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 11 **UNITED STATES DISTRICT COURT**
 12 **DISTRICT OF NEVADA**

13 SECURITIES AND EXCHANGE
 14 COMMISSION,

15 Plaintiff,

16 vs.

17 GOLD-QUEST INTERNATIONAL,
 DAVID M. GREENE a/k/a LORD DAVID
 18 GREENE a/k/a DAVID GREEN, JOHN
 JENKINS and MICHAEL MCGÉE,

19 Defendants.

Case No.

**COMPLAINT FOR
 VIOLATIONS OF THE
 FEDERAL SECURITIES LAWS**

21 Plaintiff Securities and Exchange Commission ("Commission") alleges as
 22 follows:

23 **JURISDICTION AND VENUE**

24 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
 25 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C.
 26 §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of

1 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
3 the means or instrumentalities of interstate commerce, of the mails, or of the
4 facilities of a national securities exchange in connection with the transactions, acts,
5 practices and courses of business alleged in this Complaint.

6 2. Venue is proper in this district pursuant to Section 22(a) of the
7 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
8 § 78aa, because certain of the transactions, acts, practices and courses of conduct
9 constituting violations of the federal securities laws occurred within this district,
10 and all of the defendants reside and/or are located in this district.

11 **SUMMARY**

12 3. This matter involves the ongoing fraudulent offer and sale of more
13 than \$27.9 million of securities by defendants David M. Greene (“Greene”), John
14 Jenkins (“Jenkins”), and Michael McGee (“McGee”) through Gold-Quest
15 International (“Gold-Quest”) (collectively, the “Defendants”), an entity that they
16 control.

17 4. From May 2006 through the present, Gold-Quest, a Panamanian
18 corporation, and its owners, Greene, Jenkins, and McGee, have raised more than
19 \$27.9 million from over 2,100 investors in the United States and Canada through
20 direct solicitations, through an Internet website that they maintain, www.gold-
21 questinternational.com, and by referrals from existing investors.

22 5. The Defendants guarantee that investors will receive an 87.5% return
23 on their investment after one year. They represent that they are able to attain such
24 high returns by using proprietary asset management and hedging strategies to trade
25 in foreign currencies. They also tout the safety of investments in Gold-Quest.

26 6. Contrary to their representations to investors, the Defendants are not

1 using the vast majority of investor funds, if any, for foreign currency trading.
2 Rather, the Defendants are operating Gold-Quest as a Ponzi scheme; Gold-Quest is
3 dependent upon the influx of new investor monies to make its payments to current
4 investors. From May 2006 through April 15, 2008, the Defendants have paid
5 distributions to investors totaling approximately \$19.1 million, although they have
6 received no income from foreign currency trading or any other type of business
7 operations during that time. The Defendants have even tacitly acknowledged the
8 Ponzi-scheme nature of the Gold-Quest program to one current investor, telling
9 him that he would be paid as soon as Gold-Quest received money from a new
10 investor.

11 7. Moreover, it appears that the Ponzi scheme is on the verge of collapse.
12 One Canadian investor who invested \$620,000 with Gold-Quest has been unable to
13 withdraw his funds from the scheme, despite repeated requests to do so. In
14 response to the investor's requests, the Defendants have not only represented that
15 they are waiting for funds from new investors, they also have falsely represented
16 that repayments are being delayed at the request of Canadian authorities.

17 8. The Defendants are also misappropriating investor funds.
18 Undisclosed to investors, the Defendants have transferred millions of dollars to
19 their personal bank and/or brokerage accounts. Investor funds have been used for
20 personal expenses, including purchases at electronics stores, warehouse stores,
21 luxury hotels, restaurants and golf clubs, and an automobile dealership. In
22 addition, hundreds of thousands of dollars of investor funds have been withdrawn
23 from Gold-Quest's accounts through ATMs or used to purchase prepaid debit
24 cards. The Defendants have also paid purported sales agents in Gold-Quest's
25 multi-level marketing system millions of dollars in undisclosed commissions.

