

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF LOUISIANA

FILED
U.S. DIST. COURT
MIDDLE DIST. OF LA

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SECURITIES AND EXCHANGE COMMISSION,)
)
 Plaintiff,)
)
 versus)
)
 HARRAL DUNBAR, JR., Individually)
 and d/b/a GHOST INTERNATIONAL,)
)
 Defendants.)
)

CIVIL ACTION
BY DEPUTY CLERK

CASE NO. 02-233-B-M1

SECTION :

MAGISTRATE

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff, Securities and Exchange Commission ("Commission"), files this complaint and alleges the following:

OVERVIEW OF DEFENDANT'S SCHEME

1. Plaintiff brings this action to enjoin violations of the federal securities laws by, and to obtain relief from Harral Dunbar, Jr. ("Dunbar") individually and d/b/a Ghost International ("Ghost"), an Internet company.

2. This matter involves violations of the registration and antifraud provisions of the federal securities laws in a securities offering and sales made via the Internet by Ghost and its manager, Dunbar of Baton Rouge, Louisiana.

3. According to Ghost's Website, the company is a "private contribution and investment program."

INITIALS	DOCKET#
NML	1

FJP / PS, Removal

4. The site states that investors "will be placed on a 1 x 10 forced generation network," will "be paid on spillovers" and, after joining Ghost, will enter into an "offshore investment program (stocks, CDs, etc.)."

5. Dunbar through Ghost seeks several different levels of investors, promising a \$100,000 return on a \$200 investment and a \$6,005,00 [sic] return on a \$20,000 investment over an unspecified period of time.

6. In e-mails, Dunbar represented to some investors that these profits would be realized within six weeks.

7. The Website further stated that investors could "make up to \$8,5000,000 [sic] with this program."

8. The site also asserts "Ghost International will create more *Millionaires* in the next few months than other companies will create in a lifetime."

9. Dunbar and his company Ghost have refused to produce documents or testify and the Commission is therefore, not certain of the total number of investors or the amount of monies raised.

10. The Commission is aware of at least eleven investors who have invested \$7,750. However, given the widespread solicitation over the Internet, the number of investors and the amount invested could be considerably larger.

11. At a minimum, American, Australian and Canadian investors have sent money to Dunbar.

12. Dunbar, through the Ghost Website, has misrepresented various material facts in connection with this offering, including promises of inordinate amounts of guaranteed returns and promises of no-risk investing. Investments providing the promised returns at no risk do not exist.

13. Investors have received no return on their investments after several months of promises made by Dunbar.

14. Dunbar did not file a registration statement with the Commission in connection with any Ghost securities prior to soliciting investors.

15. The misconduct of the defendant is ongoing. Dunbar has continued to solicit investors in Ghost despite the issuance of cease-and-desist orders against him and his company by the Louisiana Securities Commission on August 20, 2001.

16. Defendant Dunbar, by virtue of his conduct, directly or indirectly, has engaged in and, unless enjoined, will engage in violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act"), and Section

10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder.

17. A temporary restraining order, preliminary and permanent injunctions, disgorgement together with prejudgment interest, civil penalties, a freeze of assets, and an accounting against Dunbar based on these violations is appropriate based upon the known facts of this case, and is sought herein by the Commission.

JURISDICTION AND VENUE

18. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)] to enjoin the Defendant from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for disgorgement of illegally obtained funds and other equitable relief, and for civil money penalties.

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

20. The Defendant, directly and indirectly, has made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

21. Venue lies in this Court 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] because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and Exchange Act have occurred within the Middle District of Louisiana. Among other things, Dunbar resides within, and Ghost is believed to maintain its office and principal place of business within the Middle District of Louisiana. Furthermore, investors have been solicited to purchase securities by activities that have occurred within the Middle District of Louisiana, and have purchased investments and purported investments through Dunbar and Ghost, as set forth in this Complaint.

THE DEFENDANT

22. Harral Dunbar, Jr., manages Ghost and resides in Baton Rouge, Louisiana. Dunbar has failed to respond to the Commission's request for documents and testimony. Upon

information and belief, Dunbar is operating Ghost from his residence. Ghost claims to be a private investment program with its principal place of business in Baton Rouge, Louisiana. The company is not incorporated in the State of Louisiana. No registration statement has been filed or is in effect with the Commission with respect to any class of securities issued by Ghost, and Ghost has not registered with the Commission in any other capacity. No exemption from registration has been claimed.

