

Ⓞ

UNITED STATES DISTRICT COURT 04 JAN 27 AM 9: 53
MIDDLE DISTRICT OF FLORIDA
(Orlando Division)

CLERK OF DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO, FLORIDA

Case No.

6:04-cv-112-ORL-18JGB

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

W.L. WARE ENTERPRISES AND INVESTMENTS, INC.,
d/b/a WARE ENTERPRISES AND INVESTMENTS,
INC., WARE ENTERPRISES AND INVESTMENTS,
LLC, AND W.L. WARE ENTERPRISES AND
INVESTMENTS, LLC,
AND WARREN L. WARE,

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission (the "SEC" or "Commission"),
alleges and states as follows:

I. INTRODUCTION

1. The Commission brings this action to enjoin and restrain Defendants from continuing to violate the federal securities laws in connection with their ongoing, fraudulent, unregistered offer and sale of securities. Since approximately 2000 through the present, Warren L. Ware ("Ware"), through his company W. L. Ware Enterprises and Investments, Inc., d/b/a Ware Enterprises and Investments, Inc., and/or d/b/a W. L. Ware Enterprises and Investments, LLC, and/or d/b/a Ware Enterprises and Investments, LLC ("Ware Enterprises" or "the Company") (collectively "Defendants"), raised at least \$16.5

|

million from over 600 investors nationwide. Ware targets primarily African-American and Christian individuals of low and middle income, most of whom have little or no investment experience. To entice investments, Defendants falsely represent to potential investors that Ware Enterprises guarantees investors 10% monthly interest payments for the first ten months followed by a 5% perpetual monthly return. In truth, Defendants are actually running a Ponzi scheme, paying interest with new investor funds, while millions have been outright misappropriated by Ware to fund his lavish lifestyle. Unless immediately restrained and enjoined, Defendants will continue to defraud the investing public and place investor funds at serious risk of diversion and theft.

II. DEFENDANTS

2. Defendant Ware Enterprises is a Florida corporation incorporated in April 2001, with its principal place of business in Orlando, Florida. Ware Enterprises was administratively dissolved on September 26, 2003 for failure to file an annual report.

3. Defendant Ware, 32, resides in Orlando, Florida. Ware is the president of Ware Enterprises, and manages the day-to-day operations of the Company.

III. JURISDICTION AND VENUE

4. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa; and Section 214 of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. § 80b-14.

5. This Court has personal jurisdiction over Defendants and venue is proper in the Middle District of Florida because many of the Defendants' acts and transactions constituting violations of the Securities Act, the Exchange Act and the Advisers Act occurred in the Middle District of Florida. In addition, the principal offices of Ware Enterprises are located in the Middle District of Florida, and Ware resides in the Middle District of Florida.

6. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

IV. THE FRAUDULENT SCHEME

A. Overview of Ware Enterprise's Unregistered Offering

7. Since at least early 2000, Ware began offering securities to the public in the form of investments in the "Dreamkeeper Program," an investment program that promises the "common people of the world" financial freedom through "guaranteed" monthly returns of 10% for the first ten months, followed by a 5% perpetual monthly return. In April 2001, Ware formed Ware Enterprises, portrayed as a "private clientele group investment firm," through which he continued his offer and sale of investments in the Dreamkeeper Program.

8. The Dreamkeeper Program is purportedly an investment program "engineered for the not so wealthy to have a chance to make the same type of percentages on their money that the wealthy have been enjoying for centuries." The Company

purports to invest investors' funds in commercial and residential real estate, small businesses, "leveraging" funds, and in "the markets of the world."

9. Defendants assure prospective investors in the offering materials, and through Ware's seminars and other communications, that their investments have no risk since they receive interest payments equal to their initial invested amounts. Indeed, Defendants provide potential investors and investors with a "Guarantee" of 10% interest for the first ten months of the investment. According to Defendants, "the guarantee enables us to deal with non-accredited investors. Meaning, we can deal with the common people of the world, not just the wealthy." After the ten-month period, Defendants represent that investors receive 5% monthly interest, which is not guaranteed.

