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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Navigators International Management Co., Ltd.  
James R. Spurger and  
Benjamin W. Young, Jr.,

Defendants.

Civil Action No.

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Commission”) for its Complaint alleges as follows:

**SUMMARY**

1. This is a governmental enforcement action seeking injunctive and other relief based upon violations of the antifraud, offering registration, and broker-dealer registration provisions of the federal securities laws. Navigators International Management Company, Ltd. (“Navigators”), through its representatives James R. Spurger (“Spurger”) and Benjamin W. Young, Jr. (“Young”)

(collectively, “Defendants”), engaged in three unregistered offerings of securities that did not meet registration exemptions. In two of these offerings, Defendants fraudulently disseminated materially false and misleading information to attract investors and facilitate the offerings. In each of the offerings, one or more of the Defendants acted as unregistered broker-dealers.

2. In the first offering, conducted during 2005, Defendants raised over \$1 million to finance a fraudulent bond funding program. Defendants falsely represented that investors would receive returns of 67% or more and told investors that their funds would be safe and collateralized while being used to purchase a bond to secure a line of credit. Defendants promised to use the line of credit to repay the investors’ principal and to provide substantial returns in a short timeframe. Defendants paid the investors’ money to a third party, which used it to buy a purported bond. However, the bond that was purchased was counterfeit and the investors never received their principal or any returns.

3. The second offering, not registered with the Commission, is ongoing and involves interests in general programs (the “ZCASH programs”) offered on Navigators’ Internet store called the “Treasure Chest.” On the Treasure Chest website, Navigators offers participants “ZCASH” electronic tokens and promises exorbitant returns, to be generated in an unspecified manner and timeframe, when participants use their ZCASH to purchase items. Navigators further offers to pay a portion of participants’ returns to various charitable causes, or to finance payments for the participant’s basic needs, such as housing or groceries. Navigators has not paid the promised returns.

4. In the third offering, Navigators fraudulently offered stock in an unaffiliated company on the Treasure Chest website in the summer of 2007. In their solicitations, Defendants made

material misrepresentations about the issuer's business contracts. Defendants also offered to hold the stock purchased by Treasure Chest users for resale, with Navigators keeping a portion of the resale price.

5. The Commission, in the interest of protecting the public from any further illegal activity, brings this action against the Defendants, seeking permanent injunctive relief, an accounting, disgorgement of ill-gotten gains, prejudgment interest thereon, and civil penalties.

### **JURISDICTION AND VENUE**

6. This Court has jurisdiction over this action pursuant to Sections 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(d)(1) and 77v(a)] and Sections 21(d)(3), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d)(3), 78u(e) and 78aa]. In connection with the acts, practices, and courses of business described in this Complaint, each of the Defendants, directly or indirectly, has made use of the means or instrumentalities of interstate commerce or of the mails.

7. Venue in this District is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a) and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because some of the acts, practices and courses of business described in this Complaint occurred within the jurisdiction of the Southern District of Texas and Defendant Spurger resides in this District.

### **DEFENDANTS**

8. **Navigators International Management Company, Ltd.** is a Bahamian corporation headquartered in Nassau, Bahamas. Navigators administers a website and an Internet store, the "Navigators Treasure Chest," where investors can purchase ZCASH and a variety of goods and services and thereby invest in ZCASH programs. Navigators promises investors that they will earn

astronomical rebates and returns by using their ZCASH to make purchases.

9. **James R. Spurger** resides in Friendswood, Texas. Spurger was the president of Navigators until the summer of 2006 and remains active in running Navigators' daily operations in a consultant capacity. Among other things, Spurger posts information on Navigators' Internet websites.

10. **Benjamin W. Young, Jr.** is a U.S. citizen who resides in El Salvador. Young was a vice president and member of Navigators' board of directors until the summer of 2006. He is now a consultant to Navigators but retains primary responsibility for preparing the content of Navigators' Internet websites.

### **NAVIGATORS' SECURITIES OFFERINGS**

#### **A. Bond Funding Program**

11. In the fall of 2005, Defendants, with the assistance of solicitors, raised approximately \$1.1 million through the sale of investment contracts to investors. Investors were told that their funds would be pooled with the funds of others to purchase a bank bond, which would be used to provide collateral for a commercial line of credit, the proceeds of which would be made available to Navigators. Navigators would then use the proceeds of this line of credit to repay investors' principal and provide them with returns of 67% or more. The investors were assured that their funds were safe and collateralized by a portfolio of life insurance policies, and that they would be repaid within months.

