

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

DENNIS F. WRIGHT,

Defendant.

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: **Civil Action No.**
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: **Electronically Filed**
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COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. For more than a decade, Defendant Dennis F. Wright (“Wright”), a stockbroker and insurance salesman entrusted with handling his customers’ retirement funds, lied to and stole over \$1.5 million from at least 28 customers. Wright targeted his childhood friends and/or members of his community, unsophisticated and inexperienced investors who trusted Wright to honestly represent their financial interests.

2. From at least February 1998 until June 2012, Wright, a registered representative formerly associated with AXA Advisors, LLC (“AXA”), a broker-

dealer and investment advisor registered with the Commission, engaged in a scheme to defraud his customers by inducing them to withdraw funds from their existing AXA variable annuity accounts with the false promise to invest those funds in an AXA “managed account” that purportedly invested in mutual funds and yielded higher returns than their AXA variable annuities.

3. In fact, the alleged AXA managed account was a fiction, created by Wright to lure customers into transferring funds in a manner that would allow Wright to steal their savings.

4. Wright never invested his customers’ money as promised. Instead, he deposited their funds in a bank account that he controlled, under the name Wright Associates, and he used those funds to pay his personal expenses as well as to pay other customers he owed money.

5. Wright concealed his fraud and induced some customers to invest additional funds by using a variety of misrepresentations and deceptive practices. For instance, Wright assured his customers that their funds were secure and invested as promised by providing falsified AXA account statements reflecting non-existent AXA managed accounts with appreciated account values that purportedly held mutual fund shares, and by using his Wright Associates bank account to pay customers who demanded withdrawals.

6. By knowingly or recklessly engaging in the conduct described in this complaint, Defendant Wright violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §§ 78u(d)] to enjoin such acts, transactions, practices and courses of business and to obtain disgorgement, and such other and further relief as the Court may deem just and appropriate.

8. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

9. Venue in this district is proper 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]. Among other things, certain of the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the Middle District of Pennsylvania. In addition, Defendant Wright resides within the Middle District of Pennsylvania.

DEFENDANT

10. **Dennis F. Wright**, age 68, resides in Lewistown, Pennsylvania.

Wright was a registered representative associated with AXA from approximately 1983 through June 14, 2012 when he was terminated by AXA. During the relevant time, Wright held Series 6 and 63 securities licenses. In or about February 1989, Wright created Wright Associates, and was its sole proprietor. Wright deposited all misappropriated customer funds in a Wright Associates bank account that he controlled.

FACTS

11. In a scheme that would ensnare no less than 28 of his customers, over a period of years Wright lied to his customers to induce them to transfer funds in a manner that would allow him to control and thereby steal his customers' funds.

12. By falsely promising his customers increased returns through an AXA "managed account" that purportedly invested in mutual funds, Wright betrayed their trust in him, and thereby induced them to transfer funds from existing investments, such as AXA annuities, or other sources, into the purported managed account.

13. In fact, there was no managed account, it was a fiction created by Wright to lure customers into giving him access to their funds, which thereby allowed him to steal the funds for his personal use.

14. To conceal the fraud from his customers, and to cause them in some cases to make additional investments into the fraudulent managed account, Wright engaged in an elaborate scheme of concealment, sending many customers forged account statements that falsely represented ownership of non-existent managed accounts with purportedly appreciating account values.

15. The following are examples of Wright's fraud:

Wright's Misappropriation of Funds from Customer A

16. Between January 2006 and June 2012, Wright misappropriated approximately \$92,734.62 from Customer A, a retired United Parcel Service employee residing in Pennsylvania.

17. Customer A told Wright that he wanted a safe investment with the ability to withdraw a monthly income. Customer A initially invested \$270,000 through Wright in an AXA variable annuity.

18. On January 23, 2006, Wright instructed Customer A to write a check to Wright Associates for \$33,134.62, for investment in the previously purchased AXA annuity. However, Wright never invested the funds in the AXA annuity as expected by Customer A. Instead, Wright deposited the check in the Wright Associates bank account and misappropriated the funds.

