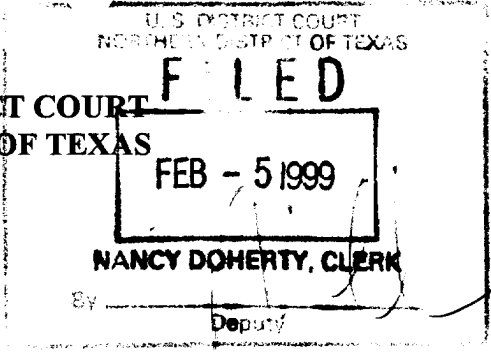


ORIGINAL

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

**FOREX ASSET MANAGEMENT, L.L.C.,
a Texas limited liability company; and
JASON N. KOSOVA,**

Defendants.

Civil Action No.

3 - 99 CV 0256 - P

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") for its Complaint against Defendants Forex Asset Management, L.L.C. and Jason N. Kosova, alleges and states:

SUMMARY

1. This case involves an ongoing scheme to defraud investors in connection with the offer and sale of investments by Defendant Forex Asset Management, L.L.C., by its founder and an officer, Defendant Jason N. Kosova, and by others. The investment purportedly involves a foreign currency trading program and a foreign currency market known as Forex. Through aggressive advertising and high-pressure sales tactics which may have begun as early as 1996 and which is continuing through the present, Defendants Forex Asset Management, L.L.C. and Jason N. Kosova have raised no less than \$3.7 million from at least forty (40) investors by making

numerous misrepresentations and omissions. Investors lost significant amounts of money as a result of the fraudulent scheme.

2. Defendants Forex Asset Management, L.L.C. and Jason N. Kosova have engaged, and unless restrained and enjoined by this Court, will continue to engage in acts, transactions, practices and courses of business which violate Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §77q(a), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Commission Rule 10b-5, 17 C.F.R. §240.10b-5.

JURISDICTION AND VENUE

3. The Commission brings this action pursuant to Section 20(b) of the Securities Act, 15 U.S.C. §77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), to enjoin the violative acts, transactions, practices and courses of business and for ancillary relief. This case arises under the laws of the United States, including Acts of Commerce regulating commerce.

4. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. §77v(a), pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa, and pursuant to 28 U.S.C. §§1331 and 1337.

5. Defendants Forex Asset Management, L.L.C. and Jason N. Kosova can be found, are inhabitants, conduct business and reside in the Northern District of Texas. Certain of the acts and practices constituting the violations alleged herein occurred within the Northern District of Texas. Venue is appropriate in the Northern District of Texas under Section 22(a) of the Securities Act, 15 U.S.C. §77v(a), Section 27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1391.

PARTIES

6. The Commission is an agency of the United States of America established by Section 4(a) of the Exchange Act, 15 U.S.C. §77d(a).

7. Defendant Forex Asset Management, L.L.C. ("FAM") was organized as a Texas limited liability company in July 1996, but the State of Texas involuntarily dissolved FAM in August 1996. FAM was reinstated in July 1997; however, the State of Texas forfeited FAM's charter in August 1998 on account of FAM's failure to pay its franchise tax. FAM nevertheless has continued to operate from its headquarters in Dallas. FAM has never been registered with the Commission in any capacity. FAM is controlled by Defendant Jason N. Kosova and by Burton Dupuy III.

8. Defendant Jason N. Kosova ("Kosova") resides in Dallas, Texas. Kosova is believed to be either the president or the vice president of FAM and has never been registered with the Commission in any capacity.

FACTUAL BACKGROUND

9. The Forex market or foreign exchange currency market essentially involves the buying and selling of different currencies through a worldwide network of traders connected by telephone lines and computer screens. The Forex market has no central headquarters or exchange, and banks account for the majority of trading in the Forex market. Forex market participants, which also include broker-dealers and other customers, earn profits by buying currencies from and selling currencies to customers and to each other. Billions of dollars are traded daily in the Forex market.

