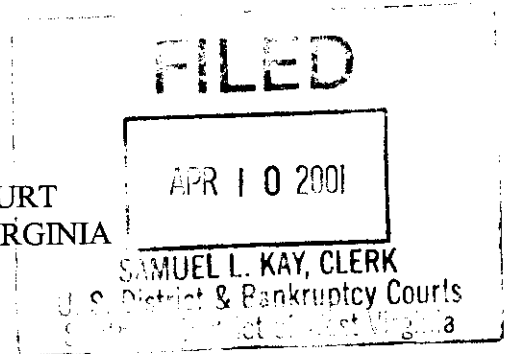


UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF WEST VIRGINIA  
BLUEFIELD DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MELISSA K. QUIZENBEURY,

Defendant.

Civil Action No. 1:01-303

Plaintiff Securities and Exchange Commission ("SEC") alleges:

1. This insider trading case arises from the sale of common stock of the First National Bank of Keystone ("Keystone Bank") by Melissa Quizenbeury, a Keystone Executive Vice President and member of the Board of Directors, at the same time that she possessed material, nonpublic information concerning the adverse financial condition of, and improper activities being conducted at, Keystone Bank. By selling her Keystone bank stock, the Defendant avoided losses of over \$400,000.

2. The SEC seeks an injunction against future violations and civil monetary penalties pursuant to Section 20(b) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b)] and

Sections 21(d)(1), 21(e) and 21A of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1), (e) and § 78u-1].

### **JURISDICTION AND VENUE**

3. This Court has jurisdiction pursuant to Section 22(a) of the Securities Act [15 U.S.C. §§ 77v(a)] and Sections 21(d)(1), 21(e), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1) and (e), 78u-1 and 78aa]. Defendant directly or indirectly used the means or instrumentalities of interstate commerce or the mails, or the facilities of a national securities exchange, in connection with her illegal conduct.

4. Venue is proper because defendant placed her orders for the securities transactions at issue in this judicial district.

### **DEFENDANT**

5. Defendant Melissa K. Quizenbeury, age 39, began working at Keystone Bank full-time in 1985. In 1993, she was promoted to Vice-President and in 1997, to Executive Vice-President. In December 1997, she was appointed to the Board of Directors of Keystone Bank. At all times relevant to this Complaint, Quizenbeury was an officer of Keystone Bank.

### **OTHER RELEVANT ENTITY**

6. Keystone Bank, located in Keystone, West Virginia, was a nationally chartered, commercial bank, the deposits of which were insured by the Federal Deposit Insurance Corporation (“FDIC”). Keystone Bank operated two branch offices in West Virginia. Its stock was listed on the NASD’s Over the Counter Bulletin Board (“OTCBB”). Pursuant to Section 12(i) of the Exchange Act, the Office of the Comptroller of the Currency (“OCC”) was responsible for administering and

enforcing Keystone Bank's Exchange Act registration and reporting obligations.

7. On September 1, 1999, the OCC declared Keystone Bank to be insolvent, and appointed the FDIC as receiver for the bank pursuant to 12 U.S.C. § 1821(c). The insolvency determination followed the OCC's discovery that the assets of Keystone Bank had been overstated by as much as \$515 million.

**CLAIM FOR RELIEF  
(Violations of Securities Act Section 17(a) and  
Exchange Act Section 10(b) and Rule 10b-5)**

8. Plaintiff SEC repeats and realleges Paragraphs 1 through 7 above.

9. Beginning in at least September 1998, defendant Quizenbeury and other Keystone Bank employees engaged in various acts intended to conceal the true financial condition of Keystone Bank from its Board of Directors, its shareholders, and the public.

***Quizenbeury Knew That Keystone Bank  
Accepted Brokered Deposits In Violation  
Of A Directive From The OCC***

10. By 1998, Quizenbeury knew that Keystone Bank took in brokered deposits to pay maturing certificates of deposits that the bank had previously issued to its customers. Brokered deposits are deposits obtained by banks for which the banks pay a fee. Quizenbeury also knew that by 1998 brokered deposits had become an important source of funds for Keystone Bank because other avenues of funding, such as Federal Home Loan Bank loans, were no longer available.

11. By letter dated June 29, 1998, the OCC notified the bank's Board of Directors that based on the bank's March 31, 1998 balance sheet and resulting capital ratios, the bank was deemed

to be undercapitalized. The letter explained that pursuant to 12 U.S.C. § 1831o, Keystone Bank was prohibited from accepting, renewing, or rolling over brokered deposits. The bank debated its capitalization status with the OCC until November 1998, when the bank acknowledged that it was prohibited from accepting brokered deposits.

12. As a member of the bank's Board of Directors, Quizenbeury read the correspondence between the bank and OCC regarding the brokered deposit restrictions. By December 1998, Quizenbeury understood that the bank was prohibited from accepting brokered deposits.