10. Defendant Ware, who holds himself as out having 12 years of investment experience, markets the Dreamkeeper Program primarily through word of mouth and in seminars he holds throughout the country. The offering materials further urge investors to "continue with us and help us to recruit other new clients like you."

11. Defendants have solicited investments primarily in the African-American community. Defendants have also targeted Christians as another affinity group, making numerous references to God and the Bible in the offering materials, and stating that Ware Enterprises donates "10% of all monies profited by [the Company] to the church and/or the community . . ." Defendants have also solicited primarily low to middle income investors with little or no investment experience. Defendants accept investments from as little as \$2,000 to \$10 million.

12. Once an investor's funds have been received, Ware Enterprises mails the investor a 10% monthly interest check, with the check stub reflecting the investor's name and invested amount. Investors are not provided with any other account documents or any correspondence concerning the status of their investment. Significantly, the check stubs provided to investors reflect that their original investment is intact, and that their account value is increasing.

13. Since approximately 2000 through the present, Ware Enterprises and Ware have raised at least \$16.5 million from more than 600 investors in the U.S. and abroad. No registration statement has been filed or is in effect with the Commission in connection with the securities offered by Ware Enterprises.

B. Material Misrepresentations and Omissions Made by Defendants

14. During the relevant time period, Defendants made numerous misrepresentations and omissions, both written and orally, in connection with the unregistered offering of investments in the Dreamkeeper Program about, among other things, the use of investor funds, the safety and security of the investment, the rate of returns on the investments, their own backgrounds and registration status, and that the Dreamkeeper Program was "approved" by the National Football League.

(i) The Use of Investor Proceeds

15. According to Ware Enterprises' printed offering materials, through the Dreamkeeper Program, the Company invests investors' funds "in several different ways to 'grow' his/her money." Defendants claim that the Company is "about 75% to 80% invested in markets of the world," and invests in commercial and residential real estate

and small businesses. The offering materials further represent that Ware purports to “find small companies that only need minimal amounts of working capital to let them compete for the big contracts or finish projects.” The offering materials further tout that because Ware Enterprises is “an accredited investment firm” the Company is able to “be involved in private placement deals before they become available to the public.”

16. Ware Enterprises’ more recent offering materials state that about 50% to 60% of Ware Enterprises’ investments are “performed in the area of leveraging.”

17. These representations are patently false because Ware Enterprises has never invested in real estate, small businesses, or private placements. The Company’s bank records show that from May 2001 through September 2003, Defendants collected over \$16.5 million of investor funds, but invested only about \$151,500 of that amount in a purported hedge fund. Instead, Defendants paid \$11 million to prior investors in the form of “interest” payments, diverted \$2.7 million to a brokerage account in the name of Ware Enterprises, and Ware misappropriated over \$2.4 million for himself.

(ii) The Profitability of the Investment

18. Defendants falsely claim that the Company is a successful enterprise, and that investors’ funds can grow exponentially through the Dreamkeepers Program. For example, the offering materials contain a table purportedly depicting the results of “several different investors” over the course of a four-year period, depicting a \$2,000 investment as growing to \$16,384, and a \$500,000 investment as growing to over \$4 million.

19. Defendants further lull investors into believing that their principal is intact. When Defendants send out investors' monthly "interest" checks, each check stub reflects the investor's original investment as secure and credited to that investor.

20. Finally, Defendants represent in their offering materials that it charges no commissions or management fees, but rather, generates Ware Enterprises' profits from the excess between the monthly payments made to investors and the purported earnings realized on those funds during the same time period.

21. These representations are false because Ware Enterprises has never made any profits from investments, and is instead operating a Ponzi scheme by using new investor funds to pay "interest" to old investors. Defendants are further misappropriating a portion of investors funds for themselves.

