

**ORIGINAL**

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF OKLAHOMA  
TULSA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LAZARUS R. LONG (a/k/a/ Howard Turney),  
individually and doing business as NEW UTOPIA,

Defendant.

CIVIL ACTION NO.

**99CV 0257 BU (M)**

**FILED**

APR 8 1999

Phil Lombardi, Clerk  
U.S. DISTRICT COURT

**COMPLAINT**

Plaintiff, United States Securities and Exchange Commission ("Commission"), alleges that:

**INTRODUCTION**

1. The Commission brings this emergency action to halt defendant Lazarus R. Long, a/k/a Howard Turney, individually and doing business as New Utopia ("Long"), from continuing to violate the antifraud and registration provisions of the federal securities laws in connection with an ongoing "Internet" offering of securities. Since at least December 1998, through the present, defendant Long has been fraudulently offering securities in the form of bonds, notes and currency for the stated purpose of developing a new "country" which he claims will operate as a "tax-haven" similar to the Cayman Islands. Among other things, Long falsely claims on his Internet site that funds invested in the new country, which he calls "New Utopia", are "safe and secure" while yielding above market returns as high as 200% per year. In addition, Long falsely claims that construction on the New Utopia project is underway and that several reputable companies or persons are involved in the project.

2. In December 1998, the Commission began an investigation into Long's activities

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as part of its nationwide effort to combat fraudulent Internet schemes. During the Commission's investigation Long refused to produce or identify bank records or the names of New Utopia investors, all based upon his Fifth Amendment privilege. Despite his refusal to provide the Commission with the support for his claims, Long has very recently posted statements on his Internet site falsely suggesting that the Commission has completed its investigation and approves of the New Utopia securities offerings. Moreover, Long has told New Utopia associates that he plans on moving his operations to the Cayman Islands in the very near future.

3. While the Commission believes that Long, thus far, has raised a relatively small amount of money (perhaps as little as \$20,000), this and any additional funds invested in the New Utopia project are destined to be lost. In order to terminate immediately defendant Long's fraudulent offering, prevent dissipation of funds that he may have illegally obtained, and prevent the destruction and/or removal of records outside this Court's jurisdiction, the Commission seeks emergency *ex parte* relief from the Court in the form of a temporary restraining order, a freeze of assets, and other equitable relief. The Commission also seeks preliminary and permanent injunctions, disgorgement of the defendants' ill-gotten gains and other equitable relief, in addition to civil money penalties.

#### **THE DEFENDANT**

4. Long, age 67, is a resident of Tulsa, Oklahoma. Formerly from Houston, Texas, he has been involved in a broad range of ventures including anti-aging clinics, cryogenics, shrimp farming, and the development of assorted grocery and sundry products. Long currently is the principal promoter of New Utopia, a project he directs from his home in Oklahoma.

#### **JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the

Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)], and Section 21 (d) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(d)].

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

7. Certain of the acts, practices, courses of business, and transactions constituting violations of the Securities Act and the Exchange Act, as alleged in this Complaint, have occurred within the Northern District of Oklahoma. Also, defendant Long resides in Tulsa, Oklahoma.

8. The defendant, directly or indirectly, has made use of the means or instrumentalities of interstate commerce and/or of the means and instruments of transportation and communication in interstate commerce in connection with the transactions, acts, practices and courses of business alleged herein.

9. The defendant, unless restrained and enjoined by this Court, will continue to engage in the acts, omissions, practices and courses of business alleged herein.

10. The investments offered and sold by the defendant are "securities" as that term is defined in Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(1) and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

#### **NATURE OF THE SCHEME**

11. From at least December 1998 through the present, Long has publicly offered securities through his New Utopia Internet website ("New Utopia site") located at [www.new-utopia.com](http://www.new-utopia.com). The Internet site has received over 100,000 Internet "hits" and the site itself is over 100 (printed) pages with electronic links to numerous other sites.

12. New Utopia, as described on the Internet site, is a new country that will rise from the Caribbean on giant concrete platforms. It is proposed that New Utopia will be built on an underwater land mass approximately 115 miles west of the Caymans. The platforms will rise above the water, creating a surface area for construction of a Cayman Island-type financial

haven. According to Long:

"the Principality of New Utopia will become very, very rich - we have a target to become the world's highest per capita income country within a few years. Running a tax haven can be the classic win/win for the government and citizens alike. They save money by paying no taxes while the Principality gets rich . . . Yes, we are idealists with idealistic ambitions, but we want to be VERY RICH idealists for the rest of our lives, able to live in freedom where we can enjoy those riches in our idealistic society. (original emphasis).

13. While the New Utopia concept seems bizarre and outlandish, Long tempers such by utilizing specific assurances, descriptions and terminology that creates a believable aura to the project. As described more fully below, the web site represents that construction is underway, that many reputable companies are involved in the project, and that investment with New Utopia is "safe and secure" -- these representations seem to belie the outlandishness of the project.

14. In order to purportedly fund the New Utopia project, Long offers three types of securities: First Infrastructure Bonds ("bonds"), New Utopia convertible notes ("notes"), and New Utopia currency ("currency"). None of these instruments is registered with the Commission.

