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CLERK, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

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11 **UNITED STATES DISTRICT COURT**  
12 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

14 SECURITIES AND EXCHANGE  
COMMISSION,

15 Plaintiff,

16 vs.

17 LEARN WATERHOUSE, INC.;  
18 RANDALL T. TREADWELL; RICK  
D. SLUDER; LARRY C.  
19 SATURDAY; and ARNULFO M.  
ACOSTA,  
20

21 Defendants.

Case No. '04 CV 2037 W (LSP)

**COMPLAINT FOR VIOLATIONS  
OF THE FEDERAL SECURITIES  
LAWS**

22 Plaintiff Securities and Exchange Commission ("Commission") alleges as  
23 follows:

24 **JURISDICTION AND VENUE**

25 1. This Court has jurisdiction over this action pursuant to Sections 20(b),  
26 20(d)(1), and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§  
27 77t(b), 77t(d)(1), & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of  
28 the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),

1 78u(d)(3)(A), 78u(e), & 78aa. Defendants have, directly or indirectly, made use of  
2 the means or instrumentalities of interstate commerce, of the mails, or of the  
3 facilities of a national securities exchange, in connection with the transactions,  
4 acts, practices, and courses of business alleged in this complaint.

5 2. Venue is proper in this district pursuant to Section 22(a) of the  
6 Securities Act, 15 U.S.C. § 77v(a) and Section 27 of the Exchange Act, 15 U.S.C.  
7 § 78aa, because certain of the transactions, acts, practices, and courses of conduct  
8 constituting violations of the federal securities laws occurred within this district.  
9 Defendants have solicited residents of this district.

#### 10 SUMMARY

11 3. This case involves an ongoing “prime bank,” Ponzi scheme being  
12 perpetrated by Learn Waterhouse, Inc. (“LWI”), its principals, Randall T.  
13 Treadwell (“Treadwell”) and Rick D. Sluder (“Sluder”), one of its founders, Larry  
14 C. Saturday (“Saturday”), and its attorney, Arnulfo M. Acosta (“Acosta”)  
15 (collectively, “defendants”). From December 2003 through August 2004, the  
16 defendants have raised at least \$24.5 million from investors nationwide, including  
17 in California, by selling unregistered securities in the form of nine-month  
18 promissory notes, through friends, family, and the Internet.

19 4. The defendants represent that LWI pools investor funds to engage in  
20 “buy/sell” transactions in a bank trading program replete with the characteristics of  
21 a fraudulent “prime bank” scheme – specifically, a secret, invitation-only, bank  
22 trading program that yields returns ranging from 5% to 50% per month.

23 Defendants represented that one of their trading programs purportedly earned  
24 investors 500% in just 60 days. The defendants also represent that an investor’s  
25 principal is secured by a “pre-funded, cash-back instrument” issued by a top U.S.  
26 bank, which purportedly restricts LWI’s bank trading program to completely risk-  
27 free transactions.

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1 Treadwell, and others to cease and desist from selling unregistered securities and  
2 from making misrepresentations and omissions of material facts.

3 9. Defendant Randall T. Treadwell, age 46, resides in Savannah,  
4 Georgia. He is LWI's chief executive officer, chairman, manager, director, and  
5 president. Treadwell controls at least one of the accounts containing investor  
6 funds, LWI's digital currency account. He is not registered with the Commission.

7 10. Defendant Rick D. Sluder, age 47, resides in Tyler, Texas. He is  
8 LWI's vice president and secretary. Sluder controls at least one of the accounts  
9 containing investor funds, LWI's digital currency account. He is not registered  
10 with the Commission.

11 11. Defendant Larry C. Saturday, age 57, resides in Savannah, Georgia.  
12 He is a founder of LWI. Saturday solicits potential investors and directs LWI sales  
13 agents. He is not registered with the Commission.

14 12. Defendant Arnulfo M. Acosta, age 41, resides in Pasadena, Texas. He  
15 is LWI's attorney and the principal of his own law firm. Acosta is the sole  
16 signatory on the bank accounts into which investors wire their funds. Acosta  
17 offered and sold the bank trading program. The Texas Bar Association has  
18 disciplined Acosta twice for minor violations of its member rules. He is not  
19 registered with the Commission.

### 20 **THE FRAUDULENT SCHEME**

21 13. From December 2003 through August 2004, the defendants have  
22 raised at least \$24.5 million from investors nationwide through their fraudulent and  
23 unregistered public offering. Solicitations are ongoing.

#### 24 **A. The Offering Materials and the Security**

25 14. The offering materials for the bank trading program consist of a two-  
26 page loan agreement, wiring instructions for transferring funds to Acosta's bank  
27 account, an information request form, and a client payout information sheet. The  
28 information request form requires investors to represent that they were not solicited

1 by LWI and that they will keep all information they receive from LWI "strictly  
2 confidential."

3 15. The defendants have distributed the offering materials for the bank  
4 trading program nationwide.

