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**FILED**  
CHARLOTTE, N.C.

FEB 7 2000

U.S. DISTRICT COURT  
W. DIST. OF N.C.

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF NORTH CAROLINA

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SECURITIES AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
v.	: Civil Action No 3:00-54mcl
	:
TAC INTERNATIONAL LIMITED,	:
DOUGLAS R. WALKER,	:
CRAIG SOUTHWOOD,	:
LARRY B. RICHARDSON, and	:
JAN HARRY "JACK" WILDE,	:
	:
Defendants.	:

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**COMPLAINT FOR INJUNCTIVE RELIEF, AN ACCOUNTING,  
DISGORGEMENT, AND PENALTIES, FOR FRAUD AND  
VIOLATIONS OF THE FEDERAL SECURITIES LAWS**

Plaintiff Securities and Exchange Commission alleges as follows against the above-captioned defendants:

**SUMMARY OF ALLEGATIONS**

1. This is a case about "prime bank" fraud. From the summer of 1996 until August 1997, the defendants sold fraudulent prime bank investment contracts in the United States and duped investors out of millions of dollars.

2. The defendants represented that by buying a Bahamian International Business Corporation ("IBC"), investors could participate in certain securities trading programs not available in the United States. These trading programs supposedly enabled investors to obtain phenomenal returns, at no risk to principal, by participating in purported trading in high yield debentures between and among banks. The programs were premised on the questionable assumption that such trading among banks takes place. In fact, the defendants did not engage in any trading but instead used the money they procured from investors to pay for their lifestyles and personal expenses. Thousands of United States residents entrusted the defendants with investments of at least \$1,500 each, and the enterprise took in over \$12 million.

3. Defendant TAC International Limited ("TAC"), a Bahamian corporation, was the vehicle through which the individual defendants perpetrated their fraudulent scheme. Defendant Douglas R. Walker, TAC's original owner, developed the fraudulent IBC trading program that TAC sold to investors. Defendant Craig Southwood, TAC's present owner, supervised TAC's operations at its headquarters in the Bahamas and created a second fraudulent investment scheme, which he named the "Southwood Program." Defendants Larry B. Richardson and Jan Harry "Jack" Wilde trained TAC's United States sales force to market the fraudulent programs and supervised the marketing efforts.

4. By engaging in the fraudulent scheme alleged herein, each of the defendants, directly and indirectly, has engaged in, and unless restrained and enjoined by the Court will continue to engage in, transactions, acts, practices and courses of business that violate Section 17(a)(1), (2) and (3) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)(1), (2) and (3)], and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

5. The Commission seeks a judgment from the Court: (a) enjoining TAC, Walker, Southwood, Richardson and Wilde from engaging in future violations of the above sections of the federal securities laws and Rule 10b-5; (b) requiring each of the defendants to account for and disgorge, with prejudgment interest, the illegal profits and proceeds they obtained as a result of their fraudulent scheme alleged herein; and (c) requiring each of the defendants to pay a civil money penalty pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 77t(d), 78u(d)(3)].

#### **JURISDICTION**

6. The Court has jurisdiction of this case pursuant to Section 20(b) and (d) and Section 22(a) of the Securities Act [15 U.S.C §§ 77t(b) and (d), 77v(a)] and Section 21(d) and (e) and

Section 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and (e), 78aa].

7. The defendants made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, practices, and courses of business alleged herein, certain of which occurred within the Western District of North Carolina.

8. Venue is proper in this District pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a), 78aa].

#### **THE PARTIES**

9. The plaintiff is the Securities and Exchange Commission, which brings this case pursuant to authority conferred on it by Sections 20(b) and (d) of the Securities Act [15 U.S.C. § 77t(b) and (d)] and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. § 78u(d) and (e)].

10. Defendant TAC International Limited is a Bahamian corporation with an office and bank accounts in Nassau. TAC initially conducted its operations in Canada but soon was the subject of, first, numerous investor complaints, and then cease trading orders issued by the Ontario Securities Commission and the Alberta Securities Commission.

11. Defendant Douglas R. Walker, 52, is a Canadian citizen who lives in the Bahamas. Walker was the president and sole

owner of TAC from 1996 until May 1997. He settled a proceeding commenced for his TAC activities by the Alberta Securities Commission, paying \$5,000 (Cdn) for costs and consenting to an officer and director bar. Currently pending against Walker is an administrative proceeding initiated by the Ontario Securities Commission.

12. Defendant Craig Southwood, 45, is a Canadian citizen who lives in the Bahamas. Southwood has been the president and sole owner of TAC from May 1997 to the present. He is an active member of the Alberta Institute of Chartered Accountants, which makes him the Canadian equivalent of a Certified Public Accountant. Like Walker, Southwood settled with the Alberta Securities Commission in a proceeding commenced for his TAC activities in which he paid \$5,000 (Cdn) for costs and agreed to an officer and director bar.

