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11 UNITED STATES DISTRICT COURT
12 WESTERN DISTRICT OF WASHINGTON

13 SECURITIES AND EXCHANGE COMMISSION,	Case No.
14 Plaintiff,	COMPLAINT
15 vs.	
16 JOSEPH C. LAVIN, and	
17 GLOBAL ASSET PARTNERS, LLP,	
18 Defendants.	

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

20 **SUMMARY OF ALLEGATIONS**

21 1. Between 2002 and 2005, Defendant Joseph C. Lavin and his company, Global Asset
22 Partners, LLP ("GAP"), a Seattle-based investment fund manager, defrauded more than 100 investors
23 out of over \$5 million. Although Lavin and GAP represented to investors that they were following
24 specified investment strategies, in reality, Lavin misappropriated at least \$894,000 of investor funds
25 to pay for personal automobiles, lavish trips, a Seattle Mariners luxury sky-box, real estate in the
26 State of Washington and Costa Rica and unsecured loans to associates. He diverted much of the
27 remaining investor funds into a risky real estate venture, and invested some of the funds in microcap

1 stocks - neither of which were disclosed to investors. In a classic Ponzi scheme, Lavin and GAP used
2 new investor funds to pay illusory returns to selected existing investors.

3 2. During this period, Lavin offered and sold investments in three funds managed by
4 GAP. Lavin and GAP represented that fund money would be invested in foreign currency arbitrage
5 and asset-backed securities -- with expected annual returns ranging from 18 to 36 percent. In 2004,
6 Lavin and GAP also marketed so-called "secured" promissory notes with annualized returns of 18
7 percent, allegedly to finance a Houston condominium development.
8

9 3. Unbeknownst to investors, Lavin and GAP commingled the investor money and then
10 used it for purposes at odds with the investment strategies represented to investors. Lavin and GAP
11 invested little of the funds' money in currency trading and lost most of what they did invest. The
12 promissory notes were not secured. Instead, using the commingled funds, Lavin bought individual
13 lots and condominium units later sold at a loss. Further, not only did Lavin misappropriate large
14 amounts of investor money for personal expenses, he and GAP diverted approximately \$1.8 million
15 of the commingled funds to a now-bankrupt Texas real estate project. Lavin also used commingled
16 funds to purchase microcap securities. The real estate project was not disclosed to investors until
17 2006, when the scheme had begun to unravel. Lavin and GAP never disclosed the microcap
18 securities investments.
19

20 4. Lavin lured investors with a claim that he had a proven track record and that GAP was
21 an established company doing business worldwide. In fact, Lavin's only prior currency trading
22 experience consisted of investments in an earlier failed currency trading scam. GAP, which Lavin
23 formed in 2001, was far from a world-wide organization; besides Lavin, it had only a handful of
24 employees, all located in the State of Washington.
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1 Act [15 U.S.C. § 80b-14] because a substantial portion of the conduct alleged in this complaint
2 occurred within the Western District of Washington and Lavin resides in the District.

3 9. Assignment to the Seattle Division is appropriate pursuant to Local Rule 5(1) because
4 a substantial part of the events that give rise to the claims occurred in King County.
5

6 **DEFENDANTS**

7 10. Defendant Global Asset Partners, LLP was formed in 2001 as a limited liability
8 company in Nevis, West Indies, with its principal place of business in Woodinville, Washington.
9 GAP is an asset management company that purports to design and manage investment products for
10 high net worth individuals and qualified business entities. GAP is not registered with the
11 Commission in any capacity. GAP is owned and managed by Lavin.

12 11. Defendant Joseph C. Lavin is a resident of Woodinville, Washington. Lavin is the
13 principal officer of GAP and controlled its operations. Lavin is not registered with the Commission
14 in any capacity.
15

16 **FACTUAL ALLEGATIONS**

17 **A. Defendants Offered And Sold Securities In Unregistered Offerings**

18 12. Between January 1, 2002 and December 31, 2005, Lavin and GAP offered and sold
19 securities in the form of investments in three purported private pooled investment funds known as the
20 Global Asset Management Short Term Fund, Medium Term Fund, and Long Term Fund
21 (collectively, the "Funds"), with investment time commitments of one, two or three years,
22 respectively. GAP served as manager of the Funds and provided the Funds with investment advice.
23 In turn, Lavin was the sole manager of GAP. Thus, any return on the Funds' investments was
24 completely dependent upon the efforts of Lavin and GAP; investors played no role whatsoever in the
25 management of the Funds.
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1 13. Lavin and GAP solicited investors in the Funds by advertising the Funds to the general
2 public and through personal referrals. From 2002-2005, GAP maintained an internet website that
3 advertised the Funds. Lavin and GAP participated in investment seminars and conventions, including
4 in Las Vegas, Nevada, and Cancun, Mexico, where they solicited investors. Lavin also solicited
5 investors by telephone and email.
6