15. Long is offering the bonds over the New Utopia site as part of a "\$350 million" offering. The site which Long titles "Electronic Prospectus" advertises that "[t]hese bonds are of a 7 year duration as of 31st December 1998, maturing at face value on 31st December 2005 and produce a fixed annual tax-free interest payment of 9.5% per year payable in advance, this interest to be paid on or within 1 month of the 31st December annually between 1999 and 2004." Additionally, it goes on to state that "[i]nterest for the first year is pre-paid by a discounted sale price against face value," therefore a bondholder would not expect a payment from Long or New Utopia until December 31, 2000.

16. According to a recent posting on the New Utopia web site, investors can order bonds directly from Long's bank located in the country of Antigua. Moreover, in early February

1999, Long changed the New Utopia site to reflect that the bonds are only offered to persons outside the United States. Nevertheless, the site states that all bonds must be purchased with U.S. currency.

17. A second New Utopia investment option being offered is the convertible note which carries a 9.5% interest rate and is also of a seven year duration. The notes are also purportedly convertible into a bond after two years at the bondholder's direction. As of at least March 27, 1999, the site represented that U.S. citizens were "legally able to purchase" New Utopia notes. The notes start at \$1,500 and the purchase of a note or bond is a requirement for New Utopia citizenship.

18. A third investment option is New Utopian currency. The New Utopia site proposes that the currency will be issued and "set at par" with the Grand Cayman currency on December 1, 1999. After this date, the New Utopia currency will be "free-floating" with the value fluctuating based on New Utopia's economic success (or failure). This currency is offered for sale to anyone and is sold "at a discount" (US \$420 for a New Utopia \$1,000 bill with Long's image) against Long's estimation of the future value. The New Utopia site claims that "[t]hose who take advantage of the [note] offer . . . will realize a profit of almost 200 percent by December 1, 1999."

19. In addition to the New Utopia site, Long solicits New Utopia notes by e-mail. When Long receives e-mail from a party interested in New Utopia, Long replies via e-mail to which explains the project, solicits funds, and promotes a sense of urgency to invest. For example, one such e-mail to a potential U.S. investor stated "[w]hen you buy a New Utopian government 5 year 9.5% note (Minimum \$1,500) you will be invited to become a citizen . . . you should consider taking advantage of the charter citizen opportunity before the quota is filled."

20. Long has also promoted his Internet offering through the use of print and radio media. In numerous of newspaper articles, including the London Times and Dallas Morning

News, and on a nationally syndicated radio show, Long has touted his offering. Based on his radio appearance, Long claims that the New Utopia site received over three million hits in just a few hours. In addition, Long is currently planning a media "enclave" meeting to be held the last weekend of April 1999 in order to create press coverage for the developments in planning, design and construction of New Utopia.

#### **MISREPRESENTATIONS AND OMISSIONS**

21. The New Utopia web site is replete with material misrepresentations and omissions concerning almost every aspect of the project. For example, in an attempt to add credibility to the investment, the New Utopia site represents that several legitimate individuals and companies are involved with construction. One such company, an international Italian construction company, is currently represented to be the "Chief Engineer, Architect, and General Contractor" of the project. However, Long testified that the Italian company's involvement in the project was limited to building a platform to support the first "government" structures of New Utopia. Moreover, on or about March 22, 1999, the Italian company withdrew from any participation in the project. No where are these facts disclosed on the web site.

22. The New Utopia site also represents in many generalized statements that companies and individuals have signed agreements or expressed interest in New Utopia projects including a golf course, cruise ship service, retail stores, and casinos. Long refused to provide the Commission with any such agreements. The New Utopia site also states that one New Utopia government official, Dr. Joseph Greenspan, is the nephew of Alan Greenspan, the United States Federal Reserve Chairman. However, Long admitted to the Commission that this information was posted even though he had no idea as to whether the two men are related.

23. The New Utopia site also misleads investors by overstating the status of New Utopia construction. For example, the Electronic Prospectus represents that "New Utopia is a dream in the making, a shining jewel of a city-state being constructed in warm, shallow Caribbean waters." In fact, there is no current construction; pre-construction work such as surveys and soil sampling have not started. Similarly, several Internet pages state that a 6,000 foot runway, capable of landing large commercial jet aircraft, will be completed by December 1, 1999. This planned completion date has no reasonable basis in fact.

24. The New Utopia website also contains statements designed to falsely promote the financial stability and feasibility of the project. For example, the Electronic Prospectus states that New Utopia bonds are "safe and secure," without disclosing any risks associated with the investment including the fact that little, if any, capital currently supports the project. Furthermore, other pages claim that Long has a substantial personal monetary investment in New Utopia. In fact, his investment is minimal, if at all.

25. On or about March 25, 1999, Long added language to the web site claiming "New Utopia has been subjected to very detailed scrutiny by the U.S. SEC (March 1999) and other than the legal requirement that U.S. citizens may not purchase our Government Securities, no other restrictions on the international sale of Bonds has been made," and that New Utopia has "[come] through an SEC investigation." In fact, the Commission's investigation of Long's activities is ongoing and the Commission's staff has never advised Long that its investigation is complete or that he could continue his fraudulent securities offering in any manner.

