

COPY

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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AUG 02 2006

JAMES N. HATTEN, Clerk
By: JNH Deputy Clerk

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ARCHIE PAUL REYNOLDS a/k/a
DR. A. PAUL REYNOLDS, and
SUCCESS TRUST AND HOLDING
LLC,

Defendants.

Civil Action No.

06 CV 1801

COMPLAINT FOR EMERGENCY INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission ("Commission"), alleges that:

OVERVIEW

1. From as early as May 2005 through the present, Archie Paul Reynolds a/k/a Dr. A. Paul Reynolds ("Reynolds") and an entity that he controls, Success Trust and Holding LLC ("Success Trust"), have raised millions of dollars from at least 500 investors by offering and selling fraudulently interests in three investment programs.

2. The Success Trust investment scheme is comprised of three separate programs (collectively “the Programs”): the Real Estate Program, the Best Efforts 480% Annual Return Program, and the Private Party Loan Agreement.

3. The largest Program, the Real Estate Program, in which more than \$2 million was invested, projected exorbitant returns from investments in vaguely described “banking processes” which do not in fact exist. These processes were often described in vague and confusing terms, which make little or no economic sense. The Success Trust Programs resemble “Prime Bank” frauds, which have been circulating since the 1980’s.

4. Reynolds and Success Trust lured investors with offering materials that falsely claim that each Program pays projected rates of return ranging from 10% to 480% per year, and that an investment in the Program is either guaranteed or risk-free. For example, the Real Estate Program required the investor to pay a fee of \$3,000 and later \$7,500 and provide Success Trust with a power of attorney permitting it to pledge the investor’s real estate equity, generally the investor’s residence, as collateral for a loan. In exchange, Success Trust represented that it would pay off the investor’s mortgage in 36 months, plus make an additional

payment at the end of that period. Success Trust claimed that the power of attorney would be used to secure profits from a vaguely-described trading program involving a “world bank.” Success Trust represented that the investment was risk free. In fact, a risk free trading process providing the returns suggested by Success Trust does not exist.

VIOLATIONS

5. The 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 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)] 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].

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin the 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 disgorgement of illegally-obtained funds and other equitable relief.

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

8. The 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.

9. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and Exchange Act occurred in the Northern District of Georgia. For example, defendants Reynolds and Success Trust sent or caused to be sent various e-mail communications in furtherance of the scheme to investors or potential investors who reside in the Northern District of Georgia, and those residents opened those e-mails and acted on the instructions

contained in them while in that district. Additionally, various phone calls took place between Success Trust, on the one hand, and investors in the Northern District of Georgia, on the other, which were important steps in the execution or consummation of the scheme. Additionally, the real property used by at least one investor to participate in the Real Estate Program is located in the Northern District of Georgia.

10. Defendants Reynolds and Success Trust, 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

11. **Archie Paul Reynolds**, age 57, resides in Simpsonville, South Carolina. Reynolds, who calls himself Dr. A. Paul Reynolds in offering materials and communications with investors, represents himself to be the founder, main trustee, sole officer, and Chairman of Success Trust. In May 2006, the Wisconsin Department of Financial institutions issued an order prohibiting Reynolds and Success Trust from offering and selling unregistered securities in that state.

12. **Success Trust and Holding, LLC**, is a Delaware limited liability company formed on April 21, 2005. Its principal place of business is in Simpsonville, South Carolina. Reynolds owns or controls Success Trust. Success Trust acts through Reynolds, through employees, and through its commissioned sales agents, who are called Independent Representatives.

THE THREE FRAUDULENT “PRIME BANK” SCHEMES

13. Reynolds and Success Trust have promoted investments in at least three Programs, each of which offers unusually high rates of return and at least one of which is purportedly risk-free.

14. Reynolds and Success Trust have disseminated false and misleading information about the Programs by means including live presentations by Reynolds, two Internet websites (collectively, the “Website”), a recorded voice message by Reynolds, and numerous Independent Representatives around the United States, as well as various offering documents and Client Agreements tailored to each of the Programs.

15. Independent Representatives pay fees to Success Trust, and are led to expect lucrative commissions based in part on the amount of fees that they pay.

Many Independent Representatives are also investors.

16. Reynolds commingles the funds for all of the Programs in a single account, and has used this account to pay a variety of personal expenses. Neither of these facts has been disclosed to investors.

