



by Madison Group to falsify its financial statements and signed the Commission reports containing the false financial statements. During the same period, Madison issued numerous press releases making claims about its capital position, revenues and business activities that Craig knew or was reckless in not knowing were false and misleading.

2. In addition, in a public offering of Madison Group common stock conducted in late 1993 and early 1994, Craig caused Madison Group to issue stock to an offshore entity controlled by Craig and defendant Scott R. Sieck ("Sieck"), which shortly thereafter sold the shares back into the United States, in a fraudulent effort to evade the registration requirements of the federal securities laws and to enrich Craig and Sieck personally. Finally, Craig failed to comply with the Commission's disclosure requirements in connection with his numerous purchases and sales of Madison Group stock.

3. By virtue of the conduct described herein, the Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and 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, in addition, defendant Craig aided and abetted violations by Madison Group of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 13a-1, 13a-13 and 12b-20 thereunder [17 C.F.R. §§ 240.13a-1, 240.13a-13 and 240.12b-20], and directly violated Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. §§ 240.16a-2 and 240.16a-3].

## JURISDICTION

4 The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. § 78u(d) and (e)] for an order permanently restraining and enjoining Defendants and granting other legal and equitable relief.

5. The Defendants, unless restrained and enjoined, will continue to engage in transactions, acts, practices, and courses of business as set forth in this Complaint, or in transactions, acts, practices, and courses of business of similar purport and object.

6. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77u(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue lies in this Court pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act.

7. In connection with the transactions, acts, practices, and courses of business described in this Complaint, each of the Defendants, directly and indirectly, has made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

## DEFENDANTS

8. William T. Craig, 50, was chief executive officer and chairman of Madison Group from February 1992 until March 1994. He resides in Fort Lauderdale, Florida.

9. Scott R. Sieck, 39, is the president of BCR Media, Inc., a Florida public relations firm retained in July 1993 by Madison Group to increase its exposure to

potential investors. In October 1993, Sieck assisted Craig in creating an offshore entity used to purchase shares of Madison common stock and resell those shares into the United States. He resides in Winter Haven, Florida.

### **FACTUAL ALLEGATIONS**

#### **Madison Group's False Financial Statements: the Media Assets**

10. In February 1992, William T. Craig acquired control of Madison Group. In 1991, Madison Group had entered the media business by acquiring a library of country gospel music television shows in exchange for 20,000 shares of its newly issued Series A convertible preferred stock. The company hoped to barter the broadcast rights to the programs to television stations in exchange for advertising time, which Madison Group would then sell to advertisers.

11. The company recorded the asset on its books at a value of \$4 million, based on an appraisal conducted by individuals with no previous experience in valuing television programming or other media assets. Because the programs came with no revenue history and no comparable assets were identified for purposes of the appraisal, the appraised value was based primarily upon untested estimates of the revenues the programs might generate if marketed as described in Paragraph 10 above.

12. In the consolidated financial statements filed with its annual report on Form 10-K for the year ended December 31, 1991 ("1991 Form 10-K"), Madison Group reported this asset at a valuation of \$4 million, an amount materially in excess of its proper valuation under Generally Accepted Accounting Principals ("GAAP").

13. After assuming control of the company, Craig arranged the acquisition of additional media assets in exchange for Madison Group securities. In June 1992, Craig negotiated the acquisition of a library of videotaped special effects and celebrity interviews in exchange for 24,000 shares of Madison Group Series A convertible preferred stock, 15,000 shares of its common stock and a \$150,000 promissory note. Although this library had no documented revenue history and no comparable assets were identified for purposes of the appraisal, the firm that had appraised Madison Group's other video library estimated the value of this library to be \$9.0 million. This appraisal assumed that the interview programming would, as the result of an extensive marketing effort, generate annual gross revenues over a five-year period ranging from approximately \$2.1 million to \$2.7 million. Madison Group, however, had no reasonable possibility of achieving the levels of market penetration and revenue production assumed in the appraisal reports.

14. Also under Craig's direction, in June 1992 the company acquired a second music video library, consisting of 2,193 country music videos and 1,159 gospel music videos, for 40,000 shares of its Series A convertible preferred stock. Although Madison Group never obtained any appraisal report with respect to this music video library, which like Madison Group's other media assets had no documented revenue history, Madison Group recorded this asset at a value of approximately \$16 million.

