q (6/2/99)	\$22 million	\$1.5 billion	\$1.1 billion	\$2.6 billion
1999 S-3 (6/3/99)	\$22 million (warehouse receipt)	\$1.2 billion	\$1.1 billion	\$2.4 billion
1999 2d Qtr 10-Q (8/13/99)	\$19.5 million	\$1.9 billion	\$1.1 billion	\$3.0 billion
1999 3d Qtr 10-Q (11/12/99)	N/A	\$2.1 billion	\$400 million	\$2.6 billion
1999 S-1 amendments (11/19/99-12/2/99)	N/A	\$2.1 billion	\$400 million	\$2.6 billion
1999 10-K (3/30/00)	N/A	\$1.5 billion	N/A	\$1.5 billion
2000 1st Qtr 10-Q (5/15/00)	N/A	\$2.4 billion converted to cash equivalents	N/A	\$2.7 billion
2000 2d Qtr 10-Q (8/1/00)	N/A	\$2.4 billion converted to cash equivalents	N/A	\$2.7 billion

1 * In 1997, Countryland changed its fiscal year end from October
2 31 to December 31, and accordingly filed two Form 10-Ks.

3 12. In fact, each of the above assets was nonexistent.

4 1. Fictitious "Gold In Storage" Accounted For As Much As
5 89% Of Countryland's Assets

6 13. In certain periodic annual and quarterly reports filed
7 with the Commission in 1997 through the second quarter of 1999,
8 Countryland falsely reported as an asset gold stored in a
9 warehouse located in Compton, California. Although the gold did
10 not exist, Countryland represented this material as an asset
11 valued at as much as \$27.3 million in its 1996 and 1997 Forms
12 10-K. This represented as much as 89% of the company's total
13 assets in 1996 and 1997.

14 14. The purported "gold" was in fact dirt, described on the
15 warehouse receipt when it was initially stored in the warehouse
16 in the early 1990s as "dry material." In February 1992, at the
17 direction of defendant Cruz, the warehouse reissued the receipt
18 with a description of the contents of the containers as "gold."

19 15. Countryland's then directors, suspicious of Cruz's
20 representations that the material was gold, engaged a metals
21 specialist to analyze it. The analysis revealed that the
22 material contained no more than trace amounts (0.151 ounce per
23 ton) of gold.

24 16. In its 1998 Form 10-K filed on April 14, 1999, without
25 explanation, Countryland no longer reported gold being stored at
26 the warehouse but instead stated that it had obtained a
27 negotiable warehouse receipt valued at over \$22 million. In
28 fact, no such negotiable warehouse receipt existed.

1 17. In April 1999, Cruz gave a copy of a negotiable
2 warehouse receipt for the purported "gold," which receipt was
3 valued at \$22 million, to defendant Hidalgo but informed Hidalgo
4 that the transaction was pending and that the gold was still at
5 the warehouse. On May 25, 1999, Cruz sent a letter to Hidalgo's
6 counsel stating that the transaction for the negotiable warehouse
7 receipt had been canceled and that the "gold" remained in the
8 warehouse.

9 18. In its First Quarter 1999 Form 10-Q filed June 2, 1999,
10 Countryland, this time without explanation as to what had
11 happened to the negotiable warehouse receipt, again reported as
12 an asset the "gold" purportedly in storage at the warehouse.
13 However, the very next day, June 3, 1999, just nine days after
14 Cruz's letter to Hidalgo, Countryland filed a Form S-3
15 registration statement, signed by Cruz, representing as an asset
16 the warehouse receipt purportedly worth \$22 million.

17 19. Because the material stored at the warehouse was not
18 gold, Countryland's reporting of it as an asset at any value was
19 improper under Generally Accepted Accounting Principles ("GAAP").
20 GAAP requires that an item have future economic benefit to an
21 entity before it can be properly recognized as an asset.

22 Financial Accounting Standards Board Statement of Concepts No. 6,
23 25. Because the stored material was mere dirt with virtually no
24 precious metal content, it had no future economic benefit to
25 Countryland and should not have been reported as an asset.