17. On information and belief, Reynolds and Success Trust have raised several million dollars by selling securities in these three Programs.

18. There has been no registration statement filed with the Commission with respect to the offering of any of the securities in the Programs offered by Success Trust.

The Real Estate Program

19. From May 2005 through the present, Success Trust has offered an alleged no-risk private placement program that purportedly allows investors to leverage their real estate equity through an international banking process (the "Real Estate Program").

20. Investors pay Success Trust a fee to participate in the Real Estate Program.

21. The amount of the fee depends upon whether that real estate is residential or commercial and the number of mortgages encumbering the real estate.

22. For example, the fee initially was \$3,000 for each residential property, plus \$1,500 for each additional mortgage on it. In June 2006, Success Trust increased the fee to \$7,500 for residential property and \$15,000 for commercial property.

23. On information and belief, Success Trust has raised at least \$2 million in fees from investors pursuant to the Real Estate Program.

24. Investors in the Real Estate Program also grant Success Trust a power of attorney giving it the legal right to obtain a loan from third parties secured by the investors' real estate.

25. Success Trust claimed on its Website that the Real Estate Program was a private placement "banking process" involving the leveraged use of the investors' real estate equity.

26. Success Trust and Reynolds represented that the investors' real estate equity would be placed in a "package," and that Success Trust acted as a "packager/facilitator" in submitting the package to a consortium, which then allegedly put the package into a "world bank platform."

27. The Website described the "complete deal" for the Real Estate Program as follows: World banks deliver a "100% letter of guarantee" to a United States bank, the United States bank opens a special non-interest-bearing account, and "[a]ll clients [i.e., investors] are attached to that account." The "client/lender" receives a "100% bank letter of guarantee," the world banks "deliver, in minutes, the binding instrument," and the United States bank is "paid in full within minutes 108%" with "no risk whatsoever" to the United States bank. The investors then receive and endorse the "final instrument" and send the documents to an identified location. Funds purportedly are released after a "[p]ackage of no less than 400M is sent to the consortium." Funds "start flowing back to the consortium processing center in 8 to 13 weeks," and then Success Trust "begins calculations for payments and commissions" and "starts sending payments" to investors. The Website further described this process as "an everyday activity at banks all over the world."

28. Success Trust represents that it acts as a packager/facilitator in conjunction with major international banking partners. For example, the Website stated that Success Trust had "representation in 21 other countries," and was affiliated with "[t]he top 15 Financial partners of the world which provide the highest security level available." The Website further stated: "Our contracts are with the top global consortium group of the world and they have in place contracts with over 30 of most [sic] experienced professionals dealing in the private placement industry." Success Trust added that these contracts "have the highest degree of security attached to them," are "highly confidential in nature," and will be cancelled if shown. In addition, Success Trust stated that "it has taken 7 years to get them in place for you, the client," and these "contracts are indeed the holy grail to the financial industry."

29. Reynolds and Success Trust lead investors to expect unusually high returns from the Real Estate Program.

30. For investors owning real estate encumbered by a mortgage, Success Trust projects in Client Agreements, on the Website, and in other materials that the Real Estate Program will generate profits sufficient to pay off the investor's entire

principal mortgage balance in monthly payments of up to 36 months, plus pay an additional amount after the close of the 36-month period.

31. Success Trust represented on its Website that it would “pay all future principal payments for 3 years starting with the first payment,” that “[t]here is always a possibility we could pay off the mortgage in 1 year but we maintain the 3 year contract,” and that any “excess funds” sent to investors “could be a substantial amount but not guaranteed. It is based on portfolio experience.” The Website added: “Wow!! What a deal!! . . . Leverage your equity and pay off that mortgage in 36 months or less without creating another loan to you!”

32. Previously, Success Trust represented that the additional amount it would pay investors after the close of the 36-month period would be equal to the appraised value of the property. However, recent Client Agreements indicate that Success Trust will use its “best efforts” to make this final payment.

33. Reynolds and Success Trust also offer an “Equity Program” as part of the Real Estate Program. The Equity Program is particularly promoted for investors who own real estate outright (although clients with mortgages can participate as well).

34. Through the Website, Client Agreements, and other materials, Reynolds and Success Trust lead investors in the Equity Program to expect high returns for 36 months.