FACTS

A. The Ghost International Scheme

23. Dunbar operates an Internet Website which is accessible to the public in the United States and internationally. Through his Ghost Website, Dunbar states that it is a private contribution and investment program and that investors will be "placed on a 1 x 10 forced generation network."

24. The site further states that investors will be "paid on spillovers" and, after joining Ghost, will enter into an "offshore investment program (stocks, CDs, etc.)."

25. The site solicits investors by promising a \$100,000 return on a \$200 investment and a \$6,005,00 [sic] return on a \$20,000 investment over an unspecified time period.

26. The site further states that investors could "make up to \$8,5000,000 [sic] with this program."

27. The site projects that the company will create more *Millionaires* in the next few months than other companies will create in a lifetime.

28. All investments are represented as risk-free and guaranteed, and the site claims that "[w]e do all the work for you!!"

29. Investors who expressed interest in Ghost's program were instructed to respond by e-mail.

30. They then received messages from Dunbar, who answered additional questions and instructed them on how to make investments by mailing or wiring funds to Ghost's office, which appears to be located in his home.

31. In e-mails to various investors, Dunbar stated that investment in Ghost came with a risk-free, 100 percent money back guarantee.

32. Specifically, Dunbar promised investors that they would begin to receive payments within 33 days or Ghost would refund their money at their request.

33. Dunbar also told one potential investor that she "must not disclose any information about this program."

34. Ghost's purported trading programs do not exist.

35. Ghost, by and through its manager Dunbar, gave several unclear explanations as to how the company's investment programs operated.

36. When asked for detailed information on the investment programs by investors, Dunbar gave the investors vague responses by simply replying that the company dealt in high-yield investments.

37. In e-mail correspondence sent to one investor, Dunbar stated that investments would be protected by a bank guarantee, so there would be no risks involved.

38. Further, Dunbar asserted "funds will be placed in an offshore bank account at all times. The program term is for 7 months and pays for 5 months."

39. Dunbar instructed one individual to "invest a minimum of \$200; these funds will be placed into an offshore investment program; within 48 hours, \$30,000 will be placed with the investor's funds; these funds will generate over \$140,000 in 16 to 20 weeks. That's over a 1,000% return quickly!"

40. In another statement, Dunbar told investors "our program will allow you to earn in excess of \$30,000 per month, simply by investing with this program."

41. Dunbar verbally led other investors to expect an exorbitant return, as much as 1,000 percent, return within 16 to 20 weeks of their initial investment.

42. Dunbar knew at all times that such returns were impossible and had no reason to believe that the purported investments would provide such returns.

43. Dunbar told another investor that Dunbar would retain \$50,000 on a \$150,000 return as compensation.

44. All investors interviewed by the Commission thus far have stated that they have received no payments from Ghost or Dunbar.

45. Dunbar has continued to lull investors, making unkept promises that payments would be made next week, in two weeks, in a month and in 33 days.

46. Dunbar provided false Western Union tracking numbers for supposed forthcoming payments.

47. On August 20, 2001, the Louisiana Securities Commission issued cease-and-desist orders against Dunbar and Ghost after they ignored requests for documents and testimony.

48. The Louisiana Securities Commission has ordered Ghost and Dunbar to cease and desist from "any activities which are in violation of the Louisiana Securities Act

including but not limited to, the sale or offer for sale of unregistered securities.”

49. The Commission has learned that Dunbar through Ghost continued to solicit investors subsequent to the issuance of the cease-and-desist orders.

50. Because Dunbar has failed to produce Ghost company documents, the Commission is not fully aware of the total number of investors and the exact amount of funds they have invested with Ghost, through the efforts of Dunbar and/or others.

51. At least eleven investors have invested \$7,750 as of the date of the filing of this Complaint. Two of the investors are in Australia, one is situated in Canada and the others are in the United States.

B. Misrepresentations and Omissions of Material Facts to Investors

52. Dunbar, through the Ghost Website, made various misrepresentations and omissions of material facts to investors about the Ghost scheme.

53. Dunbar misrepresented investment risks by falsely stating, on the Internet and directly to investors, that investments made by the company were bank guaranteed, when in fact no such guarantee existed.