5 16. The loan agreement states that investor funds are to be used for  
6 "venture capital funding" and "loan provisioning" for an LWI-sponsored project.  
7 In exchange, LWI typically agrees to pay the investor a monthly return of 5% to  
8 50%.

9 17. The term of the "loan" is nine months and investors have the option of  
10 "rolling over" their investment for an additional term, for which they would  
11 receive a bonus of 10% of their principal.

12 18. Treadwell countersigns the loan agreements as LWI's "manager."

13 19. The "loan agreement" is an investment contract or a promissory note.

14 20. Defendants purportedly use the proceeds from the sale of LWI's  
15 investment contracts or promissory notes to fund LWI's bank trading program.

16 21. LWI's bank trading program, being sold by defendants as an  
17 investment contract or promissory note, is a security.

18 22. The offering materials do not disclose the payment of any  
19 commission, referral, or management fees to sales agents.

20 23. Investors who are unable to come up with the minimum \$10,000  
21 investment are encouraged to pool their funds with friends and family members.

22 24. The offering materials do not include any financial statements.

23 **B. Defendants' Sales Efforts**

24 25. Defendants tell investors that LWI will use their funds to engage in  
25 "buy/sell" transactions in a bank trading program that offers returns of 5% to 50%  
26 per month.

27 26. Defendants tell some investors that one LWI bank trading program  
28 provided a 500% return in just 60 days.

1           27. Defendants represent to prospective investors that their principal is  
2 secured by a "pre-funded, cash-back instrument" secured by the "top U.S. banks,"  
3 namely, JP Morgan, Wells Fargo, and Bank of America. The defendants describe  
4 the "pre-funded, cash-back instrument" as a high-grade, AA-rated, bank instrument  
5 equal in value to the investor's principal. The defendants assure prospective  
6 investors that the bank instrument is "immediately liquid" and can be converted to  
7 cash at any time if an investor changes his or her mind about participating in the  
8 bank trading program. As is typical of prime bank schemes, the defendants  
9 characterize the bank trading program as "very, very private," "by invitation only,"  
10 and usually off-limits to small investors.

11           28. Defendants create an expectation that the bank trading program is a  
12 secured investment of investors' money with a corresponding expectation of profit  
13 derived from the efforts of the defendants.

14           29. Defendants create an expectation that investors will obtain the  
15 promised returns. LWI purportedly is motivated by the expectation of profit  
16 earned by using investor funds to fund the bank trading program.

17           30. LWI utilizes a national network of approximately 95 sales agents to  
18 solicit new prospects for the bank trading program.

19           31. Treadwell, Sluder, Saturday, and Acosta solicit prospective investors  
20 at sales seminars, over the telephone, and through the Internet.

21           32. Defendants have solicited investors who reside in the Southern  
22 District of California.

23           33. The defendants encourage prospective investors to visit LWI's  
24 website ([www.learnwaterhouse.com](http://www.learnwaterhouse.com)). Prospective investors also can elect to  
25 receive periodic e-mail newsletters from LWI.

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1 34. Treadwell, Sluder, and Saturday participate in bi-weekly conference  
2 calls with LWI's sales agents, during which they tout the success of LWI's bank  
3 trading program and downplay the significance of ongoing investigations by state  
4 securities regulators.

5 **C. Defendants' Misrepresentations and Omissions**

6 **1. LWI is a Operating a Ponzi Scheme**

7 35. Investors may withdraw their interest payments only twice a month.  
8 Investors are told to make their request through their LWI sales agent, who then  
9 forwards the request to LWI. Investor returns are paid through Acosta's bank  
10 accounts or through an online digital currency exchange account controlled by  
11 Treadwell and Sluder.

12 36. Contrary to their representations that investor returns are generated  
13 from LWI's bank trading program, the defendants instead are operating a Ponzi  
14 scheme. Because LWI's bank trading program is entirely fictitious, there are no  
15 revenues generated to make interest payments to investors. Rather, the only way  
16 that LWI is able to pay the promised returns to existing investors is by using funds  
17 from new investors or additional investments from existing investors.

18 37. From December 2003 through July 2004, \$33.8 million dollars were  
19 deposited into Acosta's accounts.

20 38. Of that amount, at least \$24.5 million, or 74%, of the total deposits  
21 came from investors. Thus, at most, \$9.3 million of the funds deposited into  
22 Acosta's accounts during this time period were from non-investor sources.

23 39. During the same time period, Acosta transferred \$17.5 million from  
24 his bank accounts to investors and sales agents, either directly or through the  
25 digital currency account controlled by Treadwell and Sluder.

26 40. Because no more than \$9.3 million of the total amount deposited into  
27 the accounts was from non-investor sources, the defendants used at least \$8.2  
28 million in investor funds to make payments to investors and sales agents. Put

1 another way, at least 46.9% of the money used to pay investor returns came from  
2 investor funds.

3 41. The undisclosed use of new investor funds to pay existing investors  
4 constitutes a Ponzi scheme.

