

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No.
	:	
	:	
RICHARD V. PRIDDY,	:	
1705 Severn Tree Court, Severn, MD 21144	:	
(Anne Arundel County);	:	
	:	
CHARLES L. SAMPLE,	:	
501 Defense Highway, Annapolis, MD 21401	:	
(Anne Arundel County); and	:	
	:	
J. MICHAEL BROULLIRE,	:	
7512 Old Chester Boulevard, Bethesda, MD 20817	:	
(Montgomery County),	:	
	:	
Defendants.	:	

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges the following against Richard V. Priddy, Charles L. Sample, and J. Michael Broullire (collectively “the Defendants”):

NATURE OF THE ACTION

1. From 2003 through 2006, TVI Corporation’s (TVI”) former CEO and President, Richard Priddy, and TVI’s former Executive Vice President, Charles Sample, engaged in multiple schemes, in some instances aided by their personal accountant, J. Michael Broullire, to defraud TVI and its shareholders. The schemes involved undisclosed related party transactions and compensation that violated the antifraud and various other

provisions of the federal securities laws. TVI, a public company, is a Maryland corporation headquartered in Glenn Dale, Maryland.

2. In one scheme, Priddy and Sample had Broullire create a corporate entity through which they purchased products from a supplier and significantly marked-up the prices before reselling the products to TVI. The corporate entity did not add value that would have justified the mark-ups. Priddy also had TVI pay the entity a finder's fee for a corporate acquisition even though the entity did nothing to earn the fee. Later, the Defendants created another entity that resold products from a different supplier to TVI at significantly marked-up prices. Priddy, Sample, and Broullire had agreed to split the ill-gotten profits from their schemes 42.5%, 42.5%, and 15%, respectively. These related party transactions were not disclosed to TVI and, consequently, were not disclosed in TVI's SEC filings.

3. In another scheme, Priddy increased Sample's compensation and Sample kicked-back a portion of the increased compensation to Priddy in return. Neither Priddy nor Sample disclosed to TVI this arrangement or their actual compensation, and, consequently, TVI did not disclose Priddy's or Sample's accurate compensation in its SEC filings.

4. By virtue of the conduct described in this Complaint:

a. Priddy, directly and indirectly, engaged in acts, practices, and courses of business that violated Sections 10(b) and 14(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78n(a)] and Rules 10b-5, 13a-14, 13b2-2, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-2, and 240.14a-9], and aided and abetted TVI's violations of Section 13(a) of the Exchange Act [15 U.S.C. §

b. Sample, directly and indirectly, engaged in acts, practices, and courses of business that violated Sections 10(b) and 14(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(a)] and Rules 10b-5, 13b2-2, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.13b2-2, and 240.14a-9], and aided and abetted TVI's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1]; and

c. Broullire, directly and indirectly, engaged in acts, practices, and courses of business that aided and abetted Priddy's and Sample's 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], and that aided and abetted TVI's violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1].

5. The Commission requests that the Court permanently enjoin the Defendants from further violations, or aiding and abetting further violations, of the relevant provisions of the Exchange Act.

6. The Commission further requests that, pursuant to Section 21(d)(2) of the Exchange Act, the Court permanently bar Priddy and Sample from serving as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this matter pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

8. The acts, practices and courses of business constituting the violations alleged herein have occurred within the jurisdiction of the United States District Court for the District of Maryland and elsewhere.

9. Defendants, directly or indirectly, used the mails and means and instrumentalities of interstate commerce in connection with the acts, practices, and courses of business alleged herein.

10. Defendants will, unless enjoined, continue to engage in the acts, practices and courses of business set forth in this Complaint, and acts, practices and courses of business of similar purport and object.

DEFENDANTS

11. Richard V. Priddy, 61, resides in Severn, Maryland. During the relevant period, Priddy was TVI's President and CEO, and he also was a director on TVI's board. After TVI conducted an internal investigation into some of the transactions that are the subject of this recommendation, Priddy resigned from TVI in 2007.

12. Charles L. Sample, 60, resides in Annapolis, Maryland. During the relevant period, Sample was TVI's Executive Vice President. Prior to the relevant period and again beginning in May 2005, Sample was a director on TVI's board. After TVI conducted an internal investigation into some of the transactions that are the subject of this recommendation, Sample resigned from TVI in 2007.

13. J. Michael Broullire, age 56, resides in Bethesda, Maryland. Broullire is a CPA licensed in Maryland. During the relevant period, Broullire practiced accounting with a Maryland firm and then with his own accounting business.