35. The anticipated returns are based on the percentage of the appraised value of the real estate equity that the investors hold free and clear, less certain expenses.

36. The advertised rate of return for a property with no debt (*i.e.*, 100% equity) is 10% per month of the appraised value of the real estate, an annual return of 120%.

37. For example, Success Trust explained in a 2005 presentation that if residential property were appraised at \$100,000 and had no mortgage, Success Trust would pay the investor \$10,000 per month for 36 months.

38. Success Trust and Reynolds represented that investors in the Equity Program would receive additional profits. One version of the Website and Client Agreement claimed that investors in the Equity Program would receive, in addition to the monthly payments, a final payment in the 40th month equal to the

full appraised value of the real estate. Recent Client Agreements describe all of the payments as “best efforts” and based on “portfolio experience.”

39. Success Trust has represented to investors that it will also profit by the use of the investors' equity in the Real Estate Program, although Success Trust does not disclose the amount of its projected profit. The Website previously included a link to an article that stated: "banks have agreed to provide a win-win scenario in which they stand to make millions, and we (you and me) stand to make thousands and possibly millions depending on what particular assets you have available." Success Trust added: "Does Success Trust & Holding LLC stand to make a hefty profit? You bet! Do you stand to make a hefty profit? YOU BET!"

40. Reynolds and Success Trust have lulled investors into believing that investment was performing as expected by making statements to investors and Independent Representatives indicating that payments will be received in the near future.

41. For example, a taped telephone message by Reynolds that was available until April 2006 stated, “[w]e had a number of people that will be receiving their return shortly.”

42. Likewise, a newsletter from Reynolds distributed electronically in or around May 2006 answered the question “When is the money coming?” as follows: “We are almost there. I have never given you a ‘hard’ start date because the process has been unpredictable and I’ve had to exercise caution to protect you and the company.”

43. Similarly, a letter from Reynolds distributed on behalf of Success Trust in June 2006 to investors and Independent Representatives claimed “we are here at the end of the process . . . Many clients’ mortgages will be history by years’ end, while many others will be history by the end [sic] the year 2007.”

44. Notwithstanding these projections, few Real Estate Program investors have received any returns.

Best Efforts 480% Annual Return Program

45. Defendants have also offered interests in a “Best Efforts 480% Annual Return Program.”

46. Pursuant to this Program, Success Trust purportedly facilitates 12-month loans from investors for placement in “Private Lender/Private Programs.”

47. Defendants claim that the funds obtained through this Program will remain in Success Trust's bank account until the loan is accepted by an as yet unidentified third party borrower in a transaction arranged by Success Trust.

48. Defendants tell investors that the loans will pay guaranteed interest of 10% per annum and "best efforts" interest of 40% monthly (*i.e.*, 480% annually).

49. These returns are to begin six weeks and four days after the passage of a to-be-determined "Cycle Date".

50. Success Trust represents to investors that the funds they loan through the Best Efforts 480% Annual Return Program will remain in Success Trust's bank account until the loan is accepted, and funds are considered accepted "at such time as they are transferred out and the Transaction [not defined] is initiated."

Private Party Loan Agreement

51. Success Trust also offers a "Private Party Loan Agreement". The Private Party Loan Agreement is similar to the Best Efforts 480% Annual Return Program, except that the investor makes a 12-month loan directly to Success Trust, "for project(s) of the Company's choice," defined as "Transactions."

52. Success Trust promises to pay investors in the Private Party Loan Agreement “minimum guaranteed annual interest” of 10%, and also repay the principal at the end of a 12-month term (which begins at an ill-defined “Cycle Date”).

53. In addition to the minimum guaranteed annual interest, at least one Independent Representative has represented that investors in the Private Party Loan Agreement can receive substantial additional returns.

54. Success Trust represents to investors that funds loaned to it through the Private Party Loan Agreement remain in Success Trust’s bank account until the so-called Transactions are initiated, and that this takes place only in blocks of \$1,000,000.

Misrepresentations and Omissions of Material Fact

55. Reynolds and Success Trust have falsely stated that, in connection with the Real Estate Program, investor funds and/or investor real estate equity would be used in profitable, risk-free transactions involving vaguely described bank processes. In fact, such bank processes offering the exorbitant risk free profits represented by the defendants do not exist.

