

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

FILED
July 1st
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U.S. DISTRICT COURT

CASE NO.: 609-cv-1137-OR-190JK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JAMES H. PARK,

Defendant.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges:

I. INTRODUCTION

1. The Commission brings this action against James H. Park for violating the antifraud and registration provisions of the federal securities laws through his participation in a fraudulent pyramid scheme.

2. From at least March 2006 to December 2007 ("the Relevant Period"), Park participated in a fraudulent and unregistered offering to more than 10,000 investors nationwide of securities in the form of "Associate" memberships in Wealth Pools International, Inc. and Recruit for Wealth, Inc. (collectively "Wealth Pools").

3. Wealth Pools purported to be a multi-level marketing company selling an English and Spanish language tutorial DVD through a network of Associates around the world. In reality, it was nothing more than a fraudulent pyramid scheme destined to collapse, leaving the majority of its investors with substantial losses.

4. While offering and selling Wealth Pools' securities during the Relevant Period, Park misled investors about Wealth Pools' business structure, the safety of the Wealth Pools

investment, and the dilutive effect on the commissions of existing Associates by the constant addition of new ones. Park also omitted disclosing to investors his significant role in a similar, prior pyramid scheme against which the Florida Attorney General filed a complaint.

5. Through his conduct, Park violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a); Sections 10(b), 15(a), and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), 78o(a), and 17 C.F.R. § 240.10b-5; and aided and abetted Wealth Pools’ violations of Section 10(b) and Rule 10b-5 of the Exchange Act. Unless enjoined, Park is reasonably likely to engage in future violations of the federal securities laws.

II. DEFENDANT

6. Park, 40, resides in Kissimmee, Florida. He held several positions at Wealth Pools, including telemarketing manager, head of customer service, and director of international sales until the Commission shut down Wealth Pools in December 2007. SEC v. Robert E. Lane et al., No. 6:07-cv-1920-ORL-22-KRS (M.D. Fla. filed on Dec. 6, 2007). Between October 2006 and July 2007, Park received at least \$1.1 million of investor funds from Wealth Pools.

III. JURISDICTION AND VENUE

7. The 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.

8. The Court has personal jurisdiction over Park and venue is proper in the Middle District of Florida because Park resided in the Middle District (and still does) and worked at Wealth Pools’ offices in the Middle District during the Relevant Period. Thus, many of his acts

and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Middle District.

9. Park, directly and indirectly, singly or in concert with others, made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

IV. PARK'S FRAUDULENT AND UNREGISTERED OFFERING AND SALE OF SECURITIES

A. The Wealth Pools Offering

10. From at least August 2005 to December 2007, Wealth Pools conducted a fraudulent and unregistered offering in the form of "Associate" memberships in a pyramid scheme primarily targeting the Hispanic community.

11. Wealth Pools International and Recruit for Wealth were set up as separate companies. In reality, however, they operated as a single entity, making an integrated offering of securities, and were used interchangeably in the online application to become a Wealth Pools Associate.

12. Wealth Pools sold its DVD, called Talk-N-Tutor, to investors for \$199.95. Each DVD came with an "Associate" membership in the multi-level marketing structure. Associates did not profit from sales of DVDs to consumers, but from new investors purchasing memberships. In fact, the company discouraged Associates from focusing on selling the DVDs to consumers, assuring them instead they would make more money recruiting new Associates. Park suggested Associates give their DVDs away to family members.

13. Associates profited through Wealth Pools' monthly distribution of a portion of the revenues from the sale of the DVD/Associate membership packages. To qualify for these

distributions, Associates had to recruit a specified number of new Associates, or purchase a specified number of memberships for themselves. If Associates chose to recruit new members, all they had to do was refer them to Wealth Pools' website to purchase their DVDs. Wealth Pools handled the key operational aspects, such as closing sales, collecting payments, establishing Associate accounts, maintaining sales records, and computing and distributing commissions.