13. Defendant Larry B. Richardson, 51, lives in Greenwood, South Carolina. Richardson was an investor in an IBC and became one of TAC's two national vice presidents for the United States.

14. Defendant Jan Harry "Jack" Wilde, 55, lives in Greenwood, South Carolina. Wilde was TAC's other national vice president for the United States. He worked with Richardson as a liaison between TAC's Bahamian and United States operations.

## FACTS

### **I. THE DEFENDANTS INDUCED UNITED STATES INVESTORS TO PURCHASE FRAUDULENT "PRIME BANK" INVESTMENT CONTRACTS.**

15. Walker formed TAC in 1996 and, operating in Canada, employed the corporation to sell to investors fraudulent prime bank instruments and unregistered shares in the enterprise. These activities led to the proceedings commenced by the Ontario and Alberta Securities Commissions. In approximately February 1997, TAC moved its headquarters from Canada to the Bahamas, where Southwood supervised the office. In May 1997, Southwood bought TAC from Walker.

#### **A. The Defendants Created The IBC Trading Program And The Southwood Program.**

16. In approximately July 1996, the defendants initiated a fraudulent scheme where they induced investors in the United States to entrust money to TAC for the purpose of investing it in a purported "bank debenture trading program" which was not available in this country. In exchange for \$1,500, TAC promised to form a Bahamian International Business Corporation on behalf of each investor. TAC's commissioned salespersons, which the enterprise dubbed "consultants," represented that the IBCs enabled investors to invest in the trading program and obtain phenomenal returns, at no risk to principal, from debenture trading between and among banks. TAC represented that at the end

of one year, the IBC trading program could generate as much as \$20,000 from the original \$1,500 investment -- an annual return of over 1,300 percent. TAC required that investors purchase an IBC in order to participate in the trading program.

17. The defendants offered a purported "loan program" that made investment in TAC remarkably attractive. Richardson, Wilde and TAC consultants represented that after it received the initial \$1,500, TAC would use that money to form an IBC for the investor and then would loan an additional \$1,500, interest-free, to the IBC to serve as its opening balance. TAC represented that it would invest this loaned \$1,500, plus any supplemental deposits made by the investor, in the purported bank debenture trading program. TAC claimed that the enterprise would deduct its \$1,500 loan from profits generated by the trading program, and the remainder would be paid to the investor's IBC. Thus, the defendants led investors to believe that, in return for \$1,500, TAC would subsidize their investments in the trading program.

18. At the defendants' direction, TAC consultants encouraged investors to invest substantially more than their initial \$1,500. The consultants represented that additional money invested in the program would yield profits at the same rate of return as the initial investment -- i.e., 1,300 percent.

19. In April 1997, Southwood developed what he called the "Southwood Program" which, like the IBC program, was predicated

on the purported trading of high yield debentures between and among banks. Under the Southwood Program, investors were required to wire a minimum of \$50,000 to TAC within two days. TAC represented that it would effect the contemplated debenture trading within a week. TAC promised a return of 600 percent within thirty days. The program netted approximately \$4.5 million of investors' money for TAC.

**B. The Defendants Marketed Their Programs In The United States.**

20. The defendants directed their marketing efforts toward investors in the United States. In 1997, Richardson and/or Wilde conducted several training sessions at which they taught consultants how to sell the IBC trading program. Certain of these sessions took place in Charlotte, North Carolina and Knoxville, Tennessee. During the sessions, Richardson and Wilde distributed materials that included a fraudulent document entitled "An Introduction to the International Chamber of Commerce (Publication 500) and Bank Debenture Trading Programs," which falsely represented that bank debenture trading programs were conducted under specific guidelines promulgated by the International Chamber of Commerce, and a booklet entitled "The Creation Of Money," which falsely described how investors could profit from purported securities trading between banks notwithstanding SEC regulations.



21. All of TAC's United States sales force reported to Richardson and Wilde through district and state level vice presidents. Richardson and Wilde sent TAC consultants in the United States memoranda that, among other things, (a) directed consultants to transmit investors' money to TAC in the Bahamas, (b) instructed consultants on how to present the TAC program to investors, (c) explained the banking system in the Bahamas, and (d) emphasized the need to follow "chains of communication," which had the effect of preventing investors and consultants from contacting TAC directly and inquiring about the status of investments.

22. The defendants sold TAC's investment contracts to persons living in the United States and arranged for the direct payment of investors' money into the enterprise's bank accounts in the Bahamas. TAC principals and employees corresponded with United States consultants on a regular basis. Southwood directed and supervised the marketing efforts in the United States, recruited both Richardson and Wilde to become associated with TAC, spoke at training sessions that included consultants who were trained to sell trading programs in the U.S., and corresponded with Richardson and Wilde concerning the sale of the programs in this country. In January 1997, Southwood gave a presentation about TAC to potential investors in Greenwood, South Carolina. The defendants represented to United States investors

that their "free" TAC membership allowed them to join a "best efforts high yield profit pool" that participated in the purported trading of debentures between and among banks.

