

to raise capital for his garment company. Caprio and Morse devised a plan to raise this money by taking control of an existing public shell company, selling a portion of that company's pre-existing shares to the public, and disbursing the proceeds to MCII.

2. In November 1999, Caprio and Morse completed a reverse merger between Cooper's business and an existing public shell, and they renamed it MCII. From this transaction, Cooper, Caprio and Morse obtained large ownership stakes in MCII. Between December 1999 and late 2000, Caprio and Morse, assisted by Jeffrey Nunez ("Nunez"), sold hundreds of thousands of MCII shares, which they owned or controlled. Their efforts thus raised approximately \$1.2 million for MCII. Cooper, Caprio, Morse and Nunez failed to register the sales of any of these MCII shares with the Commission, as Section 5 of the Securities Act of 1933 ("Securities Act") required. Cooper, Caprio and Morse also failed to file Schedule 13D reports with the Commission, which federal securities laws require of persons owning more than 5% of the shares of a public company. Additionally, as an officer of MCII, Cooper failed to file Forms 3, 4, and 5 with the Commission, which other federal securities laws require of officers or directors to disclose their ownership interests in publicly traded companies.

3. While Caprio, Morse and Nunez were selling unregistered shares of MCII, Cooper disseminated a number of false and misleading press releases touting the company. These press releases touted fictional contracts with well-known retailers such as Sears Roebuck, J.C. Penney and Wal-Mart. The press releases also described MCII's then non-existent manufacturing facilities, which never came to exist.

4. Cooper's conduct thus violated Sections 5(a) and 5(c) of the Securities Act and Sections 10(b), 13(d) and 16(a) of the Securities Exchange Act of 1934 ("Exchange

Act”) and Rules 10b-5, 13d-1, 13d-2 and 16a-3 thereunder. The conduct of Caprio and Morse violated Sections 5(a) and 5(c) of the Securities Act and Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2, thereunder. Nunez’ conduct violated Sections 5(a) and 5(c) of the Securities Act.

5. The Commission requests, among other things, that the Court permanently enjoin Defendants from committing further violations of the federal securities laws cited in this Complaint. Unless enjoined, these Defendants are likely to repeat and continue similar violations.

6. The Commission also requests that the Court order Cooper to pay a civil penalty and permanently bar him from serving as an officer or director of a public company, and that it order Caprio and Nunez to provide an accounting of their sales of MCII shares, disgorge their illegal gains plus prejudgment interest, and pay civil monetary penalties.

JURISDICTION

7. This Court has jurisdiction pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v (a)] and Exchange Act Sections 21(e) and 27 [15 U.S.C. §§ 78u (e) and 78aa].

8. The Commission brings this action pursuant to Securities Act Sections 20(b) and (d) [15 U.S.C. §§ 77t (b) and (d)] and Exchange Act Sections 21(d) and (e) [15 U.S.C. §§ 78u (d) and (e)]. Those provisions provides venue in this district.

9. Defendants used the means and instrumentalities of interstate commerce and the mails in connection with the acts and omissions alleged herein.

DEFENDANTS

10. Morgan Cooper, 46, is a resident of Floral Park, New York. When the events described here took place, he was the Chairman and CEO of MCII.

11. James J. Caprio, 42, is a resident of Weston, Florida. Caprio holds various professional brokerage licenses including the Series 4, 7, 24, 55, and 63 licenses.

Brookstreet Securities Corporation of Boca Raton, Florida currently employs him as a stockbroker. When the events described here took place, Providential Securities, Inc. employed Caprio. The Commission subpoenaed Caprio to appear at its Washington, DC headquarters and give testimony relevant to its investigation leading to this action.

Caprio appeared, but invoked his Fifth Amendment right against self-incrimination and refused to answer questions that the Commission's staff posed to him.

12. Jeffrey G. Nunez, 45, is a resident of New York, NY. He holds Series 7 and 63 licenses. When the events described here took place, Nunez was a broker with Providential Securities, Inc.