7 14. In 2004, Lavin and GAP began selling other securities in the form of purportedly
8 Secured Promissory Notes in an offering by Premier Windwater of Houston, LLC (the "Notes").
9 Premier Windwater purported to be a development company in Houston, Texas, co-managed by
10 Lavin and others. Lavin directly participated in offering and selling the Note investments by causing
11 GAP to send offering documents for the Notes to potential investors.
12

13 15. Lavin and GAP sold investments in the Funds and Notes regardless of investors' net
14 worth or income. Several investors funded their investments by withdrawing money from their
15 retirement funds. Although some of the investors were unaccredited and/or unsophisticated, Lavin
16 and GAP did not provide these investors with audited financial information for the Funds, the Notes,
17 or GAP.
18

19 16. As a result of GAP's offering materials, emails and oral solicitations to investors,
20 more than 100 people nationwide and in Canada and other foreign countries sent over \$5 million by
21 wire or mail to Lavin and GAP to invest in the Funds & the Notes.
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23 17. No registration statement was filed with the Commission in connection with the offer
24 and sale of investments in the Funds or the Notes.
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1 **B. Defendants Raised Funds Through Fraudulent Misrepresentations and Omissions.**

2 **Defendants' Representations To Investors**

3 18. Lavin and GAP provided prospective investors with written offering materials (the
4 "Fund Memoranda"), which described the Funds and represented that they were "designed to provide
5 consistent and steady monthly returns while minimizing and diversifying the risks associated with
6 obtaining these returns."
7

8 19. The Fund Memoranda stated that the fund manager (GAP) would employ a trading
9 strategy allocating the Funds' assets between two different types of investments "1) Spot Currency
10 Investments, funds managed in the international currency trading markets for short-term gains (this
11 includes arbitrage and position trading) and 2) Asset-Backed Investments that are collateralized by
12 specific assets, bonds or liens." Lavin also orally represented to investors that their money would be
13 invested in foreign currencies.
14

15 20. The Fund Memoranda provided monthly targeted returns and "annual compounded
16 targeted returns" for each Fund. Monthly targeted returns were: 1.5% for the Short Term Managed
17 Fund, 2% for the Medium-Term Managed Fund, and 2.5% for the Long-Term Managed Fund.
18 Annual compounded targeted returns for each Fund were: 19.5% for the Short Term Managed Fund,
19 26.8% for the Medium-Term Managed Fund, and 34.5% for the Long-Term Managed Fund. GAP
20 allegedly maintained a Reserve Account for each Fund that was designed to enable the Fund to reach
21 the targeted return in any month in which the Fund's investments did not reach the specified target.
22

23 21. The Fund Memoranda specified that the Funds would pay limited fees to GAP as
24 manager of the Funds. GAP was to receive compensation for providing investment advice only if the
25 Funds' earnings exceeded the respective targeted monthly returns of 1.5% to 2.5%. The Memoranda
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1 25. Lavin never disclosed his misappropriation and diversion of investor money to
2 investors.

3 **Defendants' Material Misrepresentations And Omissions About The Use of Investor Funds**

4 26. Contrary to the representations in the Fund Memoranda, all investor monies were
5 commingled into bank accounts controlled by Lavin and GAP and were not segregated into separate
6 Funds or investments. Nor did GAP keep any investor money in a Reserve Account. Lavin and GAP
7 transferred Fund money in and out of the bank accounts by wire or check. Lavin initially used Fund
8 assets for currency trading in which he suffered large losses. In 2003, GAP stopped investing
9 altogether in currency trading. GAP never invested in asset-backed securities. Nonetheless, from
10 2003 to November 2006, Lavin continued to solicit investors using the same offering materials that
11 specified that GAP was only investing in such instruments.
12

13 27. The allegedly Secured Promissory Notes were not secured – a fact that Lavin also did
14 not disclose to Note investors. Lavin used the Note proceeds plus investor money from the GAP
15 Funds to buy individual lots and condominium units in Windwater Village, as well as for other
16 unrelated purposes. Lavin later sold the lots and condominium units at a loss.
17

18 28. Beginning in January 2003, to try to cover their losses, and Lavin and GAP began
19 investing the Funds' assets in Wildflower Resort Company ("Wildflower"), a Dallas, Texas, real
20 estate development controlled by a friend of Lavin's. From January 2003 to November 2006, GAP
21 wired approximately \$1.8 million of investor money to Wildflower. Allegedly, Wildflower intended
22 to use the money to pay start-up expenses for a \$350 million resort project. The Wildflower project
23 was never completed. Wildflower filed for bankruptcy in November 2006.
24

25 29. Lavin and GAP did not disclose that the investor money that was supposed to go into
26 the Funds would be used for purposes other than investing in foreign currencies and asset-backed
27

1 securities. Investors were never told that the Fund money had been invested in Wildflower until
2 2006, when the scheme had begun to fall apart.