(iii) The Safety and Security of the Investment

22. Ware told investors and potential investors in the Company's offering materials and through his oral representations that their initial investment amount was guaranteed. Among the materials provided to investors is a "Guarantee of Funds" purportedly serving as "a written and binding guarantee" that "[a]ll initial funds received are secured for a length of 10 months."

23. The offering materials further tout the investment as being risk-free or having virtually no-risk. In addition, Ware tells investors that their investment will be risk-free and that they cannot lose their money.

24. These representations are false because the investments are not "risk-free," nor are investor funds secured in any manner. Indeed, Defendants have not made any

meaningful investments with investor proceeds sufficient to generate any returns, much less the exorbitant returns promised, or to otherwise secure investors' funds. Defendants have instead improperly used investor funds to operate a Ponzi scheme and have misappropriated millions of investors' funds for themselves.

(iv) The Defendants' Status

25. Defendants claim in the written offering materials that Ware Enterprises is "an accredited investment firm." This same literature portrays Ware as having 12 years of investment experience, who has been involved in "many diverse, successful small businesses."

26. These representations are patently false. Ware Enterprises has never been registered as an investment adviser, investment company or broker/dealer. Ware has never been registered with the Commission in any capacity.

(v) National Football League "Approved" Investment

27. While most of the investors in Defendants' offering are low to middle income investors with little or no investment experience, Defendants also solicited a number of professional football players and others by representing to potential investors that the Dreamkeepers Program was an "approved" National Football League investment. Ware makes these representations orally to prospective investors and investors in seminars he has held throughout the country.

28. Contrary to these representations, the NFL has not approved the Dreamkeepers Program, or any other investment offered by Defendants.

C. Role of Ware

29. Ware created the Dreamkeeper Program and commenced its fraudulent offering before he incorporated Ware Enterprises in April 2001, and, thereafter, continued the same offering through that entity. As president of Ware Enterprises, Ware is responsible for the day to day management of the Company. Ware prepared the offering materials and distributes, or directs the distribution of, the offering materials to prospective investors.

30. Ware personally meets with investors and prospective investors in seminars throughout the country, where he disseminates the false and misleading written offering materials, and orally re-iterates many of the misrepresentations made therein.

31. Ware has sole control over the Company's bank and brokerage accounts and has sole discretion over the use and disposition of investors' funds. Ware prepares or directs the preparation of the monthly checks to investors that falsely represent to investors that their principal is secure and growing.

V. CLAIMS FOR RELIEF

COUNT I

Sale of Unregistered Securities in Violation of Sections 5(a) And 5(c) of the Securities Act

32. The Commission repeats and realleges Paragraphs 1 through 31 of this Complaint as if fully set forth herein.

33. No registration statement was filed or in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the securities and transactions described in this Complaint.

34. Since a date unknown but at least since early 2000 through the present as to Defendant Ware, and since April 2001 through the present as to Defendant Ware Enterprises, Defendants, directly and indirectly, have been: (a) making use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise; (b) carrying securities or causing such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) making use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, without a registration statement having been filed or being in effect with the Commission as to such securities.

35. By reason of the foregoing, Defendants Ware Enterprises and Ware, directly and indirectly, have violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

Fraud in Violation of Section 17(a)(1) of the Securities Act

36. The Commission repeats and realleges Paragraphs 1 through 31 of this Complaint as if fully set forth herein.

37. Since a date unknown but at least since early 2000 through the present as to Defendant Ware, and since April 2001 through the present as to Defendant Ware Enterprises, Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the

offer or sale of securities, have been knowingly, willfully or recklessly employing devices, schemes or artifices to defraud.

38. By reason of the foregoing, Defendants Ware Enterprises and Ware, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

Fraud in Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

39. The Commission repeats and realleges Paragraphs 1 through 31 of this Complaint as if fully set forth herein.

40. Since a date unknown but at least since early 2000 through the present as to Defendant Ware, and since April 2001 through the present as to Defendant Ware Enterprises, Defendants, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, have been knowingly, willfully or recklessly: (a) employing devices, schemes or 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 the light of the circumstances under which they were made, not misleading; and/or (c) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

41. By reason of the foregoing, Defendants Ware Enterprises and Ware, directly or indirectly, have 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, 17 C.F.R. § 240.10b-5.