**II. THE DEFENDANTS DID NOT PLACE INVESTORS' MONEY INTO ANY LEGITIMATE INVESTMENT PROGRAM.**

23. The defendants did not place investors' money into a bank debenture trading program or, for that matter, into any investment program. In a facsimile transmission dated May 29, 1997, Southwood disclosed that the money TAC obtained pursuant to the Southwood Program had not been placed into the purported trading opportunity "that was originally presented." At a January 1998 briefing in the Bahamas for vice presidents, Southwood stated that no trading had occurred during the time that Walker controlled the enterprise. On May 29, 1998, Southwood sent a letter to all TAC investors stating that he was "now in the process of closing the first project." As of August 1998, neither Walker nor Southwood had participated in any debenture trading on behalf of TAC or its investors. TAC failed to form an IBC on behalf of many of its investors.

24. Investors' money went from the United States to the Bahamas. TAC received at least \$12.9 million, which it deposited into two bank accounts in Nassau. Instead of investing this money in a trading program, TAC made substantial payments to Southwood and Walker and to hotels and marinas on their behalf.

Walker, Southwood, Richardson and Wilde each received hundreds of thousands of dollars in investor funds. For example, Walker paid for a \$500,000 wedding with money withdrawn from TAC. On March 13, 1997, TAC issued a check payable to Southwood in the amount of \$190,000. Wilde received, in total, at least \$375,000 from TAC.

25. TAC created an illusion of active, profitable trading in investors' accounts. The enterprise mailed to certain investors fraudulent account statements showing fictitious profits from purported trading and significant increases in account balances. For example, one investor's balance increased from \$1,500 to \$2,100, then to approximately \$3,600, and then to approximately \$7,000, with no additional deposits being made by the investor.

26. The defendants ignored or rebuffed investors' efforts to recover their money. At first, TAC told investors that it would not pay them until all the records in the home office were in order. Some investors were told that the banks had not yet released the invested funds. Investors were unable to obtain either their principal or any alleged profits generated by TAC's trading programs. The defendants continue to enjoy the use of the money they illegally obtained from investors.

**III. THE DEFENDANTS KNEW THEY  
WERE PERPETRATING A FRAUD  
ON UNITED STATES INVESTORS.**

27. Walker knew or was reckless in not knowing that he was perpetrating a fraud on United States investors. From the time he formed TAC to the time he sold it to Southwood, Walker knew that TAC did not participate in any trading of debentures between banks and that it did not generate investment returns. He knew that TAC's only source of revenue was the collection of investors' money.

28. Southwood knew or was reckless in not knowing that he was perpetrating a fraudulent scheme. He was involved with TAC at the time of its operation in Canada, where the enterprise engaged in fraudulent conduct and was the subject of 1996 and 1997 cease trading orders. He owned and operated TAC as it continued collecting investors' money, knowing that the enterprise had not engaged in any debenture trading. He expanded the fraudulent scheme by creating the Southwood Program, which was tailored toward more affluent victims.

29. Richardson and Wilde knew or were reckless in not knowing that they were participating in a fraudulent scheme. They directed TAC's United States operations, controlled all contact between the U.S. sales force and the headquarters in the Bahamas, and trained consultants on how to solicit money fraudulently from investors. After TAC came under regulatory and

legal scrutiny, they transmitted a facsimile to all TAC consultants stating that "a large number of consultants and some VPs are apparently not aware or do not understand that you are violating company policy and US law when you present anything other than the IBC." Both of these defendants knew that consultants continued selling the program with promises of high rates of return. Richardson and Wilde continued their involvement, and continued receiving money from TAC, after they became aware that the enterprise had not engaged in any trading on behalf of investors.

#### **FIRST CLAIM**

##### **The Defendants' Violations of Securities Act Section 17**

30. The Commission realleges and incorporates herein paragraphs 1 through 29 above.

31. Beginning in approximately April 1996, the defendants, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the offer or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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/or (c) engaged in acts, practices or courses of

business which operated or would operate as a fraud or deceit upon the purchasers of the securities offered and sold by TAC.