56. Neither Reynolds nor Success Trust had any reasonable basis for presenting the Programs as viable commercial transactions or for representing that investors would receive the exorbitant risk free profits which were projected to them. At a minimum, the defendants were severely reckless in making such representations without having any reasonable basis to do so.

57. Reynolds and Success Trust have falsely claimed that Success Trust has a relationship with the "top global consortium group of the world" and the "top 15 Financial partners of the world." In fact, Success Trust does not have such relationships, beyond possibly ordinary banking transactions.

58. An earlier version of the Website also included a link to an article titled "Monetization," which stated that Success Trust "has brokered a deal with four major banking institutions and over 180 financial outlets to tap into the equity of an owner's property" and that "banks have contracted with Success Trust & Holding LLC for 400 months! Let me REPEAT that... the banks have CONTRACTED for 33 years!"

59. Reynolds and Success Trust falsely represent that investors in the Real Estate Program will receive bank guarantees or other instruments to protect

their real property. For example, the Website stated, falsely, that Success Trust will provide “you, the client, with a 100% bank guarantee letter,” and that the guarantee would provide assurance that the “bank or STH [Success Trust] will not take my house.”

60. Similarly, a Success Trust presentation given in 2005 stated that Success Trust would “cover the contract with a Performance Bond (insurance) to give you ‘peace of mind’ that you won’t lose your property!” and that Success Trust would “issue a shareholder certificate of beneficial interest” and “certificate of membership into the Trust.” These claims were false and misleading.

61. Reynolds and Success Trust also have made numerous misrepresentations intended to deceive investors and potential investors into believing that the Programs have regulatory approval. For example, in a letter distributed in June 2006 to investors and Independent Representatives, Reynolds falsely stated that Success Trust’s transactions entail a “complete compliance checklist to be out of harm’s way from any state or any government authority including SEC” and that “the programs that I’m looking at are all federally registered and do have their number attached to them.”

62. Similarly, versions of Client Agreements used by Success Trust with some investors expressly stated: “It is understood that all platforms used for the completion of this banking process are currently federally endorsed.” This claim was false.

63. Reynolds and Success Trust also failed to disclose that the company used at least some investor funds to pay \$78,000 or more in commissions to Independent Representatives from May 2005 through June 2006.

64. Defendants also failed to tell investors that the funds from all three Programs would be commingled in Success Trust’s bank account, and that funds from this account would be used to pay various personal expenses of Reynolds.

65. The investments offered and sold by the defendants are securities. Investors in the Programs have no role whatsoever in the management of the Programs. No registration statement has been filed with the Commission in connection with any of the offerings.

COUNT I—UNREGISTERED OFFERING OF SECURITIES

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

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

67. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

68. From as early as May 2005, defendants Reynolds and Success Trust, singly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell the securities described herein, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and

(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 the securities described herein, through the use or medium of any prospectus or otherwise,

without a registration statement having been filed with the Commission as to such securities.

69. By reason of the foregoing, the defendants, directly and indirectly, singly and in concert, have violated and, unless enjoined, will 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

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

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

71. From as early as May 2005, defendants Reynolds and Success Trust, 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.

72. The defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

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

74. By reason of the foregoing, the 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 III—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)]

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

76. From as early as May 2005, defendants Reynolds and Success Trust, 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.

77. By reason of the foregoing, the 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 IV—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]**

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

79. From as early as May 2005, defendants Reynolds and Success Trust, 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.

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

81. By reason of the foregoing, the 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].

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 the defendants named in this complaint committed the violations alleged in this complaint.

II.

A temporary restraining order, preliminary and permanent injunctions enjoining the defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

III.

An order: requiring an accounting of the use of proceeds of the sales of the securities described in this complaint; requiring the disgorgement by the defendants of all ill-gotten gains or unjust enrichment with prejudgment interest to effect the remedial purposes of the federal securities laws; expediting discovery; freezing the assets and preserving the documents of the defendants, to preserve the status quo; and requiring the defendants to repatriate to a U.S. bank account designated by the Court any investor funds transferred to offshore sites.

IV.

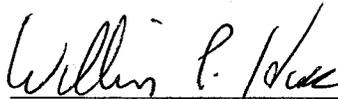
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against the defendants.

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 this 2nd day of August, 2006.

Respectfully submitted,



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