26 *

27 *

28 *

1 2. Countryland Fraudulently Reported Worthless "Proven
2 Gold And Silver Reserves" As Assets Valued At \$1.2 To
3 \$2.1 Billion

4 20. In its financial statements included in certain of its
5 periodic filings with the Commission from 1997 to 1999,
6 Countryland fraudulently reported as an asset "proven gold and
7 silver reserves" from mining claims. Countryland reported on its
8 balance sheet that these purported reserves were an asset at
9 values ranging from \$1.2 to \$2.1 billion. These "proven"
10 reserves represented as much as 98% of Countryland's total
11 reported assets in its 1997 Form 10-K for the fiscal year ending
12 December 31, 1997. While Countryland does hold title to several
13 mining claims, it lacked sufficient information to support their
14 valuation at over \$1 billion. Countryland's only basis for its
15 valuation of the "proven" reserves asset was a geologist's report
16 prepared in 1985 that stated that insufficient analysis had been
17 performed for full evaluation of the property and that extensive
18 work needed to be done to determine the amount and value of the
19 minerals that were recoverable.

20 21. In March 2000, Countryland filed its Form 10-K for the
21 year ended December 31, 1999. In this Form 10-K, Countryland and
22 Cruz reported assets of \$1.5 billion consisting solely of the
23 "proven mining reserves" asset.

24 22. On May 15 and August 1, 2000, Countryland filed its
25 Forms 10-Q for its first and second quarters ended March 31 and
26 June 30, 2000, respectively. In these filings, Countryland
27 reported assets of \$2.7 billion consisting of \$300 million in
28 cash and \$2.4 billion in "cash equivalents." In the footnotes to

1 its financial statements, Countryland, Cruz and Studer falsely
2 represented that Countryland had sold its mining interests (the
3 proven reserves) to the "Dominion of Melchizedek" ("DOM") for
4 \$2.418 billion in Treasury Bills issued by the DOM and \$300
5 million DOM dollars, which Countryland used to acquire a five
6 year certificate of deposit issued by the DOM state owned bank.
7 The Dominion of Melchizedek does not exist.

8 23. Countryland did not report the proven reserves asset in
9 conformity with GAAP. Under GAAP, costs incurred to acquire
10 property shall be capitalized when incurred. Accounting
11 Principles Board Opinion No. 16, 67. Countryland possessed no
12 supporting documents justifying costs incurred to acquire the
13 reserves. Countryland accordingly should have reported the
14 "proven" reserves as worth nothing, rather than as an asset
15 valued at \$1.2 to \$2.1 billion.

16 24. Countryland's "proven" reserves asset also does not
17 meet the definition of a "reserve" under Commission Regulation
18 S-K. See 17 C.F.R. § 229.801(g) & Regulation S-B (Securities Act
19 Industry Guide 7). Regulation S-K defines "reserve" as that part
20 of a mineral deposit that could be economically and legally
21 extracted at the time of the determination. See id. Given the
22 lack of information evidencing the proven reserves, Cruz and
23 Countryland had no basis to establish whether the minerals could
24 be economically recovered. Accordingly, Countryland's reporting
25 that these reserves were valued at \$1.2 to \$2.1 billion was
26 baseless.

27 *

28 *

1 3. Countryland Falsely Reported That It Owned "Indonesian
2 Bank Guarantees," Which Did Not Exist

3 25. In its 1998 Form 10-K, its first and second quarter
4 1999 Forms 10-Q, and its June 3, 1999, Form S-3 registration
5 statement, Countryland improperly reported as an asset \$1.1
6 billion of Indonesian bank guarantees. In its third quarter 1999
7 Form 10-Q Countryland reported that the bank guarantees were an
8 asset valued at \$400 million. Although the bank guarantees
9 represented between 37% to 45% of Countryland's total assets
10 reported in these filings, the bank guarantees never existed.

11 26. In the fall of 1998, on at least three occasions Cruz
12 was informed that the bank guarantees were fraudulent when he
13 unsuccessfully sought to obtain a loan using them as collateral.
14 Cruz never spoke to anyone at the Indonesian bank that
15 purportedly issued the guarantees and never obtained any
16 documents from a source other than the people who gave him the
17 guarantees. Nevertheless, Cruz allowed Countryland to report the
18 entire \$1.1 billion face amount of the bank guarantees as an
19 asset.