19. In August 2007, Wright recommended that Customer A shift his money from the AXA annuity into a purported AXA managed account. Acting

upon Wright's advice, in August 2007 and September 2010, Customer A withdrew a total of \$50,000 from his AXA annuity, and signed over the AXA checks to Wright Associates for investment in the purported AXA managed account. Wright never invested the funds in the AXA managed account but rather deposited the money in the Wright Associates bank account and stole the funds.

20. After these two alleged investments, Wright provided Customer A with an altered AXA document containing the AXA logo, entitled *Contract Information Report* ("report"). This document falsely showed that Customer A established an AXA managed account in July 2001, and that the account held shares of a mutual fund with an appreciated account value of \$71,069. Wright had whited out, among other things, the existing market value, quantity of shares and the total account value and substituted fabricated values.

21. In May 2011, Customer A received a Social Security disability payment and Wright again advised Customer A to invest this payment in the fictitious AXA managed account and claimed it was an "exclusive" opportunity. Customer A wrote a check for \$25,000 from his personal checking account to Wright for investment in the fictitious AXA managed account. Wright never invested the funds in an account for the benefit of Customer A and instead misappropriated the money.

22. On or about March 3, 2012, Wright sent Customer A a hand-written letter in which he further reassured Customer A by stating “even with your Payments And the dip we had in The market we are almost back to wHere we started [sic].” Wright supported this misrepresentation by providing Customer A with an altered report falsely representing that Customer A owned an AXA managed account that held shares of a mutual fund valued at \$113,672 as of March 1, 2012. In fact, Wright had stolen \$92,734.62 of principal that Customer A was led to believe had been invested in the purported AXA managed account. Because there was no appreciation on those funds, the remaining balance of Customer A’s investment in the fictitious AXA managed account was zero.

Wright’s Misappropriation of Funds from Customer B

23. Between 2006 and June 2012, Wright misappropriated approximately \$20,875 from Customer B, an inexperienced investor and retired security service employee residing in South Carolina.

24. Wright recommended conservative investments and Customer B opened two AXA variable annuity accounts in 2006.

25. Shortly after Customer B opened the AXA annuity accounts, Wright recommended that Customer B invest in fictitious AXA managed accounts. Based on that recommendation, Customer B liquidated certain matured bonds and gave Wright two cashier’s checks in the amounts of \$10,363 and \$11,820 to invest in

the fictitious AXA managed accounts. Wright deposited both cashier's checks directly into his Wright Associates bank account and misappropriated the funds.

26. Wright created and provided Customer B with a false and misleading report for the fictitious AXA managed accounts, which falsely showed that Customer B's money was invested in a mutual fund valued at \$11,875 as of July 26, 2006. At year-end, Wright created and sent Customer B another false and misleading report for the fictitious AXA managed accounts falsely representing an appreciated balance of \$23,461.

27. In November 2007, Wright offered Customer B the opportunity to invest in another purported AXA managed account. Wright told Customer B that this managed account was a more aggressive investment opportunity and would be actively managed by AXA. Trusting Wright, on November 13, 2007, Customer B withdrew \$25,000 from one of his AXA variable annuity accounts opened in 2006, and signed over the AXA check to Wright Associates for investment in the purported AXA managed account. Wright never invested the funds in the AXA managed account but rather deposited the money in the Wright Associates bank account and stole the funds.

28. On or about December 14, 2007, Wright sent Customer B a handwritten note stating, "Here is an update on the 25,000 we just moved into a managed acct[.][sic]" and provided a false and misleading report reflecting

holdings in mutual fund shares with a balance of \$27,912 as of December 13, 2007.

29. Wright concealed his fraud, in part, by creating and sending Customer B at least three more false reports showing appreciating account values of Customer B's purported investment in the fictitious AXA managed accounts. Wright stole \$20,875 of principal that Customer B was led to believe had been invested in the purported AXA managed accounts. Because there was no appreciation on those funds, the remaining balance of Customer B's investment in the fictitious AXA managed accounts was zero.