12. At the time of these investments, Spurger was Navigators' president and signed documents memorializing the terms of the transactions on behalf of Navigators. Young was Navigators' vice president and also signed these documents as a witness.

13. Navigators, Young, and Spurger were aware of efforts, made on their behalf, to raise money from investors to finance the transaction. In fact, Young provided advice to solicitors regarding what investors should be told regarding the bond funding program.

14. Young and Spurger, directly and through solicitors, materially misrepresented important information about the securities they offered. First, they materially misrepresented the returns investors would receive. Documents prepared and signed by Young and Spurger stated that Navigators expected to have the line of credit arranged within sixty days. Documents received by investors indicated that investors should expect to receive both a repayment of their principal and profit thereon in thirty to sixty days thereafter, making the total period of investment only 120 days.

15. Investors were also assured that their principal was safe and collateralized. In documents prepared and signed by Young and Spurger, repayment of investors' principal is referred to as an "automatic" event. Documents provided to the investors also state that investors may require repayment of their investments at any time, unless those funds are otherwise committed. The documents further explained that Navigators will collateralize the investments with life insurance policies with an aggregate cash surrender value exceeding the amount of funds deposited by the investors.

16. However, investors' funds were not secure, the bond that was purchased was counterfeit and no investor has received a return of his principal or any profits as promised. Moreover, the Defendants have not requested the liquidation of collateral despite the expiration of the anticipated timeframe for repayment.

17. After the bond funding program was completed, Defendants continued to materially misrepresent the status of the program to investors. For example, in January 2006, Spurger prepared

an email that was shared with the investors. This email stated that, while some initial bank processing delays were encountered, these would be resolved. The email further materially misrepresented that money for the repayment of principal was available. In April 2006, Young composed an email to investors misrepresenting that Navigators had found another way to repay its obligations and that it would make payments to the investors as soon as possible.

18. The interests in the bond funding program were securities because they represent investment contracts. Investors paid funds to Navigators, and their expectation of returns was dependent on the efforts of Navigators. Moreover, investors' funds were pooled with the funds of others to engage in a common enterprise. Also, the fortunes of the bond deal investors were dependent on the efforts of Navigators.

19. No registration statement was filed with the Commission or was in effect with respect to the Defendants' offers and sales of bond funding program securities.

20. The bond funding program securities offered by Defendants were premised on a nonsensical transaction. As a result, Defendants knew, or were reckless in not knowing, that their statements about the rates and timing of returns were unreasonable. Defendants also knew, or were reckless in not knowing, that their statements about the security of investor funds were false or misleading.

21. At the time they sold the bond funding program securities, neither Spurger nor Young was registered as a broker or dealer. Moreover, neither Spurger nor Young was associated with a registered broker-dealer. However, Spurger and Young acted as unregistered broker-dealers when they negotiated the sales of the bond funding program securities by preparing and signing documents and communicating with investors regarding the securities.

**B. ZCASH Programs**

22. Defendants currently solicit investors to invest in ZCASH programs through the Internet, in an unregistered offering. Navigators sells ZCASH electronic tokens on its Treasure Chest website, located at [www.ntcprocurement.com](http://www.ntcprocurement.com). Defendants claim to have sold in excess of \$4 million in ZCASH. Investors use ZCASH to purchase items listed on the Treasure Chest. These purchases purportedly entitle investors to massive rebates and returns from Navigators, to be generated in an undefined manner.

23. Navigators also operates another website at [www.zcash.org](http://www.zcash.org) where it publishes a variety of “News You Can Use” bulletins describing the Treasure Chest and other purported funding programs.

24. Navigators offers at least two types of items on the Treasure Chest: (1) products and services; and (2) “scrolls.” With respect to products and services, Navigators allows outside vendors to list these items on the Treasure Chest website. Products currently listed include coffee, sports apparel, vitamins, girls’ dresses, and water purifiers. Services currently offered include project management, automotive consulting, and graphic design. Navigators, not the vendors, receives payments made by investors to purchase the listed products and invest in the ZCASH programs.

25. The “scrolls” Navigators offers are designed to allow a purchaser to provide funds to a charitable foundation to distribute to persons the foundation selects. The foundation purportedly “is focused on providing ways and means to fund infrastructure and humanitarian projects” in Central American countries. There are a variety of scrolls offered on the Treasure Chest website, tied to the charitable purpose the buyer may wish to fund. As for the products offered on the

Treasure Chest, Navigators, and not the purported charitable foundation, collects funds investors pay for the scroll and entry into the ZCASH programs.