20 B. Defendants Cruz And Studer Knowingly Included An Auditor's
21 Report In Countryland's June 1999 Form S-3 Without The
22 Auditor's Authorization

23 27. In a letter dated May 3, 1999, Hidalgo's counsel
24 notified Cruz that Countryland was not authorized to use
25 Hidalgo's audit report regarding the company's 1998 financial
26 statements. The letter explained that Hidalgo did not have
27 sufficient information concerning the purported assets consisting
28 of the Indonesian bank guarantees or the gold in storage. By at

1 least May 6, 1999, Studer had become aware that Hidalgo, through
2 his counsel, had withdrawn authorization to use the audit report.

3 28. Studer actively participated in preparing Countryland's
4 June 3, 1999 Form S-3 registration statement, including
5 proofreading and filing the document with the Commission.

6 Despite being aware of the May 3, 1999, letter from Hidalgo's
7 attorney to Cruz, Studer nevertheless included Hidalgo's audit
8 report in Countryland's June 3, 1999 Form S-3 registration
9 statement.

10 **C. Defendant Hidalgo Issued False Audit Reports**

11 29. Hidalgo issued audit reports containing unqualified
12 opinions on Countryland's 1996 and 1997 financial statements. He
13 also issued a report on Countryland's 1998 financial statements
14 which he qualified only with respect to his inability to audit
15 assets from a purported merger that represented less than 1% of
16 Countryland's total assets. In each of these reports Hidalgo
17 falsely represented that Countryland's financial statements were
18 presented fairly in conformity with GAAP and that his audits were
19 conducted in accordance with GAAS.

20 1. **Hidalgo Falsely Represented That Countryland's**
21 **Financial Statements Were Prepared In Conformity With**
22 **GAAP**

23 30. As stated above, Countryland failed to report virtually
24 any of its assets in accordance with GAAP. Among the assets
25 improperly reported by Countryland were the gold in storage,
26 proven gold and silver reserves and foreign bank guarantees.
27 Hidalgo nevertheless rendered audit opinions regarding
28 Countryland's 1996, 1997, and 1998 financial statements which

1 falsely represented that Countryland's financial statements were
2 presented in conformity with GAAP and that Hidalgo's audits were
3 performed in accordance with GAAS, which is codified in the
4 American Institute of Certified Public Accountants Codification
5 of Statements on Auditing Standards ("AU"). See AU §§ 410.01 &
6 410.02 (requiring the auditor to state an opinion as to whether
7 the financial statements are presented in accordance with GAAP
8 and to qualify such opinion if it is impossible for the auditor
9 to form it).

10 2. Hidalgo Falsely Represented That He Had Conducted His
11 Audits Of Countryland In Compliance With GAAS

12 31. As discussed below, when conducting his audits of
13 Countryland's 1996, 1997 and 1998 financial statements, Hidalgo
14 failed to comply with GAAS in that he did not: (1) adequately
15 plan the audit; (2) obtain sufficient, competent evidence; (3)
16 maintain an attitude of professional skepticism; (4) render an
17 accurate report; or (5) exercise due professional care.

18 a. Hidalgo Failed Adequately To Plan The Audits

19 32. GAAS requires that an audit be adequately planned. AU
20 § 311.01. In planning the audit, the auditor should, among other
21 things: (1) identify areas requiring special attention; (2)
22 evaluate the reasonableness of estimates; and (3) make documented
23 judgments about the appropriateness of the accounting principles
24 used by the client. AU § 311.06. Hidalgo failed to develop a
25 sufficient audit plan in the course of his 1996, 1997, and 1998
26 audits. Instead, Hidalgo's audit planning consisted of putting
27 together a generic set of audit work programs. Hidalgo failed to
28 comply with GAAS when planning his audits of Countryland in that

1 he failed to properly consider the high audit risk resulting from
2 the substantial assets reflected on Countryland's balance sheets.
3 Hidalgo also failed to comply with GAAS in that he did not
4 appropriately modify his audit programs to adequately address the
5 enormous audit risks presented by the Countryland engagements.

6 b. Hidalgo Failed To Obtain Sufficient Competent
7 Evidence

8 33. In conducting an audit, an auditor must obtain
9 sufficient competent evidential matter through inspection,
10 inquiries and confirmations to afford a reasonable basis for an
11 opinion regarding the financial statements under audit. AU §
12 326.01.