#### **LONG'S REFUSAL TO COOPERATE WITH THE COMMISSION'S INVESTIGATION**

26. During its investigation, the Commission issued a subpoena to Long requesting, among other things, his bank account records and investor records. Long refused to produce the documents. During his Commission investigative testimony, Long also asserted his Fifth

Amendment privilege when asked about the number and identity of investors, the amount of funds raised, the location of funds raised, identification of his personal bank account(s), and the identification of persons associated with New Utopia.

**THE NEW UTOPIA OFFERING IS ONGOING**

27. Despite frequent changes to the details and content of the New Utopia site, it remains an ongoing solicitation and continues to include most of the original misrepresentations and omissions described above.

**LONG'S PLAN TO LEAVE THE UNITED STATES**

28. On at least two occasions in 1999 Long has declared his intention to soon move his operations to the Cayman Islands.

**FIRST CLAIM**

**FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES**

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

29. The allegations of paragraphs 1 through 28 of this Complaint are realleged and incorporated herein by reference as if set forth here verbatim.

30. Since a date unknown, but since at least December 1998, defendant Long, directly and indirectly, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails, has been and is now:

- a. employing devices, schemes and artifices to defraud;
- b. making untrue statements of material facts and omitting 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. engaging in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.



31. As a part of and in furtherance of the scheme, defendant Long has intentionally, knowingly, and/or recklessly engaged in the activities described in paragraphs 1 through 28 above.

32. By reason of the foregoing, defendant Long has violated, is violating, and unless enjoined, will continue to violate the provisions of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

## **SECOND CLAIM**

### **FRAUD IN THE OFFER AND SALE OF SECURITIES**

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

33. The allegations of Paragraphs 1 through 28 of this Complaint are realleged and incorporated herein by reference, as if set forth here verbatim.

34. Since a date unknown but since at least December 1998, defendant Long, 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, has been, and is now:

- a. employing devices, schemes or artifices to defraud;
- b. obtaining 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
- c. engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

35. As a part of and in furtherance of the scheme, defendant Long has engaged in the activities described in paragraphs 1 through 28 above.

36. By reason of the foregoing, defendant Long has violated, is violating, and unless

enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. 77q(a)(2) and (3)]. Furthermore, defendant Long has intentionally, knowingly and/or recklessly engaged in the acts and practices described in this Claim, so he has violated, is violating, and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. 77q(a)(1)].

**THIRD CLAIM**

**OFFERS AND SALES OF UNREGISTERED SECURITIES**

**Violations of Sections 5(a) and 5(c) of the  
Securities Act [15 U.S.C. 77 (e)(a) and 77(e)(c)]**

37. The allegations of paragraph 1 through 28 of the Complaint herein are realleged and incorporated herein by reference as if set forth here verbatim.

38. Since a date unknown but since at least December 1998, defendant Long has been, is now and unless enjoined, will continue to, directly and indirectly:

- a. Make use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities through the use of written contracts, offering documents, and otherwise;
- b. Carry and caused to be carried such securities through the mails and in interstate commerce by means and instruments of transportation, for the purpose of sale and for delivery after sale; and
- c. Make use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

39. No registration statements have been filed with plaintiff Commission or are otherwise in effect with respect to the New Utopia securities offered and sold by Long.

40. By reason of the foregoing, defendant Long has violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. 77(e)(a) and 77(e)(c)].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully prays that this Court:

**I.**

**Temporary Restraining Order,  
Preliminary and Permanent Injunctive Relief**

Temporarily, preliminarily and permanently enjoin Long from violating Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**II.**

**Freeze Order**

Enter an order temporarily freezing the assets of defendant Long until further order of this Court.

**III**

**Repatriation Order**

Enter an order requiring Long to repatriate all funds obtained from the activities described in this Complaint that are now located outside the jurisdiction of this Court.

**IV.**

**Accounting**

Order Long to prepare an interim accounting under oath of: (1) all funds raised as a result of the activities alleged herein; (2) all of his current assets and liabilities; (3) all accounts with any brokerage or financial institution maintained by Long or for his benefit.

**V.**

**Passport Surrender**

Enter an order directing Long to surrender his passport to the Clerk of this Court and prohibiting Long from traveling outside the continental United States, absent prior approval of this Court.

**VI.**  
**Preservation Order**

Order Long to preserve from destruction or removal any and all documents and records, including computerized data, relating to the allegations made in this cases;

**VII.**  
**Expedited Discovery**

Permit the parties to take expedited discovery prior to the hearing on the Commission's application for preliminary injunction, specifically depositions on 72 hours notice and production of documents within 72 hours of demand.

**VIII.**  
**Disgorgement**

Order Long to disgorge all monies received from the activities alleged herein, plus prejudgment interest thereon.

**IX.**  
**Civil Penalties**

Order Long to pay a civil penalty for his violations of the federal securities laws as charged herein.

**X.**  
**Further Relief**

Order such further relief, equitable and legal, as the Court may deem just and proper.

Dated: April 8, 1999

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen Webster", is written over a horizontal line.

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