26 9. The Defendants continue to solicit investors and Gold-Quest is

1 continuing to receive investor funds, including \$40,000 from one investor as
2 recently as April 14, 2008. In addition, the Defendants continue to operate and
3 update the Gold-Quest website, which encourages potential investors to invest in
4 Gold-Quest.

5 10. The Defendants, by engaging in the conduct described in this
6 Complaint, have violated, and unless enjoined will continue to violate, the
7 antifraud and securities registration provisions of the federal securities laws. By
8 this complaint, the Commission seeks emergency relief against the Defendants,
9 including a temporary restraining order, an asset freeze, the appointment of a
10 receiver, accountings, a repatriation order, an order expediting discovery, and an
11 order prohibiting the destruction of documents, as well as preliminary and
12 permanent injunctions, disgorgement with prejudgment interest, and civil penalties.

13 **DEFENDANTS**

14 11. Gold-Quest International was incorporated in Panama in 2004. Gold-
15 Quest is not registered with the Commission in any capacity, nor is Gold-Quest
16 registered with the Panamanian securities regulators in any capacity. In dealing
17 with Canadian regulators, representatives of Gold-Quest assert that it and its
18 owners are subject only to the jurisdiction of the sovereign Little Shell Nation
19 Indian tribe, purportedly headquartered in North Dakota, and not to the jurisdiction
20 of the United States or Canada. According to the Office of the Attorney General of
21 North Dakota, however, the Little Shell Nation is not recognized as a sovereign
22 tribe or nation. In March 2008, the British Columbia Securities Commission and
23 the Alberta Securities Commission each issued cease trade orders prohibiting
24 Gold-Quest from soliciting new investors in those provinces.

25 12. David M. Greene a/k/a Lord David Greene a/k/a David Green, age 54,
26 is believed to be a Canadian citizen. For the last several years he has been residing

1 in Las Vegas, Nevada, where he has been running Gold-Quest. Panamanian
2 records list David Greene as the secretary of Gold-Quest, and Greene has identified
3 himself as the founder and president of Gold-Quest.

4 13. John Jenkins, age 62, resides in Las Vegas, Nevada, where he has
5 been running Gold-Quest. Jenkins has identified himself as an owner and director
6 of Gold-Quest.

7 14. Michael McGee, age 52, resides in Las Vegas, Nevada. McGee has
8 identified himself as an owner and director of Gold-Quest. McGee is listed as the
9 administrative, technical and registrant contact for the website www.gold-
10 questinternational.com.

11 **THE FRAUDULENT OFFERING**

12 **A. Overview And Structure Of The Investment Program**

13 15. Greene and Jenkins began operating the Gold-Quest program out of a
14 house in Las Vegas, Nevada in approximately mid-2006. At that time, Greene and
15 Jenkins opened bank accounts that Gold-Quest used to collect investor funds. In
16 late 2007, McGee joined Gold-Quest and he now identifies himself as an owner of
17 Gold-Quest and regularly promotes Gold-Quest to investors. Currently, Greene,
18 Jenkins, and McGee are running Gold-Quest and are the signatories for its bank
19 and Internet “e-currency” accounts.

20 16. Gold-Quest promotes itself as a “Friends and Family” program and
21 employs a multi-level marketing scheme to promote the Gold-Quest program to
22 investors. In addition to the 87.5% annual return guaranteed to investors, those
23 who bring in an investor become an “Administrative Manager” for that investor
24 and, as a result, receive an up-front commission of 10% and an on-going
25 commission of 4% per month for one year (for a total commission of 58%). In
26 turn, the individual responsible for introducing the Administrative Manager to the

1 Gold-Quest program is titled the "Managing Director" for the new investor and he
2 or she receives an additional commission of 1.5% per month for one year. The
3 individual responsible for introducing the Managing Director into the Gold-Quest
4 program is referred to as the "Supervisory Managing Director" for the new
5 investor and he or she receives a further commission of 1% per month for one year.
6 When added together, 88% of each investor's principal investment amount is paid
7 out in commissions during the course of a year.