13 34. For each of his audits of Countryland's financial
14 statements for 1996, 1997 and 1998, Hidalgo failed to obtain
15 sufficient competent evidence, often blindly accepting Cruz's
16 representations. For example, when testing the existence of the
17 "gold" purported to be in storage, during his audit of
18 Countryland's 1996 financial statements, Hidalgo failed to send a
19 confirmation to the warehouse; during the audit of the 1997
20 financial statements, Hidalgo sent a confirmation request to the
21 warehouse, but when he received no response, he conducted no
22 follow-up investigation. In both cases, Hidalgo relied on
23 alternative procedures that were woefully inadequate under GAAS.
24 Specifically, Hidalgo simply obtained from Cruz the purported
25 original warehouse receipt, warehouse invoice and inventory
26 summaries, an insurance policy and undated assay report. Hidalgo
27 obtained no evidence from any source independent of Countryland.
28 Nor did Hidalgo ever visit the warehouse to inspect the "gold" or

1 hire a metals specialist to determine the actual chemical makeup
2 of the "gold."

3 35. Similarly, in his audit of Countryland's 1998 financial
4 statements, Hidalgo simply accepted a copy of the purported
5 warehouse receipt from Cruz indicating that the "gold" had been
6 moved. Hidalgo then merely compared the copy of the receipt
7 against the purported original receipt, also provided by Cruz.
8 Although Hidalgo asked Cruz for the shipping documents evidencing
9 the transfer of the "gold," Hidalgo did not investigate any
10 further when Cruz told him, "That's not your problem."

11 36. Hidalgo failed to obtain competent evidential matter
12 when auditing the "proven" gold and silver reserves asset.
13 Hidalgo relied on a 1985 geologist's report supplied by Cruz.
14 Hidalgo never spoke to the geologist who prepared the report. He
15 did not attempt to obtain an understanding of the methods or
16 assumptions used by the geologist, as required by GAAS. See AU §
17 336.08. Had Hidalgo taken these extra steps, he would have
18 discovered that the 1985 geologist's report relied on a 1976
19 geologist's report which clearly stated that the data was
20 insufficient for full evaluation of the property. In short,
21 there were no "proven" reserves.

22 37. Finally, with regard to the \$1.1 billion Indonesian
23 bank guarantees asset, which represented over 41% of
24 Countryland's total assets, Hidalgo again failed to obtain
25 competent evidential matter. Hidalgo's only audit procedure
26 concerning the bank guarantees was to compare copies of the bank
27 guarantees provided to him by Cruz with the purported original
28 guarantees, also provided by Cruz. When Cruz represented to

1 Hidalgo that he had obtained the bank guarantees through certain
2 gold certificates he possessed, Hidalgo asked Cruz for a copy of
3 the gold certificates. Cruz responded that it was not Hidalgo's
4 problem, and Hidalgo never asked for more information regarding
5 the transaction. Hidalgo did not attempt to confirm the
6 authenticity of the bank guarantees with the Indonesian bank
7 until well after he had rendered his audit report on
8 Countryland's 1998 financial statements. In May 1999, Hidalgo
9 requested that Cruz prepare a confirmation request to the
10 Indonesian bank for the guarantees. However, Hidalgo never
11 followed up when Cruz failed to prepare the confirmation.

12 38. If Hidalgo had obtained sufficient evidence as required
13 by GAAS, then he should have concluded that Countryland's 1996,
14 1997 and 1998 financial statements were materially misstated and
15 not in conformity with GAAP. Hidalgo then should have disclaimed
16 or rendered an adverse opinion in his audit reports on
17 Countryland's financial statements.

18 c. Hidalgo Failed To Maintain An Attitude Of
19 Professional Skepticism

20 39. GAAS requires the auditor to plan and perform an audit
21 with an attitude of professional skepticism. The auditor needs
22 to objectively evaluate the conditions he observes and evidence
23 he obtains during the audit to determine whether the financial
24 statements are free of material misstatements. AU § 316.16. As
25 discussed above, Hidalgo failed to demonstrate an attitude of
26 professional skepticism during his planning and audits of
27 Countryland's financial statements.

