

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff, : Civil Action No.

v.

**WILLIAM K. HARRISON, and
EDDIE W. SAWYERS,**

Defendants. :

COMPLAINT FOR INJUNCTIVE RELIEF

Plaintiff, Securities and Exchange Commission (the “Commission”), files its complaint and alleges that:

OVERVIEW

1. This case involves financial fraud perpetrated by Defendants William K. Harrison (“Harrison”) and Eddie W. Sawyers (“Sawyers”) (collectively “Defendants”)—both of whom were registered representatives of Wachovia Securities, LLC (“Wachovia”) North Carolina, a registered broker-dealer and registered investment adviser.

2. Between approximately December 2007 and October 2008, Harrison and Sawyers used misrepresentations and omissions of material fact to defraud at least forty-two Wachovia brokerage customers of at least \$8 million in customer funds.
3. On or around December 2007, Harrison and Sawyers, acting under the d/b/a “Harrison/Sawyers Financial Services,” began offering their Wachovia customers an investment opportunity that they misrepresented was guaranteed to make a 35% return, with no risk of loss of principal.
4. In some cases, Harrison and Sawyers told customers that their investment funds would be used for trading options. In those instances when customers were informed that their monies would be used for trading options, Harrison and Sawyers misrepresented the riskiness of their trading strategy by telling customers that they had a foolproof approach to trading options and that their principal investment was secure and would make handsome returns regardless of market volatility.
5. In each case, Harrison and Sawyers placed the client funds they obtained in brokerage accounts at optionsXpress, Inc. (“optionsXpress”), an Illinois-based broker-dealer that provides online trading services.

6. So as to not draw attention to their conduct, Harrison and Sawyers placed “limited trading authorizations” and other related documentation associated with their scheme in the name of Harrison’s wife.

7. Although the trading strategy that Harrison and Sawyers employed was initially successful, it soon resulted in substantial investor losses. By October 2008, they had depleted the vast majority of the money they had raised from investors.

8. On October 13, 2008, Harrison submitted to Wachovia a resignation letter in which he confessed to “misdirecting” \$6.6 million from seventeen of his Wachovia customers in order to trade online. He also admitted that he had conducted this online trading without first securing the authorization of the investors.

9. Sawyers resigned from Wachovia the next day.

VIOLATIONS

10. Defendants have engaged and, unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77 q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §

240.10b-5], and Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1), (2), & (4)] and Rule 206(4)-8, thereunder [17 C.F.R. § 275.206(4)-8].

JURISDICTION AND VENUE

11. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] and Sections 209 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14] to enjoin Defendants 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 civil penalties and for other equitable relief.

12. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa] and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

13. Defendants, directly and indirectly, made use of the mails, the means and instruments 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 and made use of the mails and means of instrumentality of interstate commerce to effect transactions, or to induce or to attempt to induce the purchase or sale of securities alleged in this complaint.

14. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act, the Exchange Act, and the Advisers Act occurred in the Western District of North Carolina. In addition, Wachovia, Defendants' employer at all relevant times, is based in the Western District of North Carolina.

15. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANTS

16. **Harrison**, 33, is a resident of Pilot Mountain, North Carolina. He was associated with Wachovia as a registered representative from 2003 until his resignation on October 13, 2008. While at Wachovia, Harrison held Series 7 and 63 licenses.

17. **Sawyers**, 45, is a resident of Mount Airy, North Carolina, and is related to Harrison through his wife. He was associated with Wachovia as a registered representative from January 2004 to October 14, 2008. While at Wachovia, Sawyers held Series 7, 63, and 66 licenses.

THE FRAUDULENT SCHEME

18. In December 2007, after several months of discussion and planning, Harrison and Sawyers began a business under the moniker of “Harrison/Sawyers Financial Services.” They began to solicit their Wachovia customers to invest through the new business venture. In connection with their oral solicitation of clients for their new business venture, Harrison and Sawyers made several misrepresentations.

19. First, Harrison and Sawyers orally pitched their new business venture to their Wachovia customers as a “sure thing” and a chance to make a 35% return without any risk of loss to underlying principal.

20. For example, during a meeting with a husband and wife who ended up investing, Sawyers emphasized the positive side of the options trading business and downplayed the risks involved. These individuals invested \$100,000 based on Sawyer’s representations. After these individuals invested, Sawyers

misrepresented that their investment had “maxed out” by achieving a 35% return. Ultimately, these individuals learned that there was only \$16,000 remaining in their account.

21. Second, Harrison and Sawyers misrepresented the risk of options trading by assuring customers that their options trading strategy not only promised high returns but also immunized customers from the possibility of principal reduction or outright loss occasioned by volatility of the market.

22. For example, Harrison orally represented to a second couple who eventually invested that Harrison would make them \$10,000 in six months if they invested \$100,000. Harrison also told this couple that the investment was a “sure thing” and that there was no way they could lose money or make less than \$10,000. In response to a specific question as to whether this couple’s money would be secure, Harrison responded in the affirmative.

23. Harrison solicited these individuals for this investment opportunity despite knowing that they had no knowledge of investing in stocks and bonds or any understanding of how to read financial account statements. Harrison also solicited these individuals for this investment opportunity despite knowing that their investment objective was to preserve the principal of their investment funds.

24. Additionally, on at least one occasion, Harrison failed to inform the investor that the funds would be used for options trading and that the account in which the funds would be placed permitted trading on margin. In that case, Harrison represented that investor moneys would be invested in stocks.

25. All of the brokerage customers Harrison and Sawyers solicited were unsophisticated investors who were largely invested in mutual funds or equities through their investment accounts or IRAs at Wachovia and had a conservative investment approach. A majority of them were also over 50 years of age, and a number were retired and living on fixed incomes.