RELATED ENTITIES

14. TVI Corporation is a Maryland corporation headquartered in Glenn Dale, Maryland that, among other things, sells emergency response equipment. At all relevant times, TVI's common stock was registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781]. TVI's common stock initially was registered under Section 12(g) of the Exchange Act and traded on the NASDAQ SmallCap Market under the symbol "TVIN," and then the stock was registered under Section 12(b) of the Exchange Act when the NASDAQ became an "exchange." On April 1, 2009, TVI filed a voluntary Chapter 11 bankruptcy petition. In July 2009, TVI's stock was delisted from the NASDAQ SmallCap Market and deregistered from Section 12(b) of the Exchange Act. The stock currently is registered under Section 12(g) of the Exchange Act and quoted on the Pink Sheets under the symbol "TVINQ.PK".

15. Containment and Transfer Services LLC ("CATS") is a Delaware LLC with its registered office at The Corporation Trust Company in Wilmington, Delaware. CATS' business address was in Washington, D.C. Broullire incorporated CATS in 2003. Priddy and Sample were undisclosed principals of the company.

16. Torrance Emergency Response Products LLC ("TERPS") is a Maryland LLC that was located in Rockville, Maryland. Broullire is the registered agent of TERPS. In 2004, Broullire incorporated TERPS to replace CATS in selling products to TVI. Priddy and Sample were undisclosed principals of the company.

FACTUAL ALLEGATIONS

The Genesis of the Fraudulent Reselling Schemes

17. In late 2002, Priddy and Sample devised a scheme whereby they created an entity to purchase products from a supplier and then resell the products to TVI at significantly marked-up prices. The entity did not add value that would have justified the mark-ups.

18. In late 2002, Sample began discussing with a supplier the possibility of TVI purchasing products from it. Around that time, Priddy and Sample brought in their personal tax accountant, Broullire, to execute their scheme of purchasing products from a supplier and reselling the same products to TVI at marked-up prices.

19. According to the Defendants' scheme, in February 2003, Broullire formed CATS for the Defendants, he opened a bank account in CATS' name, and Priddy and Sample contributed the start-up money. Sample told the supplier that TVI would purchase its products but the supplier had to work through Broullire. Priddy and Sample also arranged for CATS to be TVI's vendor. Priddy and Sample set the prices so that CATS would resell the products to TVI at approximately double the cost.

20. In June 2003, CATS began purchasing products from the supplier and reselling them to TVI. Initially, Broullire undertook steps to further the appearance that CATS was making the products and was a legitimate supplier, such as by delivering the products to TVI and renting office space. Shortly thereafter, Broullire had the supplier ship the products directly to TVI.

21. TVI purchased products through CATS from approximately June 2003 through December 2004. TVI paid CATS more than \$2.5 million for the products, which was approximately \$1.4 million more than CATS had paid to the supplier. Priddy, Sample,

CATS' Fictitious Finder's Fee

22. In 2004, the supplier introduced TVI to a company that TVI ultimately purchased. Broullire met the company's representative on the same day TVI did. After the parties agreed to the transaction, Priddy told Broullire that he wanted a finder's fee for the purchase of the company and told Broullire to invoice TVI for \$50,000. CATS invoiced TVI for a \$50,000 finder's fee, and TVI paid CATS the money, despite neither Broullire nor CATS having played any role in introducing the company to TVI. The money was included in the CATS proceeds, which Priddy, Sample, and Broullire had agreed to split 42.5%, 42.5%, and 15%, respectively.

Scheme Involving TERPS Reselling Products to TVI

23. In late 2005, Priddy and Sample told Broullire that TVI, which had ceased purchasing products from CATS, was going to start buying products from a new supplier. Priddy and Sample proposed doing the same scheme they had done with the first supplier and CATS but with the new supplier and a new entity replacing CATS.

24. In October 2005, Sample and Broullire met with a new supplier. Later that month, Broullire incorporated TERPS for the purpose of purchasing products to resell to TVI at marked-up prices. Priddy, Sample, and Broullire were the undisclosed principals of TERPS. As with the prior scheme, TERPS did not add value that would have justified reselling the products to TVI at significantly marked-up prices.

25. During 2006, TVI paid TERPS approximately \$300,000 for products, which was approximately \$200,000 more than TERPS had paid the supplier. Priddy, Sample, and

Broullire had agreed to split the resulting profits on a percentage basis, 42.5%, 42.5%, and 15%, respectively.

Compensation from the CATS and TERPS Schemes

26. At the outset, Priddy and Sample had determined the fee arrangement by which the net profits from the CATS and TERPS transactions were to be allocated: 15% for Broullire and 42.5% each for Priddy and Sample. Accordingly, Priddy, Sample, and Broullire split several hundred thousand dollars of ill-gotten profits.

