

JAN 16 2009

JAMES N. HATTEN, Clerk  
By *JPH* Deputy Clerk

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

SECURITIES AND EXCHANGE  
COMMISSION,  
  
Plaintiff,  
  
v.  
  
ROSS OWEN HAUGEN,  
  
Defendant.

CIVIL ACTION FILE NO.

1 09-CV-0129

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff, Securities and Exchange Commission ("Commission" or the "Plaintiff"), files this Complaint and alleges the following:

SUMMARY

1. Plaintiff brings this action to enjoin violations of the federal securities laws by, and to obtain other relief from, Defendant Ross Owen Haugen ("Haugen").

2. Haugen served as vice president of sales and the primary salesman of securities sold in the offering fraud that is the subject matter of SEC v. Coadum Advisors, Inc., et al., Civil Action File No. 1:08-CV-0011-ODE (N.D. Ga.), a civil action filed on an emergency basis early in 2008.

3. From at least January 2006 through January 2008, Coadum Advisors, Inc. ("Coadum") and Mansell Capital Partners III, LLC ("Mansell") fraudulently raised approximately \$30 million from approximately 150 investors who purchased interests in four entities, Coadum Capital Fund 1, LLC ("Coadum 1"), Coadum Capital Fund II, LP ("Coadum II"), Coadum Capital Fund III, LP ("Coadum III") and Mansell Acquisition Company LP ("MAC").

4. Haugen served as Vice President of Sales and Marketing for Coadum from approximately early 2006 through September 2007. In that capacity, Haugen directly solicited and sold more than 50% of the Coadum securities in the offerings.

5. The private placement memoranda for the four offerings ("PPMs"), all of which made similar representations, described an investment objective involving "risk-controlled" strategies consisting of purchasing AA or better rated securities at one price, and simultaneously selling the securities at a higher price, generating a profit on the price difference, which Coadum and Mansell referred to as "commercial trading programs."

6. At least some investors were assured of from 3% to 6% (or in one investment 2.5 percent to 8 percent) return per month on their initial investments. The funds from the

offerings were commingled in accounts controlled by Coadum or Mansell.

7. Coadum and Mansell invested the majority of the funds through a Malta based "investment platform" which in turn invested the funds in related entities which never began operation or provided any returns. In the meantime, Coadum and Mansell falsely represented in monthly account statements to investors that the investors had been earning approximately four percent per month and that all or most of the investors' principal was in escrow.

8. Contrary to representations to investors, Coadum and Mansell "borrowed" approximately \$3.4 million of, or against, the investors' funds and disbursed to apparently related parties approximately an additional \$5 million.

9. Haugen told investors, falsely, that their investment principal was risk free, insured and never left the escrow account or was otherwise guaranteed against loss. In fact, Haugen knew that investors' funds were being invested in off-shore trading programs.

10. Trading profits were purportedly earned in a "non-recourse" margin account. Although the PPMs represented that no commissions would be paid on the investments, and that the promoters would be compensated based on a percentage of earnings, Haugen received substantial commissions from

investor funds prior to earnings on those funds (which never happened).

11. Haugen also recruited other salesmen and received a portion of their commissions.

12. Haugen was associated with a broker-dealer until September 2006, but did not sell the investments through that broker-dealer and was not registered as a broker-dealer at any time.

13. Defendant Haugen, by virtue of his conduct, directly or indirectly, had engaged and, unless enjoined, will engage in violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

14. The Commission seeks a permanent injunction, disgorgement and pre-judgment interest, and civil penalties against defendant Haugen.

#### **JURISDICTION AND VENUE**

15. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)] to enjoin the Defendant from engaging in the transactions, acts, practices and courses of

business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for an accounting, disgorgement of illegally obtained funds and other equitable relief, and for civil money penalties.

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

17. The Defendant, directly and indirectly, has made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

18. Venue lies in this Court 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 certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and the Exchange Act occurred within the Northern District of Georgia. Among other things, investors' funds in excess of \$20 million were wire transferred to an escrow account within the Northern District. At the instruction of and through the efforts of

the defendants in the previously filed related case in this court, the investors' funds were then wire transferred from the account in the Northern District to various offshore accounts.

### **THE DEFENDANT**

19. Ross Haugen, 55, of greater Minneapolis, Minnesota was the Vice President of Sales & Marketing and a director of Coadum from early 2006 through approximately September 2007. During various periods between 1984 and September 2006, Haugen was associated as a registered representative with five broker-dealers.

### **FACTS**

#### **A. The Securities Offerings**

20. Between January and May 2006, Coadum solicited residents of Canada and the United States to invest in Coadum 1. Sales representatives promised investors a "perfect blend" of a secure principal and earnings of 2.5-8% per month.

21. In May 2006, the Alberta Securities Commission brought an administrative proceeding against Coadum, Coadum 1, and various individuals, alleging fraud and other violations. Although Haugen sold some of the interests, he was not named in that action.

22. Shortly thereafter, Coadum ceased promoting Coadum 1, rolled the investors into Coadum II, and began, largely

through the sales efforts of Haugen, an offering in the United States and Canada of limited partnership interests in Coadum II.