26. Harrison and Sawyers set up online optionsXpress accounts for some clients in the clients' names, and pooled the remaining client funds in accounts set up in Harrison's wife's name, Deana, or in a joint account in the name of both Harrison and his wife. Harrison and Sawyers told at least some investors that their funds would be pooled with other investor funds in order to trade options.

27. In addition to setting up the optionsXpress accounts, Harrison and Sawyers instructed their clients on how to transfer funds from their existing Wachovia brokerage accounts to the new accounts, using either certified checks or by requesting transfers by wire or through the Automatic Clearing House. While

some clients had cash available in their Wachovia accounts to transfer, in some instances, clients were required first to liquidate existing equity positions in order to have the funds to transfer.

28. For those clients who had optionsXpress accounts set up in their names, Harrison and Sawyers obtained limited trading authorizations by presenting clients with limited trading authorization forms that were blank and requesting that the clients sign the forms as part of the initial paperwork process. After obtaining their client's signatures, Harrison and Sawyers then filled out each form, designating Deana Harrison as the client's agent and power of attorney with respect to the optionsXpress accounts.

29. Harrison and Sawyers also created individual user IDs and passwords for each client's account and used those IDs and passwords to log into the clients' optionsXpress accounts. Neither Harrison nor Sawyers shared these IDs and passwords with their clients. Once logged into the accounts, Harrison conducted trades and managed the clients' funds.

30. As a general matter, the optionsXpress accounts were set up so that the clients did not receive statements from optionsXpress.

31. Pursuant to a services agreement provided to at least some of Harrison and Sawyer's clients, Harrison/Sawyers Financial Services was to receive a percentage of profits as compensation for the management services it provided.

32. In July 2008, Harrison and Sawyers withdrew as compensation under this formula \$234,000 of funds from three client accounts. They split this amount equally, receiving \$117,000 each for their purported management services.

33. Harrison and Sawyers acted as investment advisers because they provided investment advice and management of investor funds in exchange for a fee.

34. Harrison and Sawyers began to lose large amounts of their clients' money by early fall 2008. A significant number of their clients' accounts were down 60-70% by mid-to-late September. Some of the clients learned of their losses when they began receiving margin calls; others were notified of their losses by representatives of Wachovia.

35. On October 13, 2008, Harrison submitted a written resignation to Wachovia. In his resignation letter, Harrison confessed his wrongdoing, stating that he "misdirected" \$6.6 million of his clients' money. He admitted that he put the funds in accounts under his control and thereafter used the funds to trade online, and that

he did so without first securing his clients' authorizations and without notifying Wachovia.

COUNT I—FRAUD

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

36. Paragraphs 1 through 35 are hereby re-alleged and are incorporated herein by reference.

37. From at least December 2007 to at least October 2008, Defendants, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

38. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

39. While engaging in the course of conduct described above, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

40. By reason of the foregoing, Defendants, 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 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)]**

41. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

42. From at least December 2007 to at least October 2008, Defendants, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions to state 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 and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,
all as more particularly described above.

43. By reason of the foregoing, Defendants, 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 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]

44. Paragraphs 1 through 35 are hereby re-alleged and are incorporated herein by reference.

45. From at least December 2007 to at least October 2008, Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a. employed devices, schemes, and 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 light of the circumstances under which they were made, not misleading; and

c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

46. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made 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, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

47. By reason of the foregoing, Defendants, directly and 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 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV – FRAUD

**Violations of Section 206(1) of the Advisers Act
[15 U.S.C. § 80b-6(1)]**

47. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

48. Between approximately December 2007 and October 2008, Defendants, acting as investment advisers, using the mails and the means and instrumentalities of interstate commerce, directly and indirectly, employed devices, schemes and artifices to defraud one or more advisory clients and/or prospective clients.

49. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud. In engaging in such conduct, Defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

50. By reason of the foregoing, Defendants, directly and indirectly, has violated, and, unless enjoined, Defendants will continue to violate Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

COUNT V—FRAUD

Violations of Section 206(2) of the Advisers Act
[15 U.S.C. § 80b-6(2)]

51. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

52. Between approximately December 2007 and October 2008, Defendants, acting as investment advisers, by the use of the mails and the means and instrumentalities of interstate commerce, directly and indirectly, engaged in transactions, practices, and courses of business which would and did operate as a fraud and deceit on one or more advisory clients and/or prospective clients.

53. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

COUNT VI—FRAUD

Violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4) and Rule
206(4)-8, thereunder [17 C.F.R. § 275.206(4)-8]

54. Paragraphs 1 through 35 are hereby realleged and are incorporated herein by reference.

55. From at least December 2007 to at least October 2008, Defendants, in connection with the purchase and sale of pooled investment vehicles described herein:

a. made untrue statements of material facts and/or omitted to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, and

b. engaged in acts, practices, and courses of business that was fraudulent, deceptive, and/or manipulative, all as more particularly described above.

56. Defendants knowingly, intentionally, and/or recklessly made 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, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

57. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Harrison and Sawyers committed the violations alleged herein.

II.

Permanent injunctions enjoining Harrison and Sawyers, their agents, servants, employees, and attorneys from violating, directly or indirectly Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77 q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1), (2), & (4)] and Rule 206(4)-8, thereunder [17 C.F.R. § 275.206(4)-8].

III.

An order requiring the disgorgement by Harrison and Sawyers of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)] imposing civil penalties against Defendants.

V.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: December 15, 2010

Respectfully submitted,

/s/ Kristin B. Wilhelm

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