28 *

1 d. Hidalgo Failed To Render Accurate Audit Reports

2 40. Pursuant to GAAS, the auditor's report must express an
3 opinion on the financial statements taken as a whole and must
4 contain a clear indication of the character of the auditor's
5 work. AU § 508.04. The auditor can determine that he is able to
6 express an unqualified opinion only if he has conducted his audit
7 in accordance with GAAS and if he has been able to apply all
8 procedures necessary under the circumstances. AU § 508.40. If
9 the auditor's scope is restricted, either by the client or by the
10 circumstances (such as the inability to obtain sufficient
11 competent evidential matter described above) the auditor may be
12 required to qualify or disclaim an opinion in his report. AU §
13 508.41.

14 41. As set forth above, Hidalgo's audits of Countryland's
15 1996, 1997, and 1998 financial statements were not conducted in
16 accordance with GAAS. Hidalgo failed to obtain sufficient
17 competent evidential matter in each of these audits as required
18 by GAAS in order to express an opinion. Accordingly, Hidalgo's
19 1996 and 1997 audit reports expressing unqualified opinions that
20 Countryland's financial statements were presented fairly in
21 conformity with GAAP, and his 1998 audit report expressing his
22 opinion that Countryland's financial statements were presented
23 fairly in conformity with GAAP with the minor qualification with
24 respect to his inability to audit less than 1% of Countryland's
25 total assets, were all inaccurate and false reports.

26 e. Hidalgo Failed To Exercise Due Professional Care

27 42. In accordance with GAAS, auditors must exercise due
28 professional care in performing the audit and preparing the

1 report. AU § 230.01. Due care concerns what the auditor does
2 and how well he does it. AU § 230.04. Hidalgo failed to
3 exercise due professional care by:

- 4 a. failing to adequately plan the audit and properly
5 consider the audit risk that the financial
6 statements were materially misstated;
- 7 b. failing to obtain sufficient competent evidence to
8 support the assertions in the financial statements
9 by, among other things, substituting management
10 representations for the application of auditing
11 procedures necessary to afford a reasonable basis
12 for the opinion on the financial statements;
- 13 c. failing to maintain an attitude of professional
14 skepticism; and
- 15 d. failing to render an accurate audit report.

16 **D. Defendant Countryland Lacks Required Internal Controls**

17 43. Defendant Countryland lacks adequate internal controls,
18 because it maintains no accounting system whatsoever to record
19 company transactions.

20 **FIRST CLAIM FOR RELIEF**

21 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

22 **Violations of Section 17(a) of the Securities Act**

23 **[15 U.S.C. § 77q(a)]**

24 **(Against All Defendants)**

25 44. The allegations contained in ¶¶ 1-43 are realleged and
26 incorporated herein by reference.

27 45. Defendants Countryland, Cruz, Studer and Hidalgo, by
28 engaging in the conduct described in ¶¶ 9-43 above, directly or

1 indirectly, in the offer or sale of securities, by the use of
2 means or instruments of transportation or communication in
3 interstate commerce or by the use of the mails:

4 (a) with scienter, employed devices, schemes or artifices
5 to defraud;

6 (b) obtained money or property by means of untrue
7 statements of a material fact or by omitting to state a
8 material fact necessary in order to make the statements
9 made, in the light of the circumstances under which
10 they were made, not misleading; or

11 (c) engaged in transactions, practices, or courses of
12 business which operated or would operate as a fraud or
13 deceit upon the purchasers of such securities.

14 46. By reason of the foregoing, defendants Countryland,
15 Cruz, Studer and Hidalgo violated, and unless restrained and
16 enjoined will continue to violate, Section 17(a) of the
17 Securities Act [15 U.S.C. § 77q(a)].

18 SECOND CLAIM FOR RELIEF

19 FRAUD IN CONNECTION WITH THE
20 PURCHASE OR SALE OF SECURITIES

21 Violations of Section 10(b) of the Exchange Act

22 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder

23 [17 C.F.R. § 240.10b-5]

24 (Against All Defendants)

25 47. The allegations contained in ¶¶ 1-43 are realleged and
26 incorporated herein by reference.