14. Once Associates qualified to share in the revenues, the company promised them they would receive monthly income for life. Some Associates cashed out their personal investment accounts and took out second mortgages on their homes to purchase hundreds and even thousands of DVDs with the expectation of significant monthly payments from Wealth Pools.

15. In reality, each new Associate who qualified to receive a portion of the company's revenues from DVD/Associate membership sales diluted the interest of previous Associates because they all shared the same revenues. The constant addition of new Associates would continually and significantly dilute Associates' returns, causing the guaranteed income to quickly dwindle and resulting in the company's inevitable collapse.

16. Wealth Pools also paid Associates for each new investor the company recruited for them through its "Marketing Assistance Program" ("MAP"). Associates paid Wealth Pools \$450 for a telemarketing sales force to handle their selling, prospecting, and follow-ups.

17. Wealth Pools touted on its website that there was "No Selling" required and that Associates could earn "monthly residual income for the rest of your LIFE with very little effort!!!" The MAP information on the Recruit for Wealth website (which was linked with the Wealth Pools website) stated: "You will do NO SELLING! You will do NO PROSPECTING!

You will do NO FOLLOW UPS!” It also stated “we do 99% of the work and you will keep 100% of your Commissions.”

B. Wealth Pools Sold Investment Contracts That Were Securities

18. Investors in Wealth Pools made an investment of money in a common enterprise with the expectation of profits solely derived from the efforts of others.

19. Thousands of investors invested money in Wealth Pools by purchasing Associate memberships for up to \$450 each. By doing so, the investors subjected themselves to the risk of financial loss.

20. Associate members’ profits were directly linked to Wealth Pools’ efforts to recruit new members. Wealth Pools actively recruited new investors through its website, marketing materials, and so-called “opportunity meetings.” Wealth Pools also handled the operational aspects of the enterprise, such as closing sales, collecting payments, establishing accounts, maintaining sales records, and computing and distributing commissions. Additionally, the fortunes of Wealth Pools’ investors were joined by the fact that they shared revenues through the commission streams.

21. Associates invested with the expectation they would profit from the recruiting efforts of Wealth Pools and other Associates. In fact, the passive nature of the Wealth Pools business opportunity was a key component of its allure. Wealth Pools touted the opportunity for investors to earn income with little or no effort. Associates earned commissions based on the successful recruiting efforts of the company through the MAP service. Qualifying Associates also received income from the profit pools funded by the sales efforts of the company and other Associates around the world.

22. No registration statement was filed or in effect with the Commission in connection with the securities that Wealth Pools and Park offered and sold.

23. Wealth Pools' sales and operations ceased in December 2007, when the Commission brought an emergency lawsuit to halt the scheme. A receiver was appointed over the company.

C. Park's Role in the Wealth Pools Pyramid Scheme

1. Park Established the MAP Telemarketing Room

24. Park solicited investors through telephone sales calls and sales presentations held in Orlando, Florida and Puerto Rico at so-called "opportunity meetings."

25. In March 2006, Wealth Pools hired Park to manage the MAP service. His first responsibility was to establish a telemarketing sales force to recruit new Associates on behalf of existing ones. At first, Park operated the MAP telemarketing room himself, soliciting new Associates through cold calls, telling them no work was required, and giving them a 100% money-back guarantee. Park received commissions of 10% of his DVD/Associate membership sales and 25% of his sales of the MAP service.

26. Park then grew the telemarketing room and hired a sales force of 25 individuals to recruit new Associates on behalf of current Associates. None of the sales representatives was registered to sell securities.

27. Park trained the representatives he hired to sell the Wealth Pools' investment contracts. He prepared sales scripts and instructed the sales force on how to make sales calls and overcome objections. Park also advertised the Wealth Pools investment opportunity in national newspapers and purchased lists of prospective investors from third parties to provide the representatives with leads to cold call and recruit new Associates.

28. In the latter part of 2006, Park began managing the telemarketing room instead of making the sales calls himself. Park's commission payments changed as well. He received commissions of \$2 for every DVD/Associate membership sale and \$20 for every new MAP service sale. His compensation increased significantly under this system because the telemarketing room successfully recruited thousands of new Associates.