27. During the relevant period, TVI annually provided its directors and executive officers a “Questionnaire for Directors and Executive Officers” (“D&O Questionnaire”) that required them to disclose certain information. The D&O Questionnaire also stated that TVI would use the disclosed information to prepare its annual report and proxy statement and required the director and/or officer to certify that the disclosed information was true and that he knew TVI would rely upon the information.

28. During the relevant period, Priddy and Sample annually were required to complete the D&O Questionnaire. The D&O Questionnaires required Priddy and Sample to disclose their compensation from, and interest in, certain related party transactions that TVI would be required to disclose in filings with the Commission.

29. TVI was required to disclose in filings with the Commission certain related party transactions including, among others, those transactions involving its executive officers and an entity with which TVI did business if those transactions exceeded the regulatory threshold, which was \$60,000 prior to 2006 and \$120,000 thereafter. The CATS and TERPS transactions exceeded those limits in 2003, 2004, and 2006.

30. Neither Priddy nor Sample disclosed to TVI their interest in, and compensation from, CATS, and TVI did not disclose this compensation or the related party transactions to its auditors, in its 2003 and 2004 Form 10-KSBs, or in its proxy statements in connection with its 2004 and 2005 annual meetings.

31. Similarly, neither Priddy nor Sample disclosed to TVI their interest in, and compensation from, TERPS, and TVI did not disclose this compensation or the related party transactions to its auditors, in its 2006 Form 10-K, or in its proxy statement in connection with its 2007 annual meeting.

Priddy Significantly Increased Sample's Compensation and Sample Kicked Back a Share of the Payments to Priddy

32. In 2002, after Priddy was hired as TVI's President and CEO, he increased Sample's salary, arranged for Sample to receive quarterly commissions on accounts he no longer serviced, and awarded Sample annual bonuses. While TVI's board approved Sample's salary and the percentage for the commissions, Priddy had sole discretion over Sample's bonuses.

33. By 2003, Priddy began paying Sample larger bonuses than he otherwise would have received, and Sample kicked back to Priddy approximately half of his bonuses and commissions. Sample paid Priddy until they resigned from TVI in April 2007.

34. Priddy received hundreds of thousands of dollars from Sample pursuant to their undisclosed scheme to have Sample kick back a portion of his TVI compensation to Priddy.

35. During the relevant period, the annual D&O Questionnaire asked several questions that required Priddy and Sample to disclose their compensation. Although Priddy and Sample were required to disclose their total compensation from TVI and

certain other sources, neither Priddy nor Sample disclosed the foregoing payments from Sample to Priddy. Rather, Priddy and Sample affirmatively misstated their compensation; Priddy understated his compensation because he did not include the payments he received from Sample, and Sample overstated his compensation because he did not disclose the money he kicked back to Priddy.

36. TVI was required to disclose Priddy's and Sample's compensation information in certain filings with the Commission because of their compensation levels. Accordingly, TVI misstated Priddy's and Sample's compensation on required filings with the Commission, including the Form 10-KSBs or 10-Ks for the 2003-2006 fiscal years, as well as the proxy statements in connection with the 2004-2007 annual meetings.

Concealment of the Various Schemes

37. As discussed previously, on the annual D&O Questionnaires from 2003 - 2006, Priddy and Sample misstated their compensation and falsely stated that they did not engage in any related party transactions. They also falsely certified that the information they had disclosed was true. Priddy and Sample knew this information would be used in TVI's filings with the Commission, and the information also was the basis for certain management representations to the auditors.

38. Priddy also signed false or misleading management representation letters to TVI's auditor relating to its audits of TVI's financial statements for the 2003-2006 fiscal years. In the management representation letters, Priddy falsely represented each year that: 1) TVI's financial statements were prepared in conformity with generally accepted accounting principles ("GAAP"), including all required disclosures; 2) he had no knowledge of fraud or suspected fraud involving management, employees with

significant roles over financial reporting, or others where the fraud could have a material effect on the financial statements; and 3) all material related-party transactions were properly disclosed in the financial statements.

39. As TVI's CEO, Priddy was required to certify TVI's Form 10-KSBs or Form 10-Ks for the 2003-2006 fiscal years to comply with regulatory requirements. Priddy falsely certified each annual report by stating that he had reviewed each report; based upon his knowledge, the reports did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and, based upon his knowledge, he had disclosed any fraud, whether or not material, involving management to the audit committee and the audit.

FIRST CLAIM

Violation of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 Promulgated Thereunder [17 C.F.R. §240.10b-5]

40. Paragraphs 1 - 39 are realleged and incorporated by reference as if set forth fully herein.

41. As a result of the activities described in Paragraphs 1 through 39, above, Priddy and Sample, in connection with the purchase or sale of securities, by the use of the means and instrumentalities of interstate commerce, the mails, or the facilities of a national securities exchange, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of

business which operated as a fraud or deceit upon purchasers and sellers of securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5, promulgated thereunder.