15. Although the assets described in Paragraphs 10 through 14 above generated no revenue to Madison Group during 1992 and 1993, the company reported those assets at a total value of approximately \$30.2 million (comprising approximately

86% of the company's total reported assets) in the financial statements contained in its annual reports on Form 10-K for the years ended December 31, 1992 and 1993 ("1992 and 1993 Forms 10-K"), and its quarterly reports on Form 10-Q for the first second and third quarters of 1993 ("1993 Forms 10-Q"), an amount materially in excess of the assets' proper valuation under GAAP.

16. Craig signed Madison Group's 1992 and 1993 Forms 10-K. Craig knew or was reckless in not knowing that the company's 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q were false and misleading due to the material overstatement of the value of the company's media assets.

17. In January 1995, subsequent to Craig's departure from the company, Madison Group wrote down the media assets from approximately \$30.2 million to approximately \$1.3 million, and restated the financial statements included in its 1991, 1992 and 1993 Forms 10-K accordingly.

False Financial Statements: the Mortgage Notes Receivable

18. According to Madison Group's 1992 and 1993 Forms 10-K, during 1992 Madison acquired the right to the income from certain "mortgage notes" with a face value of \$11,875,000 in exchange for 6,764,410 shares of Madison Group common stock. In the financial statements included in its 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q, Madison Group reported this asset at the purported value of the common stock given in exchange: \$3,812,421.

19. Madison Group's purported acquisition of this asset was part of a convoluted series of transactions through which Madison Group did not in fact acquire

any asset of substance, but through which approximately 4.3 million shares of Madison Group common stock were transferred for no consideration to Craig and certain entities he controlled.

20. In April 1992, Madison Group entered into an agreement with Environmental Recovery Systems, Inc. ("ERS"), a company controlled by Craig, to exchange approximately 6.7 million shares of Madison Group common stock (67% of the total shares outstanding) for certain assets held by ERS. These assets included a \$10 million note secured by purported gold mining interests and a \$1.875 million certificate of deposit from a Bulgarian bank.

21. In late June 1992, Madison Group entered into an agreement with First Capital Trust Company ("First Capital"), an entity controlled by a former business associate of Craig, to exchange the ERS "assets" for the income from \$11.9 million in certain mortgage notes, which were purportedly secured by unperfected junior interests in various agricultural properties ("the mortgage notes"). As additional consideration, First Capital was also to receive 70% of the total ERS shares outstanding. Thus, the net result of this triangular transaction between Madison Group, ERS and First Capital, had it been given effect, would have been to transfer the ERS "assets" from ERS, through Madison Group, to First Capital, the mortgage notes from First Capital to Madison Group, 6.7 million shares of Madison Group common stock to ERS, and 67% of the stock of ERS to First Capital.

22. In September 1992, pursuant to a Madison Group board resolution, 6.7 million shares of Madison Group common stock were issued to ERS. Subsequently,

pursuant to a purported "joint resolution" of the boards of ERS and Gold Coin, Inc., a related public company also controlled by Craig, approximately 5.8 million of the 6.7 million shares of Madison Group common stock were issued to the shareholders of Gold Coin, Inc. Approximately 4.3 million of those shares were then distributed to Craig, members of his family and entities he controlled.

23. No other aspect of the contemplated transaction was at any time given effect. On September 17, 1992, Craig instructed Madison Group's stock transfer agent to issue 6,764,410 shares of Madison Group common stock to ERS. However, the transfer agent did not do so because it did not receive certain required corporate documentation concerning ERS. Nor did Madison Group transfer the ERS "assets" to First Capital.

24. The first scheduled interest payment on the mortgage notes, in the amount of \$1.3 million, was due September 13, 1993. Neither this nor any subsequent payment was made to Madison Group. First Capital's stated basis for not making payment was the failure of Madison Group and ERS to transfer to First Capital the ERS shares and "assets" that were its consideration for the transaction. In addition, however, the mortgage notes were, at all relevant times, nonperforming and therefore generated no cash that First Capital could have transferred to Madison Group. Because Madison Group had provided no legal consideration for the mortgage notes and because the mortgage notes had no established value, GAAP required valuing the mortgage notes at \$0.



25. Craig knew or was reckless in not knowing that Madison Group's 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q were materially false and misleading due to the overstatement of the asset value of the company's purported interest in the mortgage notes.

26. In January 1995, subsequent to Craig's departure from the company, Madison Group amended its financial statements for all affected periods to reflect that the mortgage notes had no asset value.