23. The Coadum II offering took place between July 2006 and July 2007. Haugen, as Vice President of Sales & Marketing, sold the interests himself and recruited other independent salespeople to sell the interests. He was personally responsible for the sales of approximately 70% of that offering.

24. In April 2007, Coadum began selling limited partnership interests in Coadum III, and Haugen was responsible for the sales of approximately 50% of that offering. On August 31, 2007, Mansell began selling interests in MAC, and Haugen was responsible for the sales of approximately 50% of that offering.

25. At least 150 investors (allegedly accredited), located throughout the United States and Canada, bought interests in Coadum I, Coadum II, Coadum III and MAC. Coadum and Mansell have raised approximately \$30 million from investors who purchased interests in the four offerings.

26. The private placement memoranda ("PPMs") for the offerings described an investment objective involving the general partner or its team of investment managers pursuing a series of risk-controlled strategies. Those strategies

allegedly involved purchasing AA or better rated securities at one price, and simultaneously selling the securities at a higher price, generating a profit on the price difference, which the PPMs referred to as "commercial trading programs."

27. At least some investors were orally assured of at least 3% and at most 6% return per month on their initial investments (2.5 and 8 percent for Coadum I).

28. Investors were permitted to take accrued earnings in cash at the end of each quarter or roll them over into the limited partnership. The PPMs stated that the general partner was allocated, after the return to investors of three percent per quarter (referred to as the "hurdle" rate), a performance share equal to 85% of the appreciation credited to the capital account of each limited partner. The PPMs also provided that the partnerships would reimburse the respective general partner for certain reasonable formation and investment related expenses.

29. In his sales efforts, Haugen used a powerpoint and other sales materials which varied substantially from the PPMs. Haugen represented to prospective investors, orally and through various sales materials, that investors' funds would be kept in escrow, insured, and never placed at risk.

30. In fact, Haugen was aware that Coadum caused to be wire transferred a substantial majority of \$30 million



invested to offshore accounts controlled by Exodus Equities, Inc. ("Exodus"), a Malta based entity. The funds were purportedly invested in the Exodus Platinum Fund, and through Soleil Group Holdings Limited ("Soleil") at banks in Switzerland and Malta.

31. Exodus Platinum Fund is a Bermuda exempted mutual fund company fund that never launched, never actively traded and never paid any earnings. Soleil, also controlled by Exodus, was purportedly in the "pre REIT process" of collecting funds to establish a REIT in the Netherlands. Coadum wire transferred at least \$20 million to Soleil and \$5.8 million to Exodus Platinum Fund.

32. The remainder of the investors' funds were transferred to Coadum or Mansell and appear to have been distributed to various entities affiliated with the promoters. Investors were not advised that their funds had been transferred overseas or transferred to entities affiliated with the promoters.

33. During the fraud, Coadum provided investors with monthly statements reflecting returns of four percent per month. Based on those statements, most investors rolled over their "profits." A small percentage of investors withdrew their money. Approximately \$1.7 million in returned principal and "profits" was paid out.

34. The PPMs stated that no commissions would be paid in connection with the offerings and that the investors' entire principal would be used to generate returns. The general partner was to be compensated through a performance share, based on earnings of the partnership.

35. In fact, Coadum never had any earnings. Coadum "borrowed" \$1 million from Coadum 1, \$1 million from Coadum II and \$1.4 million from investor funds held in escrow. Coadum principals used the loans, which were based on purported anticipated future earnings, which they called "advanced earnings," to pay Haugen approximately \$1.5 million in commissions. Haugen also received override commissions from the same "advanced earnings" paid to other salesmen in Minnesota who loosely reported to Haugen.

**B. Material Misrepresentations and Omissions**

36. Haugen made various oral misrepresentations and in particular used a powerpoint demonstration to sell the investments that falsely described the investment. Haugen's misrepresentations and omissions included the following.

**1. Principal Preservation, Lack of Risk**

37. Although the PPMs made various risk disclosures and did not claim that investors' funds would never leave the

escrow account, Haugen made various representations to the effect that investors' principal would never be at risk.

38. Haugen told investors that the principal remained in an escrow account in the investor's name at all times. At least some investors did not receive the PPM until after they made their investment.

39. A later version of the powerpoint amended the claim to state that the investors' funds would remain in a third party escrow. Haugen further represented that the investment worked by operating a "non-recourse margin account" which allowed the partnership to trade on margin without risking the underlying assets.

40. Haugen's powerpoint also claimed that Coadum profited by using "riskless transactions" which involved purchasing AA or higher securities at one price and simultaneously selling them at a higher price.

41. Haugen emphasized, falsely, that the investor's principal would be FDIC protected up to \$100,000. He also represented, falsely, that Coadum had purchased insurance to protect investors' principal above the FDIC limit up to an additional \$250,000.

42. A Coadum sales brochure and other written materials made similar statements. One document offered "Principal Preservation," which was purportedly achieved by leaving

client funds on deposit at an escrow company and pledging those funds to an asset manager which purportedly provided a U.S. Treasury security equal to the principal amount.