3 30. In addition, Lavin, as adviser to GAP, transferred a portion of the commingled Fund
4 money to a brokerage account in his name, which he used to buy and sell microcap securities. These
5 investments, too, were never disclosed to investors and suffered consistent losses.
6

7 31. At the time Lavin and GAP made the false representations and omissions described
8 above, they knew, or were reckless in not knowing, that the representations were materially false and
9 misleading, or omitted information necessary in order to make the statements made, in light of the
10 circumstances under which they were made, not misleading.

11 **Defendants' Material Misrepresentations About Prior Performance**

12 32. To induce investments in the GAP Funds, Lavin orally told prospective investors that
13 he had been achieving his target rates of return for clients for many years. Lavin made similar
14 representations regarding GAP's past performance on GAP's website and in the Fund Memoranda.
15 The Fund Memoranda stated that GAP "only associates with companies and individuals with a
16 proven track record trading the FOREX [foreign exchange] markets successfully with a superior
17 reputation for sound and honest business practices."
18

19 33. These statements about GAP's prior returns and Lavin's superior reputation were
20 materially false and misleading. Lavin's only prior currency trading experience consisted of an
21 earlier Ponzi scheme known as Global Currency Trading Group ("GCTG"). Lavin had invested
22 GCTG funds in another failed currency trading scam called Midland Euro, in which Lavin lost more
23 than \$1 million of GCTG investors' money.
24

25 34. To induce investments in the Notes, Lavin made similar laudatory statements about his
26 experience and prior success in the Note Memoranda. Among other things, the Note Memoranda
27

1 stated that, as GAP's manager, Lavin "is responsible for the direct management of millions of dollars
2 that are actively invested in the international foreign currency markets as well as in real estate. Mr.
3 Lavin has provided [GAP] and it's [sic] clients with earnings in excess of 2% per month for the last
4 30 months. Even more significantly, none of the funds that he manages have ever experienced a
5 month-end loss of capital."
6

7 35. The statements in the Note Memoranda about Lavin's experience and prior successes
8 were also materially false and misleading. By that time, Lavin had produced only a trail of losses in
9 the foreign currency markets for GAP's investors, rather than the consistently favorable returns he
10 touted.

11 36. At the time Lavin and GAP made these false representations about prior performance
12 to the GAP Funds' investors, they knew, or were reckless in not knowing, that the representations
13 were materially false and misleading.
14

15 **Defendants' Material Misrepresentations In Account Statements Sent To Investors**

16 37. To hide the losses and his misappropriation and diversion of investor money, Lavin
17 created a template that was used to generate false account statements for Fund investors. At Lavin's
18 direction, GAP, as manager of the Funds, sent false monthly account statements to Fund investors
19 showing purported investment returns of exactly 1.5%, 2% or 2.5% per month. Each statement also
20 showed an ever-increasing account balance based upon accumulation of the purported returns. These
21 account statements were false because GAP was not earning any returns but rather lost money on
22 every investment. The statements were also false because GAP's bank accounts, which contained the
23 pooled funds received from investors, never had cash, securities or other liquid assets sufficient to
24 pay the balances shown on the investors' statements.
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1 38. The investor distributions shown on the account statements as paid from investment
2 returns were also false. From 2003 to 2005, Lavin and GAP used money received not from Fund
3 profits, but from new investors, to make distributions to existing investors.

4 39. Some of GAP's Fund investors made additional investments based on false returns
5 shown on the account statements.

6 40. The Note account statements reported monthly accumulated interest without
7 disclosing that the Note proceeds had been deposited in the commingled GAP accounts. Nor did the
8 statements disclose that Note distributions had been paid from the commingled GAP accounts using
9 money received from new investors.
10

11 41. At the time Lavin and GAP made these representations, they knew, or were reckless in
12 not knowing, that the information contained in the account statements was materially false and
13 misleading.
14

15 **FIRST CLAIM FOR RELIEF**

16 **Violations Of Sections 5(a) And (c) Of The Securities Act Against All Defendants**

17 42. The Commission hereby incorporates paragraphs 1 through 41 by reference.