#### False Press Releases and Promotional Materials

27. In February 1993, Madison Group acquired Combined Artists, Inc., which owned a video library of college football bowl games, rodeos and stock car races. On March 1, 1993, at Craig's direction, Madison Group issued a press release announcing this acquisition. It stated that Combined Artists had 1992 revenues of \$2 million and that only ABC, NBC and CBS owned larger sports video libraries.

28. In fact, Combined Artists 1992 revenues were approximately \$250,000, and the statement that only ABC, NBC and CBS had larger sports libraries than Combined Artists was also false.

29. Craig knew or was reckless in not knowing that the Madison Group March 1, 1993 press release was materially false and misleading for the reasons stated in Paragraphs 27 and 28 above.

30. On March 8, 1993, Madison Group, at Craig's direction, issued a press release entitled "Madison Group Releases 10-K to Public" in which Craig is quoted as stating that "[c]orporate assets have skyrocketed from \$5 million to more than \$34

million and liabilities are a fraction of what they were." In press releases dated April 28 and May 12, 1993, Madison Group claimed to have assets of more than \$41 million. As described above, however, the corporate assets of Madison Group were materially overstated under GAAP.

31. As Craig knew or was reckless in not knowing, the Madison Group press releases of March 8, April 28 and May 12, 1993 were false and misleading because they materially misstated the value of the company's assets.

32. On March 24, 1993, Madison Group, at Craig's direction, issued a press release announcing that it had received a \$65 million loan commitment from Consultancy International, Ltd., a British investment banking firm, and that the loan commitment "will be guaranteed by Coutts & Co. Limited of London a division of Westminster Bank." The press release, which was carried over the Dow Jones, Reuters and Businesswire newswires and published in the *Wall Street Journal* and *Miami Herald*, quoted Craig as saying that "[t]hese funds will enable Madison to significantly increase its revenues and earnings."

33. In fact, Consultancy International had made no such loan commitment to Madison but had merely issued a letter of intent to seek financing for Madison Group in an unspecified amount.

34. Craig knew or was reckless in not knowing that the Madison Group press release of March 24, 1993 was materially false and misleading for the reasons stated in Paragraphs 32 and 33 above.

35. On May 19, 1993, Madison Group, at Craig's direction, announced, in a release carried over the Reuters wire service:

Madison Group Associates said it agreed with Consultancy International Ltd. of London for a secured convertible loan stock placement in Europe, to be issued in European currency units. The stock will mature in five years, and be redeemed by a major European bank. The stock will be converted into Madison Group stock at conversion prices that will increase each quarter.

The following day, Madison Group, at Craig's direction, issued an additional press release which specified that the placement was to be in the amount of \$150 million.

36. In fact, the agreement between Madison Group and Consultancy International provided only that Consultancy International would assist Madison Group in preparing a private placement memorandum and soliciting potential European investors. It did not specify a dollar amount or provide assurance that Madison Group would actually receive any funds. Consultancy International did not subsequently obtain any financing for Madison Group from any source.

37. Craig knew or was reckless in not knowing that the Madison Group May 19 and 20, 1993 press releases were materially false and misleading for the reasons stated in Paragraphs 35 and 36 above.

38. In early 1993, Madison Group, at Craig's direction, paid a freelance writer \$3,000 to prepare a corporate profile of Madison Group entitled "Scheft Ticks." The Scheft Ticks article was carried by the Dow Jones News Service, published by the *Miami Herald* on July 10, 1993 under the heading "Madison Group's independent analysis by free-lance writer" and provided to potential Madison Group investors. The article contained, *inter alia*, the following statements: (1) Madison Group had increased

its assets from \$5 million to \$42 million from April 1992 to April 1993; (2)

"Madison's solid growth plan appears reminiscent of Blockbuster's giant rise to fame and William Craig displays similar characteristics and savvy as Wayne Huizenga;" (3) Madison Group's management projected 1994 revenue of over \$35 million with more than \$3 million in net revenue.

39. As Craig knew or was reckless in not knowing, there was no basis in fact for any of the statements described in Paragraph 38 above, and the Scheft Ticks profile was therefore materially false and misleading.

40. In July 1993, Madison Group, through a public relations firm, retained Wall Street Marketing Group to promote Madison Group through radio and print advertising. Craig reviewed and approved all services performed by Wall Street Marketing for Madison Group.