54. Dunbar also misrepresented to investors that Ghost's product was 100 percent guaranteed and Dunbar guaranteed or minimized the risk of their investment.

55. Dunbar failed to disclose that Ghost had never earned significant returns and that he had no reasonable basis for Ghost's profit projections, such as a projection of a 1,000 percent return after a 16-20 week waiting period. Trading programs with the returns and lack of risk claimed by Dunbar do not exist.

56. The failure of Dunbar or Ghost to pay the promised returns is evidence of the misrepresentation of the risks of this investment and the lack of a reasonable basis for the projected profit claims.

57. Dunbar also told investors that he would refund their initial investment. However, when investors requested refunds, Dunbar made untrue representations that the refunds had been forwarded. In reality, few if any refunds have been received by investors.

58. Additionally, Dunbar has failed to disclose, on the Ghost Website or elsewhere, that he and Ghost are subject to cease-and-desist orders issued by the Louisiana Securities Commission. The investments offered by Dunbar are securities.

COUNT I--FRAUD
Violations of Section 17(a)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]

59. Paragraphs 1 through 58 are hereby realleged and are incorporated herein by reference.

60. From at least mid 2001 through the present, Defendant Dunbar, in the offer or sale of securities, directly or indirectly, employed devices, schemes, or artifices to defraud purchasers of such securities, all as more particularly described above.

61. Defendant Dunbar knowingly, intentionally and/or with severe recklessness engaged in the aforementioned devices, schemes and artifices to defraud.

62. While engaging in the courses of conduct described above, Defendant Dunbar, directly or indirectly, made use of the mails, or the means or instruments of transportation or communication in interstate commerce.

63. By reason of the foregoing, Defendant Dunbar violated, and, unless restrained and enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD
Violations of Sections 17(a)(2) and 17(a)(3) of the
Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

64. Paragraphs 1 through 58 are hereby realleged and are incorporated herein by reference.

65. From at least mid 2001 through the present, Defendant Dunbar, in the offer or sale of the securities described herein, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a) obtained money or property by means of untrue statements of material facts and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b) engaged in transactions, practices, or courses of business which would and did operate as a fraud or deceit upon the purchasers of securities, all as more particularly described above.

66. By reason of the foregoing, Defendant Dunbar violated, and, unless restrained and 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 (3)].

COUNT III--FRAUD
Violations of 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]

67. Paragraphs 1 through 58 are hereby realleged and are incorporated herein by reference.

68. From at least mid 2001 through the present, Defendant Dunbar, in connection with the purchase or sale of securities described herein, by use of the means and instrumentalities of interstate commerce and by use of the mails, directly or indirectly:

a) employed devices, schemes, or artifices to defraud;

b) made untrue statements of material facts and omitted 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

c) engaged in acts, practices, or courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities.

69. Defendant Dunbar knowingly, intentionally and/or with severe recklessness engaged in the aforementioned devices, schemes and artifices to defraud, make untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendant

acted with scienter, that is, with and intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

70. By reason of the foregoing, Dunbar violated, and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(a)(2)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT III
Violations of § 5(a) and 5(c) of the Securities Act
[15 U.S.C. § 77e(a) and 77e(c)]

71. Paragraphs 1-58 are hereby realleged and are incorporated herein by reference.

72. From in or about mid 2001 through the present, Defendant Dunbar, directly and indirectly has, and unless enjoined will continue to:

(a) make use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell the securities described herein, through the use or medium of any prospectus or otherwise;

(b) carry securities or cause such securities, as described herein, to be carried through the mails or in interstate commerce, by means or instruments of transportation, for the purpose of sale or for delivery after sale; and

(c) make use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell through the use or medium of any prospectus or otherwise the securities described herein,

without a registration statement having been filed or being in effect with the Commission; including but not limited to, the activities described in paragraphs 1-58 above.

PRAYER FOR RELIEF

WHEREFORE, the Plaintiff Commission, respectfully prays that the Court:

I.

Make findings that each defendant committed violations alleged herein.

II.

§ 17(a) of the Securities Act

Issue a temporary restraining order and preliminary and permanent injunctions restraining and enjoining defendant Dunbar, as well as his agents, servants, employees, attorneys and all persons in active concert or participation with him, who receive actual notice of the order of injunction, by personal service or otherwise, and each of them in the offer or sale of any securities by the use of any means or instruments of transportation or

communication in interstate commerce or by the use of the mails, from directly or indirectly:

(a) employing any device, scheme, or artifice to defraud;

(b) obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser of such securities.