10. FAM made oral presentations at seminars and produced and caused to be broadcast radio "infomercials" which featured Kosova. FAM employed "account executives"

who made “cold calls” and who solicited business from individuals who had responded to oral presentations and “infomercials.” FAM created Internet “website” advertising. FAM mailed offering literature to individuals who responded to other solicitations.

11. The oral presentations, the “infomercials,” the “cold calls,” the Internet “website” advertising and the written materials included the following:

- a. Kosova had an “extensive nine-year background in the trading of the international currency market”;
- b. FAM was a “full service brokerage firm”;
- c. FAM was to employ all funds invested in an international currency trading program;
- d. by making use of “stop loss” procedures, FAM would make certain that no more than one (1%) percent to two (2%) percent of the funds which an investor placed with FAM would ever be at risk at any time;
- e. investors could expect to profit solely through the efforts of FAM and Kosova;
- f. FAM minimized risk to investors by making use of “very specific trading strategies” which FAM had developed;
- g. FAM’s trading system “automatically determine[d] ‘stop’ levels based on a client’s individual risk parameters”;
- h. FAM could obtain “very high rates of return” for investors with “limited risk”;
- i. FAM offered “managed individual accounts” based on each investor’s “own risk and profit objectives”;

j. FAM used techniques which positioned investors “to receive the highest amount of profit with the maximum degree of safety”; and

k. the prices which FAM quoted on an investor was to be “inclusive of [FAM’s] fees and expenses and [FAM would] not charge [an investor] any additional fees or expenses.”

12. In fact, the following was true:

a. Kosova was twenty-eight (28) years old or less;

b. FAM was not and was never registered as a “full service brokerage firm”;

c. FAM employed less than sixteen (16%) percent of the funds invested in an international currency trading program;

d. FAM expended more than \$3 million of investors’ funds for purposes other than international currency trading, possibly as compensation for Kosova and other employees of FAM and for luxuries, including a boat registered in the name of FAM;

e. FAM did not insure that no more than one (1%) percent to two (2%) percent of the funds which investors placed with FAM would ever be at risk at any time;

f. FAM used funds invested by later investors to pay off earlier investors, as evidence of a “Ponzi scheme”;

g. FAM did not make use of “stop placement” orders “based on [an investor’s] individual risk parameters”;

h. the risk to investors was not “limited”;

i. FAM pooled investors’ positions and did not provide them with “managed individual accounts” based on each investor’s “own risk and profit objectives”; and

j. FAM and Kosova took additional funds from monies invested for fees and other expenses.

13. FAM and Kosova created account statements and distributed the statements to investors. The account statements showed that the investors were profiting. When investors sought to withdraw funds from their accounts, FAM and Kosova attempted to discourage the investors from doing so. If an investor persisted, FAM and Kosova informed the investor that his or her account had experienced dramatic losses and transmitted only the lesser amount to the investor.

14. The Arizona Corporation Commission ("ACC"), through its Securities Division, determined that FAM had violated Arizona law and demanded that FAM refund all monies to Arizona investors.

15. FAM and Kosova responded by misrepresenting to the ACC the number of Arizona investors and the amounts which those investors had contributed.

16. When the ACC demonstrated that there were other investors, FAM refunded the monies invested by the Arizona investors, but neither FAM nor Kosova identified or made a refund to other Arizona investors who were then unknown to the ACC.

17. Even though FAM and Kosova represented to the ACC that FAM would accept no additional investments from persons in Arizona, FAM continued to accept monies from existing and new Arizona investors.

18. FAM and Kosova used monies raised from other investors to make the refunds which FAM did make to the Arizona investors.

19. Although FAM and Kosova raised more than \$3.7 million from investors throughout the United States, FAM actually used only \$600,00 in currency trading programs

involving various currencies, including U.S. dollars, Japanese yen, Deutsche (German) marks, Swiss francs and Canadian dollars.

20. FAM did earn a profit on the \$600,00 FAM invested in currency trading programs, but neither FAM nor Kosova distributed their profits to investors.

CAUSES OF ACTION

Count One

FRAUD IN CONNECTION WITH THE OFFER AND SALE OF SECURITIES

Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5

21. The allegations of paragraphs 1 through 20 of this Complaint are realleged and incorporated herein by reference as if set forth herein verbatim.