27 48. Defendants Countryland, Cruz, Studer and Hidalgo, by
28 engaging in the conduct described in ¶¶ 9-43 above, directly or

1 indirectly, in connection with the purchase or sale of
2 securities, by the use of means or instrumentalities of
3 interstate commerce, or of the mails, with scienter:

- 4 (a) employed devices, schemes, or artifices to defraud;
- 5 (b) made untrue statements of a material fact or omitted to
6 state a material fact necessary in order to make the
7 statements made, in the light of the circumstances
8 under which they were made, not misleading; or
- 9 (c) engaged in acts, practices, or courses of business
10 which operated or would operate as a fraud or deceit
11 upon any person.

12 49. By reason of the foregoing, defendants Countryland,
13 Cruz, Studer and Hidalgo violated, and unless restrained and
14 enjoined will continue to violate, Section 10(b) of the Exchange
15 Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §
16 240.10b-5].

17 THIRD CLAIM FOR RELIEF

18 FAILURE TO FILE ACCURATE ANNUAL AND QUARTERLY REPORTS

19 ON FORMS 10-K AND 10-Q WITH THE COMMISSION

20 Violations of Section 13(a) of the Exchange Act
21 [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13
22 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13]

23 (Against Defendants Countryland and Cruz)

24 50. The allegations contained in ¶¶ 1-43 are realleged and
25 incorporated herein by reference.

26 51. Defendant Countryland, aided and abetted by defendant
27 Cruz, by engaging in the conduct described in ¶¶ 9-26 above,
28 filed annual and quarterly reports with the Commission on Forms

1 10-K and 10-Q that failed to contain material information
2 necessary to make the required statements in the Forms 10-K and
3 10-Q, in light of the circumstances under which they were made,
4 not misleading.

5 52. By reason of the foregoing, defendant Countryland
6 violated, and defendant Cruz aided and abetted such violations,
7 and unless restrained and enjoined defendant Countryland will
8 continue to violate and defendant Cruz will continue to aid and
9 abet violations, of Section 13(a) of the Exchange Act [15 U.S.C.
10 § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 thereunder [17
11 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13].

12 FOURTH CLAIM FOR RELIEF

13 FAILURE TO MAKE AND KEEP ACCURATE BOOKS AND RECORDS AND

14 KNOWING FALSIFICATION OF BOOKS, RECORDS OR ACCOUNTS

15 Violations of Section 13(b)(2)(A) of the Exchange Act

16 [15 U.S.C. § 78m(b)(2)(A)] and

17 Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1]

18 (Against Defendants Countryland and Cruz)

19 53. The allegations contained in ¶¶ 1-43 are realleged and
20 incorporated herein by reference.

21 54. Defendant Countryland, aided and abetted by defendant
22 Cruz, by engaging in the conduct described in ¶¶ 9-28 above,
23 failed to make and keep books, records, and accounts, which, in
24 reasonable detail, accurately and fairly reflected the
25 transactions and dispositions of the assets of Countryland.

26 55. Defendants Countryland and Cruz, by engaging in the
27 conduct described in ¶¶ 9-28 above, directly or indirectly,
28 falsified or caused to be falsified, Countryland's books, records

1 or accounts.

2 56. By reason of the foregoing, defendant Countryland
3 violated, and defendant Cruz aided and abetted such violations,
4 and unless restrained and enjoined defendant Countryland will
5 continue to violate and defendant Cruz will continue to aid and
6 abet violations, of Section 13(b)(2)(A) of the Exchange Act [15
7 U.S.C. § 78m(b)(2)(A)]; and defendants Countryland and Cruz
8 violated, and unless restrained and enjoined will continue to
9 violate, Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

10 **FIFTH CLAIM FOR RELIEF**

11 **FAILURE TO MAINTAIN A SYSTEM OF INTERNAL ACCOUNTING CONTROLS**

12 **Violations of Section 13(b)(2)(B) of the Exchange Act**

13 **[15 U.S.C. § 78m(b)(2)(B)]**

14 **(Against Defendants Countryland and Cruz)**

15 57. The allegations contained in ¶¶ 1-43 are realleged and
16 incorporated herein by reference.