41. Wall Street Marketing prepared certain radio spots promoting Madison Group that were broadcast during the summer of 1993 on national financial radio programs. These spots, like the Scheft Ticks profile, stated that Madison Group had increased its assets from \$5 million to \$42 million over a twelve month period. As described above, however, the asset growth claimed by Madison Group was accomplished primarily or entirely through financial fraud. The radio spots also stated that Madison Group was distributing its sports and entertainment videos "to other countries much like Blockbuster has done here in the U.S." In fact, Madison Group was not distributing any of its video programs abroad (or, for that matter, domestically). The radio spots provided a toll free number for potential investors to request a brochure

about Madison Group entitled "Investor's Edge Profile." This document, which was approved by Craig, falsely claimed that Madison Group had increased its assets from \$8 million to over \$40 million since 1992.

42. As Craig knew or was reckless in not knowing, there was no basis in fact for the statements described in Paragraph 41 above, and the radio spots prepared for Madison Group by Wall Street Marketing Group and the Investors Edge Profile were therefore materially false and misleading.

#### The Fraudulent Regulation S Offering

43. In late 1993 and early 1994, Craig and defendant Scott R. Sieck devised and executed a scheme to sell unregistered Madison Group securities into United States securities markets, in purported reliance on Commission Regulation S [ 17 C.F.R. § 230.901], by means of an offshore corporation that Craig and Sieck established for this purpose. The scheme also enabled Craig and Sieck to misappropriate Madison Group common stock for their own use.

44. In furtherance of this scheme, in October 1993 Craig provided Sieck with 750,000 shares of Madison Group common stock, signed by Craig and issued to Drakkar Holding, Ltd. ("Drakkar"). The stock was not subject to a registration statement filed with the Commission, but bore no restrictive legends indicating that it was not freely trading. Sieck then arranged to have Drakkar incorporated in the Cayman Islands and to have brokerage accounts opened for Drakkar in Vancouver, British Columbia and Orlando, Florida.

45. Drakkar was at all relevant times owned and controlled by Craig and Sieck, both citizens of the United States. Drakkar had no business purpose or activities other than to act as: 1) a conduit for Madison Group common stock to be distributed, directly or indirectly, into U.S. securities markets, and 2) a means for Craig and Sieck to misappropriate Madison Group stock.

46. During late 1993 and early 1994, Drakkar deposited the 750,000 shares of Madison Group stock described above, as well as an additional 370,000 shares of Madison Group common stock that Craig caused to be issued to Drakkar, into its British Columbia and Florida brokerage accounts. Approximately 567,000 of these shares were subsequently sold through retail transactions to United States investors and a portion of the proceeds transferred to Madison Group.

47. No registration statement was filed with the Commission with respect to any of these shares, and no exemption from the registration provisions of the securities laws was available with respect to the sale of any of these shares.

48. Drakkar also transferred shares to accounts in the United States controlled by Craig and Sieck, which Craig and Sieck misappropriated for their personal use. In late 1993, pursuant to Craig's instructions to Sieck, 298,400 shares of Madison Group common stock were delivered from Drakkar accounts to accounts controlled by Craig. Craig paid no consideration for these shares. In addition, Sieck directed the sale of 50,000 shares of Madison Group common stock from a Drakkar account, and retained the proceeds from those sales, and exchanged 16,000 shares of Madison Group stock, also misappropriated from a Drakkar account, for an automobile.

49. After Craig's removal as CEO and chairman of Madison Group in March 1994, company management demanded that Drakkar and Sieck repay Madison Group for shares they had received in the Regulation S offering. Sieck repaid Madison Group approximately \$100,000, an amount roughly corresponding to his personal profits from the offering. No other amounts were repaid to the company from any source.

**Craig's Failure to Report His Securities Transactions**

50. Craig purchased and sold Madison Group securities on more than 50 occasions during his tenure as a director and chief executive officer of Madison Group.

51. Craig failed to file with the Commission any reports detailing his ownership interest and changes therein in Madison Group securities, as required by Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)].

**FIRST CLAIM**

**Craig Violated 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] in Connection with  
Madison Group's Periodic Reports**

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

53. Madison Group's 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q contained false and misleading statements of material fact. Each of those filings contained financial statements that were not in conformity with GAAP in that they inaccurately reported the value of Madison Group's assets.

54. Craig, as CEO and Chairman of the Board of Madison Group, directly or indirectly, caused Madison Group to make improper entries to its books and records that overstated the value of assets acquired by Madison Group, and caused Madison Group to file with the Commission the false and misleading periodic reports described in Paragraph 53 above.