8 17. Individuals invest in Gold-Quest by transferring funds to Gold-
9 Quest's account with e-Bullion, a Panamanian "e-currency" company. Customers
10 who open an e-Bullion account can send and receive funds electronically on an
11 international basis. Gold-Quest maintains a single e-Bullion account, in which
12 investor funds are pooled together. Until recently, investors could send funds to a
13 domestic bank account, but the Defendants eliminated that option after the
14 Commission subpoenaed documents regarding that account.

15 18. Defendants provide investors in Gold-Quest with a written
16 membership agreement. Pursuant to the agreement, investors are required to leave
17 their money in Gold-Quest for one year. The majority of members reinvest their
18 money at the end of the one-year term. The minimum investment in Gold-Quest is
19 \$500.

20 **B. The Defendants Falsely Represent That Investor Funds Will Be**
21 **Used For Foreign Currency Trading, That Investors Are**
22 **Guaranteed An 87.5% Annual Return, And The Safety Of**
23 **Investments In Gold-Quest**

24 19. Prospective investors learn about the Gold-Quest program from sales
25 agents, the Gold-Quest website, or directly from the Defendants. Through these
26 solicitations, the Defendants falsely represent to investors that their money will be

1 traded in foreign currency using a proprietary system developed by Gold-Quest.
2 The Gold-Quest website specifically represents that the program generates its high
3 returns by “trading major currencies.” The materials provided to investors along
4 with their membership agreement make similar representations regarding the use
5 of investor funds, and Jenkins and McGee have orally made similar representations
6 to investors. The Defendants do not disclose any use of investor funds other than
7 purported currency trading.

8 20. The Defendants guarantee investors an 87.5% annual return through a
9 written membership agreement. In addition, Jenkins and McGee repeat the
10 guarantee to investors, and existing investors repeat it to prospective new investors
11 to obtain commissions through the multi-level marketing aspect of the program.
12 Gold-Quest provides investors with an electronic statement each month listing
13 their principal investment and a monthly profit of 7.292%, which corresponds to an
14 annual return of 87.5%.

15 21. The Defendants also tout the safety of investments in Gold-Quest.
16 The Gold-Quest website states that investments in the program “are as safe as the
17 world financial markets will allow,” allowing for the possibility of loss of principal
18 only in the case of “an event or terrorist attack that could shake the markets in an
19 adverse way” or an apocalyptic situation in which “the world monetary system
20 fails.”

21 22. The Defendants have also falsely represented that United States and
22 Canadian government officials reviewed and approved the Gold-Quest program.
23 During a meeting with an investor in March 2008, McGee falsely stated that the
24 “United States government officials from Washington, D.C.” inquired about Gold-
25 Quest and, following their review, told them that Gold-Quest was helping the
26 United States economy and that they were “really happy you are here.”

1 **C. The Defendants Are Operating Gold-Quest As A Ponzi Scheme**
2 **And Misusing Investor Funds**

3 23. From May 2006 through April 15, 2008, Gold-Quest has raised over
4 \$27.9 million from investors.

5 24. Contrary to the Defendants' representations to investors, Gold-Quest
6 has not used the vast majority of investor funds, if any, for foreign currency
7 trading. Instead, following a classic Ponzi scheme pattern, the Defendants have
8 used approximately \$19.1 million in investor funds to pay earlier investors and
9 persons purportedly entitled to commissions through Gold-Quest's multi-level
10 marketing program. The only source of income to the Gold-Quest program is new
11 investor monies.