17 58. Defendant Countryland, aided and abetted by defendant
18 Cruz, by engaging in the conduct described in ¶¶ 9-28 and 43
19 above, failed to devise and maintain a system of internal
20 accounting controls sufficient to provide reasonable assurances
21 that:

- 22 (a) transactions are executed in accordance with
23 management's general or specific authorization;
- 24 (b) transactions are recorded as necessary (i) to permit
25 preparation of financial statements in conformity with
26 GAAP or any other criteria applicable to such
27 statements, and (ii) to maintain accountability for
28 assets;

- 1 (c) access to assets is permitted only in accordance with
2 management's general or specific authorization; and
3 (d) the recorded accountability for assets is compared with
4 the existing assets at reasonable intervals and
5 appropriate action is taken with respect to any
6 differences.

7 59. By reason of the foregoing, defendant Countryland
8 violated, and defendant Cruz aided and abetted such violations,
9 and unless restrained and enjoined defendant Countryland will
10 continue to violate and defendant Cruz will continue to aid and
11 abet violations, of Section 13(b)(2)(B) of the Exchange Act [15
12 U.S.C. § 78m(b)(2)(B)].

13 SIXTH CLAIM FOR RELIEF

14 FALSE STATEMENTS TO AN AUDITOR

15 Violations of Exchange Act Rule 13b2-2

16 [17 C.F.R. § 240.13b2-2]

17 (Against Defendant Cruz)

18 60. The allegations contained in ¶¶ 1-43 are realleged and
19 incorporated herein by reference.

20 61. Defendant Cruz, as an officer and director of
21 Countryland, by engaging in the conduct described in ¶ 17 above,
22 directly or indirectly:

- 23 (a) made or caused to be made a materially false or
24 misleading statement; or
25 (b) omitted to state, or caused another person to omit to
26 state, material facts necessary in order to make
27 statements made, in light of the circumstances under
28 which such statements were made, not misleading to an

1 accountant in connection with:

- 2 (1) an audit or examination of the financial
3 statements of the issuer required to be made, or
4 (2) the preparation or filing of documents or reports
5 required to be filed with the Commission.

6 62. By reason of the foregoing, defendant Cruz violated,
7 and unless restrained and enjoined will continue to violate, Rule
8 13b2-2 under the Exchange Act [17 C.F.R. § 240.13b2-2].

9 PRAYER FOR RELIEF

10 WHEREFORE, the Commission respectfully requests that this
11 Court:

12 I.

13 Issue findings of fact and conclusions of law that
14 defendants Countryland, Cruz, Studer and Hidalgo committed the
15 violations alleged herein.

16 II.

17 Issue final judgments of permanent injunction, in a form
18 consistent with Fed. R. Civ. P. 65(d), enjoining:

- 19 A. Countryland, Cruz, Studer and Hidalgo from violating
20 Section 17(a) of the Securities Act [15 U.S.C. §
21 77q(a)] and Section 10(b) of the Exchange Act [15
22 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §
23 240.10b-5];
24 B. Countryland and Cruz from violating Sections 13(a),
25 13(b) (2) (A) and 13(b) (2) (B) of the Exchange Act [15
26 U.S.C. §§ 78m(a), 78m(b) (2) (A) & 78m(b) (2) (B)] and
27 Rules 12b-20, 13a-1, 13a-13 and 13b2-1 thereunder [17
28 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13 &

1 240.13b2-1]; and

2 C. Cruz from violating Exchange Act Rule 13b2-2 [17 C.F.R.
3 § 240.13b2-2].

4 III.

5 Enter orders whereby Cruz, Studer and Hidalgo are assessed
6 and ordered to pay civil penalties under Section 20(d) of the
7 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the
8 Exchange Act [15 U.S.C. § 78u(d)(3)].

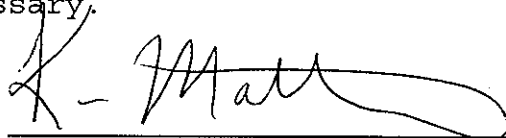
9 IV.

10 Retain jurisdiction of this action in accordance with the
11 principles of equity and the Federal Rules of Civil Procedure in
12 order to implement and carry out the terms of all orders and
13 decrees that may be entered or to entertain any suitable
14 application or motion for additional relief within the
15 jurisdiction of this court.

16 V.

17 Grant such other and further relief as this Court may
18 determine to be just and necessary.

19
20 DATED: September 26, 2000



21 Karen Matteson
22 Attorney for Plaintiff
23 Securities and Exchange Commission
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