2. Customer Service

29. Around February 2007, Park became one of the primary public faces of Wealth Pools when he became head of its customer service department. In that role, he hosted weekly meetings with Associates and prospective Associates to update them on the company and explain the investment opportunity.

30. Park also hosted "opportunity meetings" to recruit new Associates. Sales representatives told prospective Associates at these meetings that they did not have to sell DVDs and would receive commissions for life. At one of these meetings, Park told the audience that they would soon be making "10- 20- even 30 thousand dollars or more per month."

31. Park's compensation increased in this role to 0.9% of all worldwide sales of DVDs/Associate memberships and the MAP service. Park earned approximately \$835,000 from April through July 2007 alone.

D. Misrepresentations and Omissions

32. In connection with Wealth Pools' unregistered securities offering, Park made several material misrepresentations and omissions.

1. Misrepresentations and Omissions Regarding Wealth Pools' Business Structure

33. Park failed to disclose to investors that Wealth Pools was a fraudulent pyramid scheme which, by definition, would collapse and leave the vast majority of investors with losses.

34. Instead, Park sent a mass e-mail to the Associates in May 2007 denying that the company was a pyramid scheme. The e-mail maintained that Wealth Pools was legitimately in the business of selling the Talk-N-Tutor DVD, and that its “economic model does not need the money of the people who join our company in order to ‘pay the monetary promise of those who arrived first.’”

35. Park, however, has made contrary statements, stating that Wealth Pools was never set up to make sales to direct consumers until July 2007, that the DVD was not of good quality, and that nobody, not even he, would pay \$199.95 for one. He even told Associates to simply give the DVDs away to family members. In fact, Park said his wife could only sell the DVDs at a flea market for \$2 - \$3 each.

36. Given these statements, Park knew or was extremely reckless in not knowing that Wealth Pools was a fraudulent pyramid scheme.

2. Misrepresentations Regarding Safety of the Investment

37. Throughout the Relevant Period, Park made material misstatements and omissions to investors concerning the safety of the Wealth Pools investment. For example, Park told prospective Associates that Wealth Pools offered a way to create “regular monthly income” with “no financial risk.”

38. In addition, a Wealth Pools sales script indicated that Park “absolutely guaranteed” prospective Associates they would start receiving regular monthly checks within 120 days “or you will get 100% of your money back.”

39. The promise to investors that they could get 100% of their money back was baseless. Park knew when he made this statement that Wealth Pools only offered a refund of a

single product per household. Wealth Pools did not disclose this limitation to Associates until after they invested.

40. Park knew or was extremely reckless in not knowing that Wealth Pools could not, as he claimed, create regular monthly income with no financial risk for an indefinite period, because he knew that Wealth Pools' primary, if not exclusive, source of income was the recruitment of new members.

3. Misrepresentations and Omissions About the Dilutive Effect of New Associates

41. In promising regular monthly payments for an indefinite period of time, Park also failed to disclose that each new investor who qualified for the commission streams unavoidably diluted prior investors' returns because they all shared the same revenue streams.

42. The constant addition of new Associates would continually and significantly dilute Associates' returns, causing the guaranteed income for life to quickly dwindle. For Wealth Pools to have paid Associates regular monthly income it would have had to recruit new Associates in perpetuity.

4. Omissions Regarding a Similar Predecessor Company

43. Park lured investors by touting Wealth Pools' strength, success, and promising future, all without disclosing that in the late 1990s he had previously attempted a nearly identical pyramid scheme called The Winners' Circle, Inc., which ended in bankruptcy after two years.

44. The Winners' Circle sold travel and recreation packages to prospective investors. Like Wealth Pools, it focused on recruiting new distributors rather than selling the actual packages. Along with their purchases of the packages, distributors were entitled to participate in the company's Marketing Assistance Program, identical to Wealth Pools' MAP program.

45. Park, the executive director of The Winners' Circle, failed to disclose to investors that the Florida Attorney General's Office filed a complaint against him, The Winners' Circle, and others, alleging they were operating a pyramid scheme in violation of Florida law.