22. L.L.C. and Kosova, singly, in concert and with others, directly and indirectly, in connection with the offer and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have:

- 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 operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

23. As a part of and in furtherance of the scheme, L.L.C. and Kosova, directly and indirectly, prepared, disseminated and/or used “infomercials,” written offering documents, promotional materials, investor correspondence, oral presentations, Internet materials and “cold

call” solicitations which contained untrue statements of material facts and representations of material facts and which 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.

24. L.L.C. and Kosova made misrepresentations to potential and actual investors, which included, but are not limited to:

- a. Kosova had an “extensive nine-year background in the trading of the international currency market”;
- b. FAM was a “full service brokerage firm”;
- c. FAM was to employ all funds invested in an international currency trading program;
- d. by making use of “stop loss” procedures, FAM would make certain that no more than one (1%) percent to two (2%) percent of the funds which an investor placed with FAM would ever be at risk at any time;
- e. investors could expect to profit solely through the efforts of FAM and Kosova;
- f. FAM minimized risk to investors by making use of “very specific trading strategies” which FAM had developed;
- g. FAM’s trading system “automatically determine[d] ‘stop’ levels based on a client’s individual risk parameters”;
- h. FAM could obtain “very high rates of return” for investors with “limited risk”;
- i. FAM offered “managed individual accounts” based on each investor’s “own risk and profit objectives”;

j. FAM used techniques which positioned investors “to receive the highest amount of profit with the maximum degree of safety”; and

k. the prices which FAM quoted on an investor was to be “inclusive of [FAM’s] fees and expenses and [FAM would] not charge [an investor] any additional fees or expenses.”

25. The false account statements were intended to induce existing investors to make additional investors and to lull those existing investors so that they would not attempt to withdraw monies from their accounts.

26. As part of and in furtherance of the scheme and artifice of defraud, FAM and Kosova omitted to state material facts necessary in order to make the statements which FAM and Kosova did make to potential and actual investors, in light of the circumstances under which those statements were made, not misleading, including, but not limited to the following:

- a. FAM was not registered with the Commission;
- b. Kosova was not registered through any broker-dealer registered with the Commission;
- c. Kosova was twenty-eight (28) years old or less at the times he claimed to have an “extensive nine-year background in the trading of international currency market”;
- d. FAM was not a “full-service brokerage firm”;
- e. FAM intended to use a large percentage of the funds invested for things other than investment in an international currency trading program;
- f. FAM never intended to use all of the funds invested for currency trading;
- g. at any one time FAM risked more than two (2%) of the amounts which an investor had contributed; and

h. FAM and Kosova were pooling and intended to pool investors' funds rather than holding the funds and investing them in "managed individual accounts" based on each investor's "own risk and profit objectives."

27. FAM and Kosova intentionally, knowingly and/or recklessly engaged in the devices, schemes, artifices to defraud, in the making of untrue statements and in omissions, acts, practices and courses of business.

28. FAM and Kosova acted with scienter.

29. By reason of the foregoing, FAM and Kosova have violated and, unless enjoined, will continue to violate the provisions of Section 10(b) of the Exchange Act and of Rule 10b-5.

Count Two

FRAUD IN THE OFFER AND SALE OF SECURITIES

Violations Of Section 17(a)(1) Of The Securities Act

30. The allegations of Paragraphs 1 through 29 of this Complaint are realleged and incorporated herein by reference, as if set forth herein verbatim.

31. FAM and Kosova, singly, in concert and with others, directly and indirectly, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have employed devices, schemes or artifices to defraud.

32. As part of and in furtherance of this scheme, directly and/or indirectly, FAM and Kosova, singly in concert and with others, prepared, disseminated and/or used "infomercials," written offering documents, promotional materials, investor correspondence, oral presentations, Internet materials and "cold call" solicitations which contained untrue statements of material fact

and which 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.