13. Contrary to the directive from the OCC, Keystone Bank accepted the following brokered deposits after December 1998:

<b>Date of brokered deposit</b>	<b>Amount of brokered deposit</b>
1/19/1999	\$7,500,000
3/8/1999	\$1,000,000
3/12/1999	\$2,099,000
3/17/1999	\$5,000,000
<b>Total</b>	<b>\$15,599,000.00</b>

14. By April 1999, Quizenbeury knew that Keystone Bank had accepted some or all of these brokered deposits in violation of the directive from the OCC. She further understood that if Keystone Bank had not accepted such brokered deposits the bank quickly would have been forced to close because it would not have had sufficient funds to repay maturing certificates of deposit.

15. At an April 19, 1999 meeting of the Executive Committee of the bank's Board of Directors, Quizenbeury reported that she had analyzed the bank's certificate of deposit balances back to December 31, 1998 to ensure that Keystone Bank was complying with the OCC's brokered

deposit restriction. Quizenbeury falsely reported to the Committee that the bank had not accepted, and was not accepting, brokered deposits. At the time that Quizenbeury made that statement to the Committee, she knew it was false.

***Quizenbeury Knew That The Books And Records  
Of Keystone Bank Were Being Falsified***

16. Keystone Bank was required to file quarterly Consolidated Reports of Condition and Income (Call Reports) with the OCC.

17. By at least 1998, Quizenbeury knew that the Call Reports that Keystone Bank filed were false because, among other things, Quizenbeury knew that loans made by Keystone Bank to Senior Vice President Terry Church ("Church") and entities or persons connected to her had been improperly removed from the bank's books and records without any basis. In effect, the loans had been cancelled prior to repayment without any reason.

18. Prior to 1998, Quizenbeury also knew that Terry Church falsified other documents. For example, Church changed the bank's books and records to record loans as "current" when in reality the borrowers were behind in their payments.

***Quizenbeury Received Approximately \$100,000  
In Cash From Church To Induce Her Not To  
Reveal The True Financial Condition Of The Bank***

19. From 1992 onwards, Quizenbeury received from Church a series of cash payments totaling approximately \$100,000. Quizenbeury knew that these payments were given to her, in part, to keep her silent about the true financial condition of the bank and about the improper activities that occurred at the bank.

***Quizenbeury Sold Her Keystone Bank Stock  
While In Possession Of Adverse Material  
Nonpublic Information About Keystone Bank***

20. By June 1999, Quizenbeury had decided to sell her Keystone stock. Based on the adverse material nonpublic information that she had about Keystone Bank, Quizenbeury knew that her stock had become essentially worthless. On June 10, 1999, defendant Quizenbeury directed United National Bank to transfer 2,000 Keystone Bank shares to E. E. Powell & Company, Inc., a securities brokerage firm, for the purpose of offering her Keystone Bank for sale to the general public.

21. On June 16, 1999, pursuant to Quizenbeury's instructions, 1,850 shares were sold at a price of \$220.00 per share for a total of \$407,000.

22. On July 6, 1999, pursuant to Quizenbeury's instructions, the remaining 150 shares of her Keystone Bank stock held by E. E. Powell & Company, Inc. were sold for \$220.00 per share for a total of \$33,000. In all, Quizenbeury avoided losses of \$440,000.

***Quizenbeury Violated Her Fiduciary Duties***

23. As a Keystone Bank officer and director, Quizenbeury owed a fiduciary duty to Keystone Bank and its shareholders. As a result, Quizenbeury had a duty not to trade while in possession of the material nonpublic information she obtained concerning the adverse financial condition of Keystone Bank and to safeguard the confidentiality of that information and not misuse it.

24. In breach of these duties, and for her personal benefit, Quizenbeury traded and caused to be traded Keystone Bank stock.

25. By reason of the foregoing, defendant Quizenbeury, directly and indirectly, violated Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)] and 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].

**PRAYER FOR RELIEF**

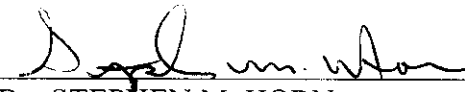
Plaintiff Securities and Exchange Commission requests judgment:

- (i) permanently enjoining defendant Melissa Quizenbeury from violating Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)] and 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 and 240.14e-3];
- (ii) ordering defendant Melissa Quizenbeury to pay civil monetary penalties under Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and
- (iii) granting such other relief as the Court may deem just and appropriate.

Dated: April 10, 2001  
Washington, D.C.

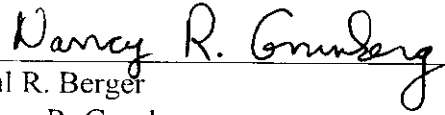
Respectfully submitted,

REBECCA A. BETTS  
United States Attorney



By: STEPHEN M. HORN  
Assistant United States Attorney

SECURITIES AND EXCHANGE COMMISSION

A handwritten signature in cursive script that reads "Nancy R. Grunberg". The signature is written in black ink and is positioned above a horizontal line.

Paul R. Berger

Nancy R. Grunberg

Richard W. Grime

Kenneth R. Cunningham

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