5 **2. The Defendants are Misappropriating Investor Funds**

6 42. In addition to conducting a Ponzi scheme, the defendants  
7 misappropriated at least \$2.5 million in investor funds. Rather than using investor  
8 funds for the bank trading program, the defendants used the funds to subsidize  
9 their own bank accounts and to finance other businesses they control.

10 43. Treadwell transferred approximately \$751,000 in investor funds from  
11 the digital currency account to his own personal bank account and other business  
12 accounts.

13 44. Sluder misappropriated approximately \$15,000 in investor funds  
14 through the digital currency account.

15 45. Saturday received approximately \$18,000 in investor funds through  
16 LWI's digital currency account.

17 46. Acosta siphoned approximately \$1,700,000 in investor funds from his  
18 bank account for the benefit of entities he owns or controls.

19 47. The defendants control the accounts where investor funds are  
20 deposited and then misuse these funds through the withdrawals they make from  
21 those accounts.

22 **3. There is No LWI Bank Trading Program**

23 48. While the defendants represent that LWI uses investor funds to  
24 engage in "buy/sell" transactions in a bank trading program, there is no bank  
25 trading program.

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1 49. Nor are investor funds secured by a “pre-funded, cash-back  
2 instrument.” JP Morgan, Wells Fargo, and Bank of America do not offer any such  
3 “pre-funded, cash-back instrument,” nor do they act as the guarantors or facilitators  
4 of any transaction with LWI.

5 **D. The Defendants Are Acting With Scienter**

6 50. Based on the foregoing, the defendants know, or are reckless in not  
7 knowing, that the bank trading program is fraudulent. The defendants also know,  
8 or are reckless in not knowing, that their use of investor funds to operate a Ponzi  
9 scheme is improper and fraudulent. Further, the defendants know, or are reckless  
10 in not knowing, that their misappropriation of investor funds is improper and  
11 fraudulent. The defendants also know, or are reckless in not knowing, that their  
12 promotion and sale of a fictitious prime bank scheme is improper and fraudulent.

13 **ASSET DISSIPATION AND ONGOING FRAUD**

14 51. There is a reasonable likelihood that defendants’ fraudulent conduct  
15 will continue if they are not enjoined.

16 52. Despite two state regulators’ cease-and-desist orders against LWI,  
17 Treadwell, and Acosta, and other ongoing investigations by state regulators, the  
18 defendants continue to solicit and accept new investors for the bank trading  
19 program.

20 53. The defendants are planning to move their entire operation offshore.  
21 In July 2004, the sales agents began telling potential investors that LWI might stop  
22 accepting money from investors in the United States.

23 54. On August 16, 2004, LWI issued a “Notice of Rescission” to Florida  
24 investors, offering to return their principal along with a statutory rate of interest,  
25 but also giving them the option of converting their investment into a “new  
26 international loan agreement.” The rescission notice states that the international  
27 agreement will be with “an entirely different and unrelated entity,” yet LWI is able  
28 to transfer investor funds directly to that entity. As with its current bank trading

1 program, LWI assures investors that their principal is "fully secured and  
2 collateralized." Now, however, the bank trading program will be issued and  
3 payable only outside the United States.

4 55. At the same time, LWI now is soliciting investors in Georgia and  
5 operating under the name Grande Belgravia, Ltd. Grande Belgravia is merely  
6 another name for LWI. The defendants operate Grande Belgravia, the offering  
7 materials consist of substantially the same documents as described above, the  
8 offering materials describe the investment in similar terms, and some LWI  
9 investors have rolled their investment into Grande Belgravia.

10 56. Investors are being told to wire their funds to an account in the  
11 Netherlands Antilles.

12 **FIRST CAUSE OF ACTION**

13 **UNREGISTERED OFFER AND SALE OF SECURITIES**

14 **Violations of Section 5(a) and 5(c) of the Securities Act**

15 57. The Commission realleges and incorporates by reference each and  
16 every allegation set forth above.

17 58. The defendants, and each of them, by engaging in the conduct  
18 described above, directly or indirectly, made use of means or instruments of  
19 transportation or communication in interstate commerce or of the mails, to offer to  
20 sell or to sell securities, or to carry or cause such securities to be carried through  
21 the mails or in interstate commerce for the purpose of sale or for delivery after  
22 sale.

23 59. No registration statement has been filed with the Commission or has  
24 been in effect with respect to the offering alleged herein.

25 60. By engaging in the conduct described above, each of the defendants  
26 violated, and unless restrained and enjoined will continue to violate, Section 5(a)  
27 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

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**III.**

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and preliminary injunction freezing the assets of each of the defendants, appointing a receiver over defendant LWI, repatriating the assets of each of the defendants to the United States, prohibiting each of the defendants from destroying documents, and requiring accountings from each of the defendants.

**IV.**

Order each defendant to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

**V.**

Order defendants to pay civil penalties under 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).


**VI.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

**VII.**

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: October 11, 2004

  
\_\_\_\_\_  
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CAROL LALLY  
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Securities and Exchange Commission