55. Craig knew or were reckless in not knowing that Madison Group's 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q were materially false and misleading, as described above.

56. Craig, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (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 the 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 other persons, including purchasers and sellers of such securities, in violation of 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.

57. By reason of the foregoing, Craig violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.



## SECOND CLAIM

**Craig, as a Control Person of Madison Group, Violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 thereunder.**

58. Paragraphs 1 through 57 are hereby realleged and incorporated herein by reference.

59. Madison Group violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 13a-1, 13a-13 and 12b-20 [17 C.F.R. §§ 240.13a-1, 240.13a-13 and 240.12b-20] (the "Reporting Provisions") by including in its 1992 and 1993 Forms 10-K and its 1993 Forms 10-Q financial statements that failed to conform with GAAP (as required by Regulation S-X [17 C.F.R. § 210.1-01, et seq.]) in that they inaccurately reported the value of Madison Group's corporate assets.

60. Craig, as a controlling person of Madison Group for purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], is liable for Madison Group's violations of the reporting provisions alleged above.

## THIRD CLAIM

**Craig, as a Control Person of Madison Group, Violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].**

61. Paragraphs 1 through 60 are hereby realleged and incorporated herein by reference.

62. Madison Group violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by maintaining false and misleading books and records, which

from at least the last quarter of 1992 through at least the fourth quarter of 1993 materially overstated the value of the Company's assets.

63. Madison Group violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] by failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the Company's transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP. In particular, the Company lacked procedures to assure that assets acquired by the Company would be valued in conformity with GAAP.

64. Craig, as a controlling person of Madison Group at all relevant times for purposes of Section 20(a) of the Exchange Act, is individually liable for the Company's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

#### **FOURTH CLAIM**

##### **Craig and Sieck Each Violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].**

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

66. During late 1993 and early 1994, Madison, directly or indirectly, offered and sold at least 567,000 shares of its common stock to investors in the United States.

67. No registration statement has ever been filed or in effect with the Commission in connection with these offerings of securities and no registration exemption is applicable.

68. Craig and Sieck, and each of them, directly and indirectly, have made use of the means or instrumentalities of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of prospectus or otherwise when no registration statement had been filed or was in effect as to such securities and when no exemption from registration was available.

69. By reason of the foregoing, Craig and Sieck, and each of them, violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

#### **FIFTH CLAIM**

#### **Craig and Sieck Each Violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in Connection with the Madison Group Public Offering**

70. Paragraphs 1 through 69 are hereby realleged and incorporated herein by reference.

71. During late 1993 and early 1994, Craig and Sieck each engaged in an unregistered distribution of Madison Group common stock, without disclosing to purchasers of the stock that the financial statements included in Madison Group's periodic filings with the Commission and Madison Group's press releases and other public statements were false and misleading in that they materially misrepresented, *inter alia*, the value of Madison Group's assets.

72. Craig and Sieck each knew or was reckless in not knowing that, at the time of the Madison Group public offering, the public disclosure of Madison Group was materially false and misleading as described above.

73. Craig and Sieck, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

74. By reason of the foregoing, Craig and Sieck, and each of them, violated Section 17(a) of the Securities Act.

#### **SIXTH CLAIM**

**Craig and Sieck Each Violated 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] in Connection with the Madison Group Public Offering**

75. Paragraphs 1 through 74 are hereby realleged and incorporated herein by reference.

76. During late 1993 and early 1994, Craig and Sieck each engaged in an unregistered distribution of Madison Group common stock, without disclosing to purchasers of the stock that the financial statements included in Madison Group's periodic filings with the Commission, and Madison Group's press releases and other public statements were materially false and misleading in that they misrepresented, *inter alia*, the value of Madison Group's assets.

77. Craig and Sieck knew or were reckless in not knowing that, at the time of the Madison Group public offering, the public disclosure of Madison Group was materially false and misleading as described above.

78. Craig and Sieck, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (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 the 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 other persons, including purchasers and sellers of such securities, in violation of 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.

79. By reason of the foregoing, Craig and Sieck, and each of them, violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

#### **SEVENTH CLAIM**

**Craig Violated Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. §§ 240.16a-2 and 240.16a-3].**

80. Paragraphs 1 through 79 are hereby realleged and incorporated herein by reference.

81. Craig, on multiple occasions, after he became directly or indirectly the beneficial owner of more than 10 per cent of the common stock of Madison Group or a

director or an officer of Madison Group, failed to file required reports with the Commission of the amount of all equity securities of Madison Group of which he was the beneficial owner. Craig also failed to file, on multiple occasions, required reports indicating the changes in his ownership of equity securities of Madison Group after the close of a calendar month in which his ownership had changed.