26. Defendants promise buyers massive returns for purchasing items on the Treasure Chest. Those who purchase goods or services, rather than a charitable scroll, purportedly receive two types of returns. First, Navigators offers \$2 for each \$1 of cash a purchaser pays out, in addition to the product purchased. This return is purportedly assured through the process of the transaction.

27. The second way Defendants promise returns is through “rebates.” These rebates are available to purchasers of goods and services, and to purchasers of the various charitable “scrolls.”

28. The process to obtain a rebate begins when a buyer selects a rebate level from a drop-down menu on the Treasure Chest when purchasing an item. The purchaser can choose any rebate he wants, including rebates as high as \$4.7 million on a \$6,000 purchase.

29. Other than claiming that Navigators uses money “in business to obtain profits[,]” Defendants do not disclose on their website how they will generate these promised returns or rebates. However, Defendants have assured investors that investors “are not required to do anything other than wait” in order to receive their returns.

30. On information and belief, Navigators has paid the “\$2 for \$1” returns to an investor only once. This fact is not disclosed on Navigators’ website.

31. On information and belief, Navigators has never actually paid any rebates, but this fact is not disclosed on Navigators’ website.

32. The interests in the ZCASH programs are securities because they represent investment contracts. Investors pay funds to Navigators, and their expectation of returns is dependent on the efforts of Navigators. Navigators’ profits are tied to the same unidentified

activities that will guarantee profits for investors.

33. No registration statement was filed with the Commission or was in effect with respect to Defendants' offers and sales of ZCASH securities.

34. At the time they offered or sold the ZCASH program securities, neither Spurger nor Young was registered as a broker or dealer. Moreover, neither Spurger nor Young was associated with a registered broker-dealer. However, Spurger and Young acted as unregistered broker-dealers when they solicited investors for Navigators ZCASH program offerings through Internet postings. Among other things, Spurger and Young negotiated the terms of investor transactions through the postings.

### **C. Power Avenue Stock Offering**

35. In the summer of 2007, Navigators began offering stock in Power Avenue, a privately-held Delaware corporation with offices in Europe and Tennessee. Through the Treasure Chest, Navigators offered to sell Power Avenue stock for \$12 a share in blocks of various sizes. Navigators also offered returns of \$2 for every \$1 spent buying Power Avenue stock, in the same manner as for other purchases of goods or services on the Treasure Chest. Navigators made material misrepresentations in their offer of Power Avenue stock.

36. Navigators announced the availability of Power Avenue stock in a bulletin dated June 27, 2007. In that bulletin, Navigators claimed that Power Avenue had received "over \$100 Billion in Letters of Intent for hydrogen electrical power plants" and that Power Avenue had agreements "for the transferal of assets valued at over \$5 billion" to Power Avenue in exchange for Power Avenue stock.

37. In the bulletin, Navigators further stated that, after a purchaser bought Power Avenue stock, the purchaser could leave that stock with Navigators on “consignment” for resale. Navigators projected that it would resell the stock for \$120 a share, keep \$20 a share of the resale price, and pay the remainder to the original purchaser.

38. Defendants’ representations about Power Avenue’s purported contracts were unfounded and untrue. In fact, Power Avenue did not have the contracts that Navigators stated Power Avenue did. Moreover, Power Avenue did not ever communicate to Navigators that Power Avenue had those contracts.

39. Defendants knew, or were severely reckless in not knowing, that their representations regarding Power Avenue’s business contracts were materially false.

40. No registration statement was filed with the Commission or was in effect with respect to the offers of Power Avenue securities.

41. At the time they offered the Power Avenue securities, none of the Defendants was registered as a broker or dealer. Moreover, none of the Defendants was associated with a registered broker-dealer. However, Defendants acted as unregistered broker-dealers when they solicited investors for Power Avenue securities through Internet postings. Among other things, each of the Defendants was responsible for negotiating the terms of the transactions through these postings.

**FIRST CLAIM FOR RELIEF**

**[Violations by Navigators, Spurger and Young of Section 17(a)(1) of the Securities Act (15 U.S.C. §77q (a)(1))]**

42. Paragraphs 1 through 41 are hereby realleged and incorporated by reference.

43. Navigators, Spurger and Young, with scienter, in the offer or sale of securities in the bond funding program and the Power Avenue stock offering, by use of the 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.