12 25. In addition to the payments to earlier investors and to purported sales
13 agents, Defendants, undisclosed to investors, have transferred millions of dollars of
14 investor funds from Gold-Quest's accounts to the personal accounts of Greene,
15 Jenkins and McGee:

- 16 a. From May 2006 through April 2008, approximately \$5 million
17 was transferred from Gold-Quest's bank accounts to Greene's
18 personal checking account. Greene used these investor funds
19 for numerous personal expenses, including purchases made at
20 electronics stores, warehouse stores, pharmacies, luxury hotels,
21 restaurants, golf clubs and an automobile dealership;
- 22 b. From November 2006 through September 2007, approximately
23 \$1.1 million was transferred from Gold-Quest's bank accounts
24 to Jenkins' personal checking account. Jenkins subsequently
25 wrote checks totaling approximately \$17,000 to McGee;
- 26 c. Between March 28 and April 10, 2008, approximately \$125,000

1 was wire transferred from Gold-Quest's e-Bullion account to
2 McGee's personal accounts.

3 26. The Defendants have also withdrawn from the Gold-Quest accounts
4 funds in forms that are difficult to trace. From May 2006 to December 2007,
5 approximately \$107,000 was withdrawn from automated teller machines from
6 Gold-Quest's bank account. That account was also used to purchase
7 approximately \$148,000 from a company that sells pre-paid debit cards.

8 27. Greene and Jenkins have also transferred investor funds abroad.
9 Specifically, Greene has transferred funds from his personal account to Deutsche
10 Bank AG totaling \$722,887.22, and Jenkins has transferred approximately
11 \$700,000 from his personal account to Deutsche Bank AG. There is no indication
12 that these funds, representing only 5% of the funds Gold-Quest has raised from
13 investors, were ever used for foreign currency trading. No funds have been
14 returned from Deutsche Bank AG to any of Gold-Quest's accounts or to the
15 personal accounts used by any of the Defendants.

16 **D. The Gold-Quest Ponzi Scheme Appears To Be On The Verge Of**
17 **Collapsing**

18 28. Beginning in February 2008, the Defendants began having problems
19 making payments to some investors. The Defendants falsely informed one
20 Canadian investor, who requested a return of his \$620,000 investment, that Gold-
21 Quest was not allowed to make payments to any investors residing in Canada
22 because they claimed that the Canadian authorities issued a "moratorium"
23 preventing Gold-Quest from doing so. Gold-Quest recently told investors that it
24 prevailed in a legal proceeding in Canada and the moratorium was lifted, but that
25 investor payments are being delayed while Gold-Quest's owners work through the
26 backlog of payments to investors.

1 29. On or about March 25, 2008, McGee told that same investor that
2 Gold-Quest would be able to pay him as soon as they received funds from a new
3 investor with whom Greene and Jenkins were currently meeting in Mexico.
4 McGee also advised this investor that the investors could solve his financial
5 problems by borrowing \$1 million and investing more money in Gold-Quest.
6 McGee told the investor he could list himself, his company, and his family as the
7 Administrative Manager, Managing Director, and Supervisory Managing Director
8 for the investment and that by doing so, the investor would receive an initial
9 commission of \$165,000 and monthly commission payments of \$65,000 for the
10 next eleven months, based upon the multi-level marketing commission structure.
11 As of the date of the filing of this Complaint, Gold-Quest has not repaid this
12 investor his \$620,000 investment.

13 **FIRST CLAIM FOR RELIEF**

14 **Unregistered Offer And Sale Of Securities**

15 **Violations of Sections 5(a) and 5(c) of the Securities Act**

16 **(Against All Defendants)**

17 30. The Commission realleges and incorporates by reference paragraphs 1
18 through 29 above.

19 31. The defendants, and each of them, by engaging in the conduct
20 described above, directly or indirectly, made use of means or instrumentalities of
21 transportation or communication in interstate commerce or of the mails, to offer to
22 sell or to sell securities, or to carry or cause such securities to be carried through
23 the mails or in interstate commerce for the purpose of sale or delivery after sale.