33. L.L.C. and Kosova intentionally, knowingly and/or recklessly engaged in the acts and practices described.

34. FAM and Kosova acted with scienter.

35. By reason of the foregoing, FAM and Kosova have violated, and unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. §77q(a)(1).

Count Three

FRAUD IN THE OFFER AND SALE OF SECURITIES

Violations Of Section 17(a)(2)-(3) Of The Securities Act

36. The allegations of Paragraphs 1 through 35 of this Complaint are realleged and incorporated herein by reference, as if set forth herein verbatim.

37. FAM and Kosova, singly, in concert and with others, directly and indirectly, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have

a. obtained money or property by means of untrue statements of material fact or omissions 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

b. engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

38. As part of and in furtherance of this scheme, directly and/or indirectly, FAM and Kosova, singly in concert and with others, prepared, disseminated and/or used “infomercials,” written offering documents, promotional materials, investor correspondence, oral presentations,

Internet materials and “cold call” solicitations which contained untrue statements of material fact and which 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.

39. FAM and Kosova negligently, if not indeed intentionally, knowingly and/or recklessly, engaged in the acts and practices described.

40. By reason of the foregoing, FAM and Kosova have violated and, unless enjoined, will continue to violate Section 17(a)(2)-(3) of the Securities Act, 15 U.S.C. §77q(a)(2)-(3).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully prays that this Court:

I.

Preliminarily and permanently enjoin Defendants Forex Asset Management, L.L.C. and Jason N. Kosova from engaging in further violations of Section 17(a)(1)-(3) of the Securities Act of 1933, 15 U.S.C. §77q(a)(1)-(3), of Section 10(b) of the Securities Exchange Act of 1934 and of Rule 10b-5 of the Securities and Exchange Commission;

II.

Order that Defendants Forex Asset Management, L.L.C. and Jason N. Kosova make no payment or expenditure of funds (including charges on any credit card), and effect no sale, gift, hypothecation or other disposition of any asset, pending a showing to the Court of sufficient funds or assets to satisfy all claims arising from the violations of the federal securities laws alleged in this complaint, or posting a bond or surety sufficient to assure payment of any such claim;

III.

Order Defendants Forex Asset Management, L.L.C. and Jason N. Kosova to disgorge any monies or other assets received from investors and any income or profit therefrom, including prejudgment interest;

IV.

Appoint a receiver to marshal the assets of Defendants Forex Asset Management, L.L.C. and Jason N. Kosova;

V.

Direct that discovery be conducted on an expedited basis;

VI.

Order Defendants Forex Asset Management, L.L.C. and Jason N. Kosova to pay civil penalties pursuant to Section 20(d) of the Securities Act of 1933, 15 U.S.C. §77t(d), and Section 21(d) of the Securities Exchange Act of 1934, 15 U.S.C. §78u(d);

VII.

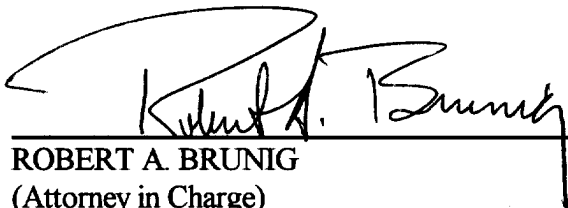
Require Defendants Forex Asset Management, L.L.C. and Jason N. Kosova to account for all monies which they have received and disbursed within the period on and after January 1, 1997; and

IX.

Order such further relief as this Court may deem just and proper.

FOR THE COMMISSION, BY ITS ATTORNEYS:

Dated: February 5, 1999.



ROBERT A. BRUNIG
(Attorney in Charge)
Texas State Bar No. 24008381
SPENCER C. BARASCH
D.C. Bar No. 388886
VICTORIA F. PRESCOTT
Texas State Bar No. 162553000
DOUGLAS A. GORDIMER
Maryland Bar Member

Attorneys for Plaintiff
SECURITIES & EXCHANGE COMMISSION
Fort Worth District Office
801 Cherry Street
Suite 1900
Fort Worth, TX 76102
Telephone: (817) 978-3821
Facsimile: (817) 978-2700