44. By reason of the foregoing, Navigators, Spurger and Young have violated Section 17(a)(1) of the Securities Act and unless enjoined will continue to violate Section 17(a)(1) of the Securities Act.

**SECOND CLAIM FOR RELIEF**

**[Violations by Navigators, Spurger and Young of Sections 17(a)(2) and (3) of the Securities Act (15 U.S.C. §§77q(a)(2) and (3))]**

45. Paragraphs 1 through 41 are hereby realleged and incorporated by reference.

46. Navigators, Spurger and Young have knowingly, recklessly or negligently, by engaging in the conduct set forth above, directly or indirectly, in the offer or sale of securities in the bond funding program and the Power Avenue stock offering, by the use or means or instruments of transportation or communication in interstate commerce or the mails: (a) obtained money or property by means of untrue statements of material fact or by omitting 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 transaction, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

47. By reason of the foregoing, Navigators, Spurger and Young have violated Sections 17(a)(2) and (3) of the Securities Act and unless enjoined will continue to violate Sections 17(a)(2) and (3) of the Securities Act.

**THIRD CLAIM FOR RELIEF**

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

48. Paragraphs 1 through 41 are hereby realleged and incorporated by reference.

49. Navigators, Spurger and Young have, by engaging in the conduct set forth above, directly or indirectly, by use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national security exchange, with scienter: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or 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; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities in the bond funding program.

50. By reason of the foregoing, Navigators, Spurger and Young have violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and unless enjoined will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5.

**FOURTH CLAIM FOR RELIEF**

**[Violations by Navigators, Spurger and Young of Sections 5(a) and 5(c) of the Securities Act (15 U.S.C. §§ 77e (a) and 77e(c))]**

51. Paragraphs 1 through 41 are hereby realleged and incorporated by reference.

52. Navigators, Spurger and Young have, by engaging in conduct, in connection with all offerings set forth above, directly or indirectly, made use of any means or instruments of transportation or communication in interstate commerce, offered to sell or sold securities or carried

or caused such securities to be carried through the mail or in interstate commerce, for the purpose of delivery after sale.

53. No registration statement was filed with the Commission or was otherwise in effect with respect to the securities that were offered by Defendants prior to the offer or sale of these securities.

54. By reason of the foregoing, Navigators, Spurger and Young have violated Sections 5(a) and 5(c) of the Securities Act, and unless enjoined will continue to violate these provisions.

**FIFTH CLAIM FOR RELIEF**

**[Violations by Navigators, Spurger and Young of Section 15(a) of the Exchange Act (15 U.S.C. §78o(a))]**

55. Paragraphs 1 through 41 are hereby realleged and incorporated by reference.

56. Navigators, Spurger and Young, while engaged in the business of effecting transactions in securities for the account of others or for their own accounts have made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce the purchase of, securities, without being registered as brokers or dealers with the Commission.

57. By reason of the foregoing, Navigators, Spurger, and Young have violated Section 15(a) of the Exchange Act and unless enjoined will continue to violate Section 15(a) of the Exchange Act.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

Issue findings of fact and conclusions of law that the Defendants committed the violations charged and alleged herein and issue orders as follows:

**II.**

Enter an Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants from violating, Sections 5(a), 5(c), 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act, and Rule 10b-5 thereunder.

**III.**

Issue an Order directing all of the Defendants jointly and severally, to prepare and present to the Court and the Commission within three (3) days from the entry of said order, or within such extension of time as the Commission staff agrees, a written accounting signed under penalty of perjury, setting forth all funds, assets and liabilities including: all real and personal property exceeding \$5,000 in value, located both within and outside of the United States, which are held by such Defendant, on their behalf, or under their direct or indirect control, whether jointly or singly, or in which they have an interest; all funds and assets that each Defendant received from investors and the ultimate use or current location of those funds or assets. The accountings shall include a description of the source(s) of all such assets; and all bank, securities, futures and other accounts controlled by Defendant, directly or indirectly, identified by institution, branch address and account number.

**IV.**

Order Defendants to disgorge all ill-gotten gains in the form of any benefits of any kind derived from the illegal conduct alleged in this Complaint, plus pre-judgment interest;

**V.**

Order Defendants to pay third tier civil penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Sections 21(d)(3); and

**VI.**

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

DATED: December 26, 2007

Respectfully submitted,

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