COUNT IV

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

42. The Commission repeats and realleges Paragraphs 1 through 31 of its Complaint as if fully set forth herein.

43. Since a date unknown but at least since early 2000 through the present as to Defendant Ware, and since April 2001 through the present as to Defendant Ware Enterprises, Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, have been: (a) obtaining money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (b) engaging in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

44. By reason of the foregoing, Defendants Ware Enterprises and Ware, directly and indirectly, have 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 V

**Fraud in Violation of Sections 206(1) and 206(2)
of the Investment Advisers Act of 1940**

(As Against Defendant Ware Only)

45. The Commission repeats and realleges Paragraphs 1 through 31 of this Complaint as if fully set forth herein.

46. Since a date unknown but at least since early 2000 through the present, Defendant Ware, by use of the mails, and the means and instrumentality of interstate commerce, directly or indirectly, has knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud his clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon his clients or prospective clients.

47. By reason of the foregoing, Defendant Ware, has violated, and unless enjoined, will continue to violate Sections 206(1) and 206(2) of the Investment Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I. Declaratory Relief

Declare, determine and find that Defendants Ware Enterprises and Ware committed the violations of the federal securities laws alleged in this Complaint.

II. Temporary Restraining Order, Preliminary and Permanent Injunctive Relief

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining Defendants Ware Enterprises and Ware, their officers,

agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (a) Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); (b) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); (c) 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; (d) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3); and (e) as to Defendant Ware, Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

III. Disgorgement

Issue an Order requiring Defendants Ware Enterprises and Ware to disgorge all ill-gotten profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

IV. Penalties

Issue an Order directing Defendants Ware Enterprises and Ware to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3) and, as to Defendant Ware, pursuant to Section 209(e) of the Advisers Act, 15 U.S.C. §§ 80b-9.

V. Asset Freeze and Accounting

Issue an Order freezing the assets of Defendants Ware Enterprises and Ware until further Order of the Court, and requiring sworn accountings from each of them from each Defendant.

VI. Appointment of Receiver

Issue an Order appointing a Receiver over the assets of Ware Enterprises, to marshal and safeguard all of said assets, to perform any other duties the Court deems appropriate, and to prepare a report to the Court and the Commission detailing the activities of Ware Enterprises, and the whereabouts of investor funds.

VII. Records Preservation and Expedited Discovery

Issue an Order requiring Defendants Ware Enterprises and Ware to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

VIII. Repatriation of Investor Proceeds

Issue an Order requiring Defendants Ware Enterprises and Ware to take such steps as are necessary to repatriate to the territory of the United States all funds and assets of investors described in the Commission's Complaint in this action which are held by them or are under their direct or indirect control, jointly or singly, and deposit such funds into the registry of the United States District Court for the Middle District of Florida, and provide the Commission and the Court a written description of the funds and assets so repatriated.

IX. Further Relief

Grant such other and further relief as may be necessary and appropriate.

X. Retention of Jurisdiction

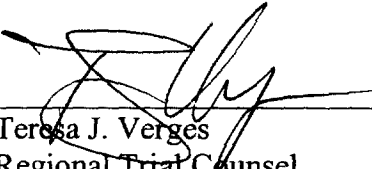
Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may

hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: January 27, 2004

Respectfully submitted,

By:


Teresa J. Verges
Regional Trial Counsel
Florida Bar No. 0997651
Direct Dial: (305) 982-6384
vergest@sec.gov

Scott A. Masel
Senior Trial Counsel
Florida Bar No. 0007110
Direct Dial: (305) 982-6398
masels@sec.gov

Chih-Pin Lu
Senior Counsel
Florida Bar No. 0983322
Direct Dial: (305) 982-6340
luc@sec.gov

Attorneys for Plaintiff
SECURITIES AND EXCHANGE
COMMISSION
801 Brickell Avenue, Suit 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 563-4154