ANOTHER RELEVANT PARTY

13. Until his death on November 24, 2004, James M. Morse was a resident of Santa Monica, California. During the time events giving rise to this complaint took place, Morse owned Morse Financial Services, Inc., a self-styled "merchant bank" that raised capital for small businesses.

FACTUAL ALLEGATIONS

BACKGROUND

14. Cooper has worked for many years in the garment industry. By early 1999, he had developed a plan to manufacture garments overseas, primarily in China, for

sale in the United States. Cooper then planned to perform certain finishing steps in American Samoa, which (if he obtained the appropriate approvals) would allow him to sew a “Made in the USA” label in those garments and avoid import quotas and duties. He concluded that this approach would provide him with great financial success because he could sell his garments at low prices with the cachet of the “Made in America” label.

15. Cooper needed capital to build a production facility in American Samoa and to hire needle workers and a sales staff to make and then sell the garments that his company made.

16. In mid-1999, Cooper met Caprio, a broker at Providential Securities, Inc. Cooper discussed his business plan with Caprio, as well as his need to raise money to run the business. On or about June 15, 1999, Caprio agreed to raise \$1.2 to \$2 million for Cooper’s business. Several months later, Morse also promised to raise money for Cooper’s company on a “best efforts basis.”

Caprio and Morse Acquired a Public Shell Company

17. Cooper, Caprio, and Morse thus planned to raise money in three steps: 1) they would merge Cooper’s company with an existing “shell” public company, 2) Caprio and Morse would then sell pre-existing public shares of that shell company to the public, and 3) they would then disburse those proceeds to Cooper’s business.

18. To carry out the first step of their plan, Caprio reached an agreement to purchase a dormant public shell company, Goung Hei Investment Co., Ltd. (“GHIC”), for \$250,000.

19. On November 18, 1999, the parties completed that reverse merger and renamed GHIC as Morgan Cooper, Inc. or MCII. MCII then issued 11,637,652 “new”

shares to Cooper, Caprio and Morse and other persons affiliated with them. Through this transaction, Cooper acquired 56.2% of the new company's shares, Caprio 24.9% and Morse 6.9%. Others who had made bridge loans to Cooper's business acquired approximately 12% of these shares.

20. Cooper, Caprio and Morse did not file any required Schedule 13D reports for the MCII shares they acquired. Similarly, they failed to file any reports with respect to shares that they later sold or disposed of through other transactions. Cooper also failed to file Forms 3, 4 and 5 relating to his ownership of MCII shares. Other federal securities law required him to file such reports because he had become an officer and director of MCII, a public company.

Caprio and Morse Sold Unregistered Shares of the "Old" GHIC.

21. Caprio and Morse apparently understood that the newly issued MCII shares would bear a "restricted" legend that would prevent them from immediately reselling those shares. To avoid this "restriction," Caprio and Morse required some of GHIC's original shareholders to transfer their pre-existing GHIC shares to Caprio, Morse, and others after they completed the reverse merger.

22. Consistent with this approach, on November 24, 1999 four business days after the reverse merger, Caprio and Morse required those former GHIC shareholders to transfer 1,672,317 of those shares to them and entities that they controlled. These shares constituted approximately 80% of GHIC's pre-existing shares. Two weeks later, on December 10, the parties signed a stock purchase agreement covering these previously transferred shares. On December 18, 1999, the transfer agent re-issued the stock certificates, which reflected that the stock transfers had occurred after the signing of the

stock purchase agreement.

23. On January 19, 2000, Caprio and Morse exchanged an additional 237,632 newly issued shares that they had received through the reverse merger for an equal number of pre-existing shares, which GHIC's former shareholders continued to hold.