42. Priddy and Sample knew, or were reckless in not knowing, of the conduct described in the allegations.

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

44. Broullire aided and abetted Priddy's and Sample's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by knowingly participating and substantially assisting in the fraudulent, related party transactions and by helping to hide the transactions from TVI.

SECOND CLAIM

Violation of Section 14(a) of the Exchange Act [15 U.S.C. §78n(a)] and Rule 14a-9 Promulgated Thereunder [17 C.F.R. § 240.14a-9]

45. Paragraphs 1 through 39 are realleged and incorporated by reference as if set forth fully herein.

46. During the relevant period, in their role as directors, Priddy and Sample, by the use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange or otherwise: solicited or permitted the use of their names to solicit proxies, consents, authorizations or notices of meetings in respect of TVI's securities which contained statements which were false and misleading with respect to material facts or omitted to state material facts necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier

communication with respect to the solicitation of a proxy for the same meeting or subject matter which became false or misleading.

47. By reason of the foregoing, Priddy and Sample violated Section 14(a) of the Exchange Act and Rule 14(a)-9 promulgated thereunder.

THIRD CLAIM

**Violation of Rule 13b2-2 promulgated under the Exchange Act
[17 C.F.R. §240.13b2-2]**

48. Paragraphs 1 through 39 are realleged and incorporated by reference as if set forth fully herein.

49. Priddy and Sample, directly or indirectly: (a) made or caused to be made a materially false or misleading statement to an accountant in connection with; or (b) omitted to state, or caused another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstance under which such statements were made, not misleading, to an accountant in connection with: (1) any audit, review or examination of the financial statements of TVI required to be made pursuant to Section 13(b) of the Exchange Act [15 U.S.C. § 78m(b)]; or (2) the preparation or filing of any document or report required to be filed with the Commission pursuant to Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] or otherwise.

50. By reason of the foregoing, Priddy and Sample violated Rule 13b2-2 promulgated under the Exchange Act.

FOURTH CLAIM

Violation of Rule 13a-14 Under the Exchange Act [17 C.F.R. § 240.13a-14]

51. Paragraphs 1 through 39 are realleged and incorporated by reference as if set forth fully herein.

52. During the relevant period, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 13a-14 under the Exchange Act, Priddy certified TVI's Form 10-KSBs or Form 10-Ks stating that he had reviewed each report; based upon his knowledge, the reports did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and, based upon his knowledge, he had disclosed any fraud, whether or not material, involving management to the audit committee and the audit.

53. Priddy knew or was reckless in not knowing that the reports he certified contained untrue statements of material fact and omitted to state material facts necessary to make the statements made therein, in light of the circumstances under which the statements were made, not misleading, and that he had not disclosed fraud involving management.

54. By reason of the foregoing, Priddy violated Rule 13a-14 promulgated under Section 302 of the Sarbanes-Oxley Act of 2002.

FIFTH CLAIM

Aiding & Abetting Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 Promulgated Thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1]

55. Paragraphs 1 through 39 are realleged and incorporated by reference as if set forth fully herein.

56. TVI filed annual reports in connection with its 2003-2006 fiscal years that contained materially false and misleading information and/or omitted material information. Accordingly, TVI violated Sections 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder.

57. The Defendants each knew, or were reckless in their failure to know, that their activity, as described in Paragraphs 1 through 39 above, was part of an overall activity by TVI that was improper.

58. The Defendants each knowingly provided substantial assistance to TVI in the commission of some or all of the violations by TVI of Sections 13(a) of the Exchange Act and Rules 12b-20 and 13a-1.

59. By reason of the foregoing, Defendants aided and abetted TVI's violations of Sections 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

A. Enter an order permanently enjoining:

1. Priddy, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the Final Judgment by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices and courses of business alleged above, or in conduct of similar purport and object, in violation of Sections 10(b) and 14(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(a)] and Rules 10b-5, 13a-14, 13b2-2, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.14a-9, 240.13a-14, and 240.13b2-2], and from, directly or indirectly, aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1];

2. Sample, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the Final

Judgment by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices and courses of business alleged above, or in conduct of similar purport and object, in violation of Sections 10(b) and 14(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78n(a)] and Rules 10b-5, 13b2-2, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.14a-9, and 240.13b2-2], and from, directly or indirectly, aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1]; and

3. Broullire, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the Final Judgment by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices and courses of business alleged above, or in conduct of similar purport and object, in violation 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], and from, directly or indirectly, aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1].

B. Enter an order permanently barring Priddy and Sample from serving as an officer or director of any issuer that has a class of securities registered under 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)].

Respectfully submitted,

/s/ Erica Y. Williams

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