82. By reason of the foregoing, Craig violated Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rules 16a-2 and 16a-3 thereunder [17 C.F.R. §§ 240.16a-2 and 240.16a-3].

#### **PRAYER FOR RELIEF**

Wherefore, the Commission respectfully requests that this Court:

#### **I.**

Issue a Final Judgment of Permanent Injunction and Other Relief ("Final Judgment"):

A. Permanently enjoining defendants Craig and Sieck, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with any of them who receive actual notice of this order by personal service or otherwise, from violating or aiding and abetting violations of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and 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, in addition

B. Permanently enjoining defendant Craig, his agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of this order by personal service or otherwise, from violating or aiding and abetting violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) and 16(a) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78p(a)], and Rules 13a-1, 13a-13, 12b-20, 16a-2 and 16a-3 thereunder [17 C.F.R. §§ 240.13a-1, 240.13a-13, 240.12b-20, 240.16a-2, and 240.16a-3].

C. Ordering defendant Craig to disgorge his profits from the misappropriation of Madison Group common stock, with interest thereon calculated pursuant to Rule 600 of the Commission's Rules of Practice [17 C.F.R. § 201.600];

D. Ordering defendant Sieck to pay a civil penalty pursuant to Section 21(d) of the Exchange Act in the amount of \$16,000; and

E. Permanently prohibiting defendant Craig from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

**II.**

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

Dated: February 10, 1999

Respectfully submitted,



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# CIVIL COVER SHEET 99-6165

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM)

### I. (a) PLAINTIFFS

**SECURITIES AND EXCHANGE COMMISSION**

### DEFENDANTS **CIV - DIMITROULEAS**

**WILLIAM T. CRAIG AND SCOTT R. SIECK  
MAGISTRATE JUDGE  
SELTZER**

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF  
**Broward**  
(EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT **Broward**  
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

(c) ATTORNEYS (FIRM NAME, ADDRESS AND TELEPHONE NUMBER)  
**Mitchell Herr (305) 982-6336 Richard Sauer (202) 942-4777, SEC, 450 5th Street, N.W., Washington, DC 20549**

ATTORNEYS (IF KNOWN)  
**Atlee W. Wampler, III, Wampler Buchanan & Breen 777 Brickell Ave., 900 SunTrust Bank Building, Miami, FL 33131**

(d) CIRCLE COUNTY WHERE ACTION AROSE: DADE, MONROE, **BROWARD**, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE HIGHLANDS

### II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

### III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- |   |                            |                            |   |                            |                            |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
|   | PTF                        | DEF                        |   | PTF                        | DEF                        |
| Citizen of This State                   | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business in This State     | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State                | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation  | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

### IV. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judgment

### V. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

A CONTRACT	A TORTS	FORFEITURE/PENALTY	A BANKRUPTCY	A OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans - Excl. Veterans <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	<b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage - Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>A PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <b>B SOCIAL SECURITY</b> <input type="checkbox"/> 861 HiA 1395ff. <input type="checkbox"/> 862 Black Lung 1923 <input type="checkbox"/> 863 DIWC DIWW 1405(g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI 1405(g)	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 990 Other Statutory Actions A OR B
A REAL PROPERTY	A CIVIL RIGHTS	PRISONER PETITIONS	FEDERAL TAX SUITS		
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motions to Vacate Sentence <b>HABEAS CORPUS:</b> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition	<input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor Mgmt. Relations <input type="checkbox"/> 730 Labor Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl Ret Inc Security Act	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	

### VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

**15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), 15 U.S.C. § 78j(b), 17 C.F.R. § 240.10b-5, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78p(a), 17 C.F.R. §§ 240.13a-1, 240.13a-13, via 5 days estimated (for both sides to try entire case) 240.12b-20, 240.16a-2, and 240.16a-3.**

### VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$ **Perm. Inj., Disgorgement, Civil Penalty**

CHECK YES only if demanded in complaint.

JURY DEMAND:  YES  NO

### VIII. RELATED CASE(S) IF ANY (See instructions):

JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE

2/10/99

SIGNATURE OF ATTORNEY OF RECORD

Mitchell E. Herr

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