Resale of Shares by Caprio and Morse

24. Between February and December 2000, Caprio and Morse sold a large portion of the MCII shares that they controlled. By selling MCII's pre-existing shares (the GHIC shares), Caprio and Morse generated approximately \$1,282,000 to fund MCII. By selling at least 71,550 shares (net of purchases), Caprio realized at least \$277,000 in net profits. By separately selling to the public approximately 158,516 shares (net of purchases), Morse, in his individual capacity and through entities he controlled, realized net profits of at least \$850,000. Morse also sold approximately 660,912 shares to the public, primarily through Nunez to clients of his firm, Providential Securities. Caprio and Morse never registered any of these sales of MCII stock, which Section 5 of the Securities Act required. In addition, Caprio and Morse also retained commissions from their sales of MCII shares.

25. Nunez took an active role in the distribution of the MCII stock. He attended preliminary meetings, where Cooper, Caprio and Morse planned fundraising for MCII. Nunez there learned that Caprio and Morse had arranged for a reverse merger between MCII and a shell company in order to raise funds for MCII. Moreover, Nunez was the securities broker for Morse's Bahamian brokerage account, from which Nunez obtained MCII shares for sale to several of his clients.

False Public Statements about the Company

26. Shortly after the Defendants in this action started selling MCII stock, the company issued a series of press releases that touted its business plan and its future business prospects. Cooper drafted these press releases and disseminated them to the public.

27. Several of these releases contained material misstatements. For example, on March 8, 2000, MCII issued a press release claiming that:

Tianjin [an MCII subsidiary] is currently supplying selected, private-label, clothing items to J.C. Penney under J.C. Penney's private label 'Arizona.' Tianjin plans to begin supplying selected, private-label clothing items to WAL*MART (Faded Glory), Sears (Canyon River Blues), Target (Cherokee) and K-Mart (Route 66).

At the time MCII made this statement, it did not have a contract to supply private-label clothing items to J.C. Penney. MCII had merely brokered a contract between J.C. Penney and a Chinese factory that actually supplied the garments directly to J.C. Penney.

28. On March 28, 2000, MCII issued another press release, saying that it was opening a factory in American Samoa that would cause the company's sales and profit projections to "increase exponentially." The press release repeated the false claim that the Tianjin subsidiary currently supplied "selected, private label clothing to J.C. Penney." In addition, the press release misleadingly stated that MCII was opening a factory that was, in reality, only in its early planning stages and ultimately never began production.

29. On May 18, 2000, MCII issued a third press release falsely claiming that:

MCII has already successfully shipped its first two orders to J.C. Penny [sic] under [the] ARIZONA label and will ship approx. 3 million to J.C. Penny [sic] over the next 30 days. Sales to all other labels commence from July 15 - Nov 30 - large - sustained increases in sales are expected with the commencement of

MCII's two new factories (In American Samoa - Jordan see previous press release on America [sic] Samoa) starting in December 1999.

FIRST CLAIM
(Against Cooper, Caprio and Nunez)
For Violation of Sections 5(a) and (c) of the Securities Act

30. The Commission hereby realleges and incorporates paragraphs 1 through 29 by reference.

31. Defendants Cooper, Caprio and Nunez and the late Mr. Morse, in the conduct described more fully in paragraphs 19 through 25 above, when no registration was filed or in effect, and no exemption applied to their sales, directly or indirectly, by the uses of means or instruments of transportation or communication in interstate commerce or of the mails, offered to sell or sold securities in violation of Sections 5(a) and 5(c) of the Securities Act 1933 [15 U.S.C. §§ 77e(a) and 77e(c)].