III.

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

Issue a temporary restraining order and preliminary and permanent injunctions restraining and enjoining defendant Dunbar as well as his agents, servants, employees, attorneys, and all persons in active concert or participation with him, who receive actual notice of the order of injunction, by personal service or otherwise, and each of them in connection with the purchase or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, from directly or indirectly:

(a) employing any device, scheme or artifice to defraud;

(b) making any untrue statement of a material fact or omitting to state 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) engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person.

IV.

§ 5(a) and 5(c) of the Securities Act

Issue a temporary restraining order and preliminary and permanent injunctions restraining and enjoining defendant Dunbar, as well as their agents, servants, attorneys, and all persons in active concert or participation with him, who receive actual notice of the order of injunction, by personal service, facsimile or otherwise, and each of them, by use of the mails or any means or instrumentality of interstate commerce, from directly or indirectly:

(a) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, in the form of common stock or any other security, through the use or medium of

any prospectus or otherwise, unless and until a registration statement is in effect with the Commission as to such securities;

(b) carrying securities, or causing them 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, unless and until a registration statement is in effect with the Commission as to such securities;

(c) making use of any 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, any interest in securities, in the form of common stock or any other security;

unless a registration statement is in effect with the Commission as to such securities, or while a statement filed with the Commission as to such security is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under section 8 of the Securities Act. [15 U.S.C. 77h];

in violation of section 5 of the Securities Act. [15 U.S.C. 77e].

V.

Order Prohibiting Destruction of Documents

Issue an Order prohibiting defendant Dunbar, his agents, servants, employees, and those persons in active concert or participation with him who receive actual notice of the order by personal service, facsimile or otherwise, and each of them, from directly or indirectly, tampering with, mutilating, altering, erasing, concealing, removing, destroying or otherwise disposing of any and all books, records, documents, files, correspondence, computer tapes, computer disks, computer diskettes or any other data recordings or any type, however created, produced or stored, relating to, pertaining to or referring to the defendants, their officers, directors, employees and agents, or any financial transactions by the defendant or to which the defendant was a party.

VI.

Order Requiring Accounting, Freeze Of Assets And
Disgorgement Of Ill-Gotten Gains

Issue an Order requiring an accounting from the defendant of all funds received from the sale of securities described in this Complaint, an order freezing the assets of defendant Dunbar and an order for defendant Dunbar to disgorge all ill-gotten gains or unjust enrichment with

prejudgment interest, to effect the remedial purposes of the federal securities laws.

VII.

Civil Money Penalties

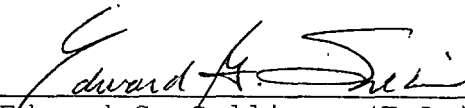
Issue an Order setting the amount of and requiring payment of civil penalties against defendant Dunbar pursuant to § 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and § 21(d)(3) of the Exchange Act.

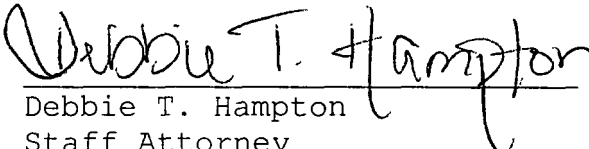
VIII.

Other Relief

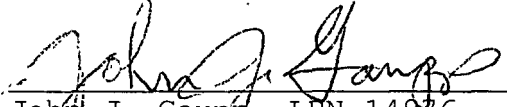
Issue findings of fact and conclusions of law in accordance with Rules 65 and 52 of the Federal Rules of Civil Procedure, along with such other and further relief as may be just, equitable and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors. Further, the Securities and Exchange Commission respectfully prays that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that are entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully Submitted,


Edward G. Sullivan (T.A.)
Senior Trial Counsel


Debbie T. Hampton
Staff Attorney

COUNSEL FOR PLAINTIFF
Securities and Exchange Commission
3475 Lenox Road, N.E. Suite 1000
Atlanta, Georgia 30326
(404) 842-7612


John J. Gaupp, LBN 14976
Assistant U.S. Attorney
777 Florida Street, Suite 208
Baton Rouge, LA 70801
(225) 389-0443
LOCAL COUNSEL for Securities
And Exchange Commission