24 32. No registration statement has been filed with the Commission or has
25 been in effect with respect to the offering alleged herein.

26 33. By engaging in the conduct described above, each of the Defendants

1 violated, and unless restrained and enjoined will continue to violate, Sections 5(a)
2 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

3 **SECOND CLAIM FOR RELIEF**

4 **Fraud In The Offer Or Sale Of Securities**

5 **Violations of Section 17(a) of the Securities Act**

6 **(Against All Defendants)**

7 34. The Commission realleges and incorporates by reference paragraphs 1
8 through 29 above.

9 35. The Defendants, and each of them, by engaging in the conduct
10 described above, in the offer or sale of securities by the use of means or
11 instruments of transportation or communication in interstate commerce or by use
12 of the mails directly or indirectly:

- 13 a. with scienter, employed devices, schemes, or artifices to
- 14 defraud;
- 15 b. obtained money or property by means of untrue statements of a
- 16 material fact or by omitting to state a material fact necessary in
- 17 order to make the statements made, in light of the
- 18 circumstances under which they were made, not misleading; or
- 19 c. engaged in transactions, practices, or courses of business which
- 20 operated or would operate as a fraud or deceit upon the
- 21 purchaser.

22 36. By engaging in the conduct described above, the Defendants violated,
23 and unless restrained and enjoined will continue to violate, Section 17(a) of the
24 Securities Act, 15 U.S.C. § 77q(a).

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1 **THIRD CLAIM FOR RELIEF**

2 **Fraud In Connection With The Purchase Or Sale Of Securities**

3 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

4 **(Against All Defendants)**

5 37. The Commission realleges and incorporates by reference paragraphs 1
6 through 29 above.

7 38. The Defendants, and each of them, by engaging in the conduct
8 described above, directly or indirectly, in connection with the purchase or sale of a
9 security, by the use of means or instrumentalities of interstate commerce, of the
10 mails, or of the facilities of a national securities exchange, with scienter:

- 11 a. employed devices, schemes, or artifices to defraud;
- 12 b. made untrue statements of a material fact or omitted to state a
13 material fact necessary in order to make the statements made, in
14 the light of the circumstances under which they were made, not
15 misleading; or
- 16 c. engaged in acts, practices, or courses of business which
17 operated or would operate as a fraud or deceit upon other
18 persons.

19 39. By engaging in the conduct described above, the Defendants violated,
20 and unless restrained and enjoined will continue to violate, Section 10(b) of the
21 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
22 § 240.10b-5.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, the Commission respectfully requests that the Court:

25 *

26 *

1 **I.**

2 Issue findings of fact and conclusions of law that the defendants committed
3 the alleged violations.

4 **II.**

5 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
6 preliminarily and permanently enjoining the defendants and their officers, agents,
7 servants, employees, and attorneys, and those persons in active concert or
8 participation with any of them, who receive actual notice of the judgment by
9 personal service or otherwise, and each of them, from violating Sections 5(a), 5(c)
10 and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), and
11 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
12 17 C.F.R. § 240.10b-5.

13 **III.**

14 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
15 order and a preliminary injunction freezing the assets of each of the defendants,
16 directing the assets of each of the defendants to be repatriated to the United States,
17 appointing a receiver over Gold-Quest, prohibiting each of the defendants from
18 destroying documents, granting expedited discovery, and requiring accountings
19 from each of the defendants.

20 **IV.**

21 Order each defendant to disgorge all ill-gotten gains from their illegal
22 conduct, together with prejudgment interest thereon.

23 **V.**

24 Order each defendant to pay civil penalties under Section 20(d) of the
25 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15
26 U.S.C. § 78u(d)(3).

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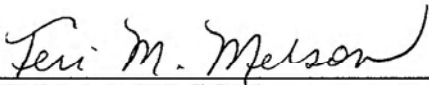
VI.

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

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: May 6, 2008



TERI M. MELSON
Attorney for Plaintiff
Securities and Exchange Commission