32. The defendants' scheme included, among others, the following fraudulent devices, fraudulent acts, untrue statements of material fact, and material omissions:

a. The defendants falsely represented that TAC had developed a "bank debenture trading program," when they knew or were reckless in not knowing that such a program did not exist.

b. The defendants falsely represented that TAC would place investors' money into a "bank debenture trading program," when they knew or were reckless in not knowing that TAC would not place investors' money into any legitimate trading program.

c. The defendants falsely represented that, in exchange for \$1,500 each, TAC would form Bahamian International Business Corporations on behalf of investors, when they knew or were reckless in not knowing that with respect to many investors TAC would not form such corporate entities.

d. The defendants falsely represented that TAC would loan \$1,500 each to IBCs formed on behalf of investors, when they knew or were reckless in not knowing that TAC would not loan any money to investors' IBCs.

e. The defendants falsely represented that in one year the IBC trading program could generate for investors as much as \$20,000 from the original \$1,500 investment, when they knew or were reckless in not knowing that the purported program would not generate any return for investors.

f. The defendants falsely represented that additional money invested in the IBC trading program would yield profits at the same rate of return as the initial investment, when they knew or were reckless in not knowing that additional investments in the program would not yield any profits for investors.

g. The defendants falsely represented that bank debenture trading programs were conducted under specific guidelines promulgated by the International Chamber of Commerce.

h. The defendants falsely represented that investments in the "Southwood Program" would generate profits of 600 percent in thirty days, when they knew or were reckless in not knowing that the purported program would not generate any profits for investors.

i. The defendants omitted to state that investors' money would be used to make substantial payments to the defendants and to hotels and marinas on their behalf and, in

general, would be used to pay for the defendants' lifestyles and personal expenses.

j. The defendants mailed to certain investors fraudulent account statements showing fictitious profits from purported trading and significant increases in account balances.

33. By reason of their actions alleged herein, TAC, Walker, Southwood, Richardson and Wilde each violated Section 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1), (2) and (3)].

#### **SECOND CLAIM**

#### **The Defendants' Violations of Exchange Act Section 10(b) And Rule 10b-5**

34. The Commission realleges and incorporates herein paragraphs 1 through 29 above.

35. Beginning in approximately April 1996, the defendants, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or 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/or (c) engaged in acts,



practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities offered and sold by TAC.

36. The defendants' scheme included, among others, the following fraudulent devices, fraudulent acts, untrue statements of material fact, and material omissions:

a. The defendants falsely represented that TAC had developed a "bank debenture trading program," when they knew or were reckless in not knowing that such a program did not exist.

b. The defendants falsely represented that TAC would place investors' money into a "bank debenture trading program," when they knew or were reckless in not knowing that TAC would not place investors' money into any legitimate trading program.

c. The defendants falsely represented that, in exchange for \$1,500 each, TAC would form Bahamian International Business Corporations on behalf of investors, when they knew or were reckless in not knowing that with respect to many investors TAC would not form such corporate entities.

d. The defendants falsely represented that TAC would loan \$1,500 each to IBCs formed on behalf of investors, when

they knew or were reckless in not knowing that TAC would not loan any money to investors' IBCs.

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f. The defendants falsely represented that additional money invested in the IBC trading program would yield profits at the same rate of return as the initial investment, when they knew or were reckless in not knowing that additional investments in the program would not yield any profits for investors.

g. The defendants falsely represented that bank debenture trading programs were conducted under specific guidelines promulgated by the International Chamber of Commerce.

h. The defendants falsely represented that investments in the "Southwood Program" would generate profits of 600 percent in thirty days, when they knew or were reckless in not knowing that the purported program would not generate any profits for investors.

i. The defendants omitted to state that investors' money would be used to make substantial payments to the

defendants and to hotels and marinas on their behalf and, in general, would be used to pay for the defendants' lifestyles and personal expenses.

j. The defendants mailed to certain investors fraudulent account statements showing fictitious profits from purported trading and significant increases in account balances.

37. By reason of their actions alleged herein, TAC, Walker, Southwood, Richardson and Wilde each violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter judgment in favor of the Commission finding that defendants TAC, Walker, Southwood, Richardson and Wilde each violated the securities laws and Rule promulgated thereunder as alleged herein;

II.

Permanently enjoin each of the defendants from violating Section 17(a) of the Securities Act and Section 10(b) of the

Exchange Act and Rule 10b-5 [15 U.S.C. §§ 77q(a), 78j(b); 17 C.F.R. § 240.10b-5];

III.

Order each of the defendants to produce to the Commission a written, specific accounting of the disposition and present status of all profits and proceeds they obtained as a result of their actions alleged herein;

IV.

Order each of the defendants to disgorge the profits and proceeds they obtained as a result of their actions alleged herein and to pay prejudgment interest thereon;

V.

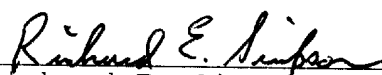
Order each of the defendants to pay a civil money penalty pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 77t(d), 78u(d)(3)]; and

VI.

Grant such other relief as this Court may deem just and proper.

Dated: February 4, 2000

Respectfully submitted,

  
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