

BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of
LAWTON COONTS,

PETITION FOR ORDER

Respondent.

File No. S-01222(EX)

The staff of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. Upon information and belief, CostaGold.com ("CostaGold") is a foreign business entity with a last known business address of PO Box 524, Kennedy Avenue, Roseau, Commonwealth of Dominica, West Indies 00109-8000;
2. Upon information and belief, Lawton Coonts ("Coonts") is an individual who at all times material hereto has been a controlling person of CostaGold with a last known residence address at 21615 Mary Lynn Drive, Brookfield, Wisconsin 53045;
3. Upon information and belief, during the period of 2000 and 2001, CostaGold offered and sold to at least one person investment interests in which the investor was to receive repayment of principal and payment of interest at the net rate of 200% in seven days;
4. According to the website of Costagold on the Internet, "Players (investors) play the game by spending e-gold into the CostaGold e-gold account to purchase game units. Each unit is considered a game play. ... CostaGold uses these game plays to participate in real capital ventures and gives back some of the profits to the members. Players are currently limited to playing 50 game units each play day. Each unit is **priced at \$25** and cycles for 7 days. **At the end of 7 days (on the 8th day) your original game play is doubled less a \$5 admin fee per unit of the spend.**";
5. Upon information and belief, investors can play a passive role in CostaGold with no duties and responsibilities;
6. Upon information and belief, each investor will not be involved in the day-to-day management of CostaGold, since there are too many investors for them to each have any meaningful input, they are not allowed to be involved in management, and they do not have the expertise or experience necessary to perform management duties;
7. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "units" offered and sold by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.;
8. The CostaGold investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