18 43. Defendants Lavin and GAP have, by engaging in the conduct set forth above, directly
19 or indirectly, through use of the means or instruments of transportation or communication in
20 interstate commerce, or of the mails, offered to sell or sold securities or carried or caused such
21 securities to be carried through the mails or in interstate commerce, for the purpose of sale or delivery
22 after sale.
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24 44. No registration statement was filed with the Commission or was in effect with respect
25 to the securities offered by defendants prior to the offer or sale of these securities.
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1 45. By reason of the foregoing, Defendants violated, and unless enjoined, will continue to
2 violate Section 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) and 77e(c)].

3 **SECOND CLAIM FOR RELIEF**

4 **Violations Of Section 17(a) Of The Securities Act Against All Defendants**

5 46. The Commission hereby incorporates paragraphs 1 through 45 by reference.

6
7 47. Defendants Lavin and GAP have, by engaging in the conduct set forth above, directly
8 or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or
9 communication in interstate commerce, or of the mails, (a) with scienter, employed devices, schemes
10 or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact
11 or by omitting to state material facts necessary in order to make the statements made, in light of the
12 circumstances under which they were made, not misleading; or (c) engaged in transactions, practices
13 or courses of business which operated or would operate as a fraud or deceit upon the purchasers of
14 such securities.
15

16 48. By reason of the foregoing, Defendants violated, and unless enjoined, will continue to
17 violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

18 **THIRD CLAIM FOR RELIEF**

19 **Violations Of Section 10(b) Of The Exchange Act**
20 **And Rule 10b-5 Thereunder Against All Defendants**

21 49. The Commission hereby incorporates paragraphs 1 through 48 by reference.

22 50. Defendants Lavin and GAP have, by engaging in the conduct set forth above, directly
23 or indirectly, in connection with the purchase or sale of securities, by use of the means or instruments
24 of transportation or communication in interstate commerce, or of the mails, or of a facility of a
25 national securities exchange, with scienter: (a) employed devices, schemes or artifices to defraud;
26 (b) made untrue statements of material fact or omitted to state material facts necessary in order to
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1 make the statements made, in light of the circumstances under which they were made, not
2 misleading; and (c) engaged in transactions, practices or courses of business which operated or would
3 operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities.

4
5 51. By reason of the foregoing, Defendants violated, and unless enjoined, will continue to
6 violate Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
7 § 240.10b-5].

8 **FOURTH CLAIM FOR RELIEF**

9 **Violations Of Sections 206(1) And 206(2) Of The Advisers Act Against All Defendants**

10 52. The Commission hereby incorporates paragraphs 1 through 51 by reference.

11 53. Defendants Lavin and GAP have, by engaging in the conduct set forth above, directly
12 or indirectly, through use of the means or instruments of transportation or communication in
13 interstate commerce or of the mails, and while engaged in the business of advising others for
14 compensation as to the advisability of investing in, purchasing or selling securities: (a) employed
15 devices, schemes or artifices to defraud; and (b) engaged in acts, practices or courses of business
16 which operated or would operate as a fraud or deceit upon clients or prospective clients.

17
18 54. By reason of the foregoing, Defendants violated Sections 206(1) and 206(2) of the
19 Advisers Act [15 U.S.C. § 80b-6(1) and (2)], and unless enjoined, will continue to violate Sections
20 206(1) and 206(2) of the Advisers Act.

21 **PRAYER FOR RELIEF**

22
23 WHEREFORE, the Commission respectfully requests that the Court:

24 A. Enjoin defendants Lavin and GAP from, directly or indirectly, engaging in conduct in
25 violation of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and
26 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17
27

1 C.F.R. § 240.10b-5], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and
2 (2)].

3 B. Order defendants Lavin and GAP to disgorge their ill-gotten gains in an amount
4 according to proof, plus pre-judgment interest thereon.

5 C. Order defendants Lavin and GAP to pay civil money penalties pursuant to Section
6 20(d)(1) of the Securities Act [15 U.S.C. § 77t(d)(1)], Section 21A of the Exchange Act [15 U.S.C. §
7 78u-1], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

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

12 E. Grant such other and further relief as this Court may deem just, equitable, and
13 necessary.

14 Dated: August 1, 2007

15 Respectfully submitted,

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19 Kevin M. Gross
20 Attorneys for Plaintiff
21 SECURITIES AND EXCHANGE COMMISSION
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