E. Park's Failure to Register as a Broker or Dealer While Involved in Sale of Securities

46. Park, himself and through telemarketers he managed, solicited investors to purchase Wealth Pools Associate memberships in exchange for transaction-based compensation. In total, Park received \$1.1 million in sales and override commissions.

47. Park was neither registered as a broker-dealer nor associated with a registered broker-dealer while facilitating and participating in these securities sales.

V. CLAIMS FOR RELIEF

COUNT I

SALE OF UNREGISTERED SECURITIES IN VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT

48. The Commission repeats and realleges Paragraphs 1 through 31 of this Complaint.

49. From at least March 2006 to December 2007, Park directly and indirectly: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise; (b) carried securities or caused such securities 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; or (c) made use of the 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.

50. No valid registration statement was filed or in effect with the Commission pursuant to the Securities Act, nor did any exemption from the registration requirement exist with respect to the securities and transactions described in this Complaint.

51. By reason of the foregoing, Park directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

FRAUD IN VIOLATION OF SECTION 17(a)(1) OF THE SECURITIES ACT

52. The Commission repeats and realleges Paragraphs 1 through 45 of this Complaint.

53. From at least March 2006 to December 2007, Park directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully, or recklessly employed devices, schemes or artifices to defraud.

54. By reason of the foregoing, Park directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

FRAUD IN VIOLATION OF SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT

55. The Commission repeats and realleges Paragraphs 1 through 45 of this Complaint.

56. From at least March 2006 to December 2007, Park, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the

statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices and courses of business which operated and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

57. By reason of the foregoing, Park directly and indirectly violated and, unless enjoined, is reasonably likely to 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 IV

FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER

58. The Commission repeats and realleges Paragraphs 1 through 45 of this Complaint.

59. From at least March 2006 to December 2007, Park directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities as described in this Complaint, knowingly, willfully, or recklessly: 1) employed devices, schemes or artifices to defraud; 2) 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; or 3) engaged in acts, practices and courses of business which operated as a fraud upon the purchasers of such securities and will operate as a fraud upon the purchasers of such securities.

60. By reasons of the foregoing, Park directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

COUNT V

**AIDING AND ABETTING VIOLATIONS OF SECTION 10(B)
AND RULE 10B-5 OF THE EXCHANGE ACT**

61. The Commission repeats and realleges Paragraphs 1 through 45 of this Complaint.

62. Wealth Pools, from at least August 2005 through December 2007, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully, or recklessly: (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/or (c) engaged in acts, practices and courses of business which have operated as fraud upon the purchasers of such securities.

63. Park, from approximately March 2006 through December 2007, substantially assisted Wealth Pools' 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.

64. By reason of the foregoing, Park directly or indirectly violated, and, unless enjoined, is reasonably likely to 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 VI

VIOLATION OF SECTION 15(a) OF THE EXCHANGE ACT

65. The Commission repeats and realleges Paragraphs 1 through 31 and 46-47 of this Complaint.

66. From at least March 2006 to December 2007, Park, while acting as a broker or dealer, effected transactions in, or induced or attempted to induce the purchase or sale of,

securities while he was not registered with the Commission as a broker or dealer or when he was not associated with an entity registered with the Commission as a broker-dealer.

67. By reasons of the foregoing, Park directly or indirectly violated, and, unless enjoined, is reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Park committed the violations of the federal securities laws alleged herein.

II.

Permanent Injunction

Issue a Permanent Injunction restraining and enjoining Park, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, and Sections 10(b) and 15(a) and Rule 10b-5 of the Exchange Act.

III.

Disgorgement

Issue an Order directing Park to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing Park to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application of motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 30, 2009

By:

Robert N. Levenson *EL. Rev #*
Christopher E. Martin
Senior Trial Counsel
Arizona Bar No. 018486
Direct Dial: (305) 982-6386
Facsimile: (305) 536-4154
E-mail: martinc@sec.gov

Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300