Wright's Misappropriation of Funds from Customer C

30. Between 2010 and June 2012, Wright misappropriated approximately \$62,000 from Customer C, an inexperienced investor residing in Pennsylvania, who had previously invested her retirement funds in an AXA variable annuity account.

31. In January 2010, Wright proposed that Customer C invest a portion of her money into a managed account that purportedly was held at AXA, yielded a higher rate of return, and invested in mutual funds. Wright also told Customer C that there were no limitations regarding withdrawals.

32. Based on Wright's recommendation, Customer C made two withdrawals totaling \$10,000 from her savings account and made the checks

payable to Wright Associates for investment in the purported AXA managed account. Wright did not invest the funds as promised, but instead deposited the money in the Wright Associates bank account and stole the money.

33. Between November 2011 and December 2011, Customer C withdrew a total of \$52,000 from her AXA annuity and her savings account for Wright to invest in the fictitious AXA managed account. As before, Wright deposited the funds in the Wright Associates bank account and misappropriated the money.

34. On or about April 6, 2012, Wright created and provided Customer C with an altered report falsely representing that Customer C's AXA managed account held shares of a mutual fund valued at \$73,096.32. Wright stole the \$62,000 of principal that Customer C was led to believe had been invested in the purported AXA managed account. Because there was no appreciation on those funds, the remaining balance of Customer C's investment in the fictitious AXA managed account was zero.

Wright's Misappropriation of Funds from Customer D

35. Between March 2009 and June 2012, Wright misappropriated approximately \$100,000 from Customer D, an inexperienced investor residing in Pennsylvania.

36. In March of 2009, Wright recommended that Customer D open a “money managed” account with AXA that would invest in mutual funds, yield 8% to 12% per year, and allow easy withdrawals.

37. In March and July 2009, Customer D gave Wright Associates two personal checks in the amounts of \$43,000 and \$65,000 to invest in the fictitious money managed account. Wright never invested the funds in an AXA money managed account but rather deposited the money in the Wright Associates bank account and stole the funds.

38. As with other customers, Wright continued to perpetuate the fraud by sending Customer D false and misleading reports. For example, on or about July 24, 2009, Wright created and provided Customer D with a fabricated report and a handwritten note falsely stating that the fictitious AXA money managed account held shares of a mutual fund with a balance of approximately \$112,365. From July 2009 through at least December 2011, Wright created and provided Customer D with at least twelve fictitious reports for the fraudulent AXA money managed account that showed appreciating account values. In fact, Wright stole \$100,000 of principal that Customer D was led to believe had been invested in the purported AXA money account. Because there was no appreciation on those funds, the remaining balance of Customer D’s investment in the fictitious AXA money managed account was zero.

Wright's Fraud Is Discovered

39. AXA became aware of Wright's fraud in June 2012 and terminated his employment. Thereafter, AXA repaid Wright's customers their principal that was invested with and misappropriated by Wright.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act

40. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 39, inclusive, as if they were fully set forth herein.

41. By engaging in the conduct described above, Defendant Wright, knowingly or recklessly, in the offer or sale of securities, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails:

- a. employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of an untrue statement of a material fact or an omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

42. By engaging in the foregoing conduct, Defendant Wright violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

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

43. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 42, inclusive, as if they were fully set forth herein.

44. By engaging in the conduct described above, Defendant Wright, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of any means or instrumentalities of interstate commerce, or of the mails, or 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 light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

45. By engaging in the foregoing conduct, Defendant Wright 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] thereunder.

PRAYER FOR RELIEF

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

I.

Permanently restraining and enjoining Wright and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], 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;

II.

Ordering Wright to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint.

III.

Ordering Defendant to pay civil penalties 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)];

IV.

Granting such other and further relief as this Court may deem just and appropriate; and

V.

Retaining jurisdiction of this action for purposes of enforcing any Final Judgment and Order.

Respectfully submitted,

Dated: September 30, 2014.

s/ Kingdon Kase

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