43. The asset manager also purportedly established a line of credit against the principal which was used for trading purposes. The providers of the line of credit purportedly had no recourse against the Treasury security.

44. According to the representations, this procedure guaranteed that the funds were never at risk.

45. All of the above representations were false. Contrary to his statements, Haugen was fully informed by June 2006 that Coadum investors' funds were routinely being shipped offshore to various earnings "platforms."

## **2. Fictitious Returns**

46. Account statements received by investors were entitled, "PRINCIPAL PRESERVED ALTERNATIVE INVESTMENTS FOR GROWTH-ORIENTED CLIENTS" and reported the client's total amount of investment funds as "Ending Principal Balance In Escrow Account."

47. The statements also included a "Capital Enhancement Program" earnings activity report that reflected the earnings rolled over (assuming the purported earnings have been rolled over).

48. Accordingly, "the ending principal balance in the escrow account" amounted to the investment funds and purported cumulative earnings.

49. Coadum and Mansell falsely represented in those monthly account statements that all or most of the investors' principal was in escrow and they had been earning approximately four percent per month.

50. Based apparently on those representations, the investors generally rolled over their "profits" or invested additional funds.

51. As noted above, there were no earnings on the funds invested through Exodus. Any funds paid out to investors had only one source - the allegedly escrowed funds that were transferred offshore, and returned to Coadum principals in the form of "advanced earnings," or loans.

52. Haugen used sample versions of the fraudulent statements to solicit new investors.

### **3. No Commissions**

53. The PPMs used to solicit the investments, and Haugen's powerpoint, represented that no commissions would be paid in connection with the investments. The PPMs also represented that Coadum would be compensated by receiving a portion of the profits earned by the partnerships.

54. In fact, Haugen received "commissions," totaling approximately \$1.5 million from the "advanced earnings" that were returned to Coadum as loans. The payment of commissions, calculated on the amount invested before any actual earnings occurred was in substance no different from a direct sales commission.

55. Haugen was aware that he was being paid commissions from Coadum's "advanced earnings."

#### **4. Price Waterhouse**

56. Haugen's powerpoint represented that the accounting firm Price Waterhouse [sic] was the auditor for Coadum.

57. Price Waterhouse had no relationship with Coadum, and Haugen knew or should have known that no such relationship existed.

**COUNT I--FRAUD**  
**Violations of Section 17(a) (1) of the Securities Act**  
**[15 U.S.C. § 77q(a) (1)]**

58. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

59. At various times from at least early 2006 through approximately September 2007, Defendant Haugen in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and

indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

60. The Defendant knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

61. In engaging in such conduct, the Defendant acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

62. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT II--FRAUD**  
**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

63. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

64. At various times from at least early 2006 through approximately September 2007, Defendant Haugen in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a) obtained money and property by means of untrue statements of material fact and 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 and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

65. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**COUNT III--FRAUD**

**Violations 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]**

66. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

67. At various times from at least early 2006 through approximately September 2007, Defendant Haugen, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:



- 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 would and did operate as a fraud and deceit upon the purchasers of such securities,
- all as more particularly described above.

68. The Defendant knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendant acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

69. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate 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].

**COUNT IV--EFFECTING SECURITIES TRANSACTIONS FOR  
THE ACCOUNT OF OTHERS WITHOUT BEING REGISTERED  
WITH THE COMMISSION AS A BROKER-DEALER  
Violations of Section 15(a) of the Exchange Act  
[15 U.S.C. § 78o(a)]**

70. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

71. Defendant Haugen directly or indirectly: (i) has engaged, is engaging or is about to engage in the business of effecting transactions in securities for the account of others; (ii) is either a person other than a natural person or a natural person not associated with a broker or dealer which is a person other than a natural person (other than such a broker or dealer whose business is exclusively intrastate and who does not make use of any facility of any national securities exchange); and, (iii) has made, is making or is about to make use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) without being registered in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

72. By reason of the transactions, acts, omissions, practices and courses of business set forth herein, Defendant

Haugen has violated, is violating or is about to violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants named herein committed the violations alleged herein.

II.

A temporary restraining order, preliminary and permanent injunctions enjoining Defendant Haugen, his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

III.

An order requiring disgorgement of all ill-gotten gains or unjust enrichment by defendant Haugen, as a result of the sales of securities alleged in this complaint.

IV.

An order directing the Defendant Haugen to pay prejudgment interest on the amount ordered to be disgorged, to effect the remedial purposes of the federal securities laws.

V.

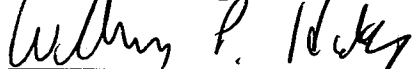
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against Defendant Haugen.

VI.

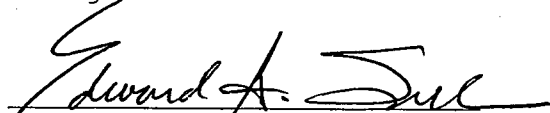
Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: January 16, 2009.

Respectfully submitted,



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