SECOND CLAIM
(Against Cooper and Caprio)
For Violation of Section 13(d) of the Exchange Act
And Rules 13d-1 and 13d-2 Thereunder

32. The Commission hereby realleges and incorporates paragraphs 1 through 31 by reference.

33. As more fully described in paragraphs 19 and 20 above, Cooper, Caprio and the late Mr. Morse never filed Schedule 13D reports with the Commission concerning their individual ownership interest in MCII. Section 13(d) of the Exchange Act [15 U.S.C. § 78m (d)] and Rules 13d-1 and 13d-2 thereunder [17 C.F.R. §§ 240.13d-1, 240.13d-2], requires that any person who acquires or whose holdings undergo a change in the beneficial ownership of more than five percent of a company's stock to report such transactions within ten days. Moreover, such persons must file with the Commission, and

send to the company, a statement detailing information about those purchases and provide other information, which Schedule 13D requires. Since Cooper, Caprio, and the late Mr. Morse failed to file these required reports, they violated Section 13(d) of the Exchange Act and Exchange Act Rules 13d-1 and 13d-2.

THIRD CLAIM
(Against Cooper)
For Violation of Section 16(a) of the Exchange Act
And Rule 16A-3 Thereunder

34. The Commission hereby realleges and incorporates paragraphs 1 through 33 by reference.

35. Section 16(a) of the Exchange Act [15 U.S.C. § 78p (a)] and Rule 16a-3 thereunder [17 C.F.R. § 240.16a-3], requires any person file a report to the Commission on Forms 3, 4, and 5 when such a person acquires a security of an issuer for which that person is an officer or director (or if there is a change in such ownership). That report must disclose the amount of, or changes in, all equity securities of that issuer for which the filing person is the beneficial owner and other information required on Forms 3, 4 and 5. Since Defendant Cooper failed to file these required forms, he violated Section 16(a) of the Exchange Act and Exchange Act Rule 16a-3.

FOURTH CLAIM
(Against Cooper)
For Violation of Section 10(b) of the Exchange Act and
Rule 10b-5, Thereunder

36. The Commission hereby realleges and incorporates paragraphs 1 through 35 by reference.

37. In the manner described in paragraphs 26 through 29 above, Cooper, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of MCII securities, by use of the means and instrumentalities of interstate commerce or of the mails, or by use of any facility of any national securities exchange, (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted 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 (c) engaged in acts, transactions, practices or courses of business which operated and would operate as a fraud or deceit upon a person or persons, in violation 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].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a judgment that:

(a) Enjoins Cooper from violating Sections 5(a) and 5(c) of the Securities Act and Sections 10(b), 13(d) and 16(a) of the Exchange Act and Exchange Act Rules 10b-5, 13d-1, 13d-2 and 16a-3;

(b) Pursuant to Section 21 (d)(2) of the Exchange Act, prohibits Cooper from acting as an officer or director of any issuer that has a class of securities registered pursuant to Exchange Act Section 12 or that is required to file reports pursuant to Exchange Act Section 15(d);

(c) Orders Cooper to pay civil penalties as the law provides;

(d) Enjoins Caprio from violating Sections 5(a) and 5(c) of the Securities Act and Section 13(d) of the Exchange Act and Exchange Act Rules 13d-1 and 13d-2;

- (e) Orders Caprio to pay civil penalties as the law provides;
- (f) Orders Caprio to provide an accounting and disgorge ill-gotten gains plus prejudgment interest;
- (i) Enjoins Nunez from violating Sections 5(a) and 5(c) of the Securities Act;
- (j) Orders Nunez to pay civil penalties as the law provides;
- (k) Orders Nunez to provide an accounting and to disgorge ill-gotten gains plus prejudgment interest; and
- (l) Grant such other and additional relief as this Court may deem just and proper.

Respectfully submitted,

U.S. Securities and Exchange Commission,

By: _____/S/_____
James M. McHale, DC Bar No. 111773,
Trial Counsel
Antonia Chion
Scott W. Friestad
Howard A. Scheck
Michael E. Coe
Steven A. Susswein
450 Fifth Street, N.W., Mail Stop 0911
Washington, DC 20549-0911
Telephone: (202) 942-4588 (McHale)
Fax: (202) 942-9569 (McHale)
mchalejm@sec.gov

Dated: January 28, 2005