

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
SPRINGFIELD DIVISION

UNITED STATES SECURITIES	:
AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
v.	: Civil Action No.
	:
BILL LARON STAPLETON,	: <u>COMPLAINT</u>
	:
Defendant.	:

Plaintiff Securities and Exchange Commission (the "Commission") for its Complaint alleges as follows:

PRELIMINARY STATEMENT

1. Stockbroker defendant Bill Laron Stapleton fraudulently misappropriated at least \$253,252 from three investor victims and deposited the misappropriated funds into a bank account that he controlled in Springfield, Illinois. At the time of the misappropriations, the victims—a U.S. Army Sergeant, a U.S. Defense Department civilian schoolteacher and a civilian employee of a U.S. defense contractor—all resided in Germany. Stapleton, a retired U.S. Army sergeant, also resided in Germany at the time of the misappropriations and was associated with Nalico Equity Corporation, which is a U.S.-registered broker-dealer with offices in Texas and in Europe. In each instance, after persuading the victims to give him funds for investment purposes, Stapleton invested some of the funds as instructed, but misappropriated the rest, often supplying phony account statements for several years thereafter to conceal his fraud.

2. By engaging in this conduct, which is described more fully below, Stapleton

violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder. The Commission brings this action to restrain and enjoin such transactions, acts, practices, and courses of business pursuant to Securities Act Section 20(b) [15 U.S.C. § 77t(b)] and Exchange Act Sections 21(d) and 21(e) [15 U.S.C. §§ 78u(d) and 78u(e)]. There is a reasonable likelihood that Stapleton will, unless enjoined, continue to engage in the transactions, acts, practices, and courses of business set forth in this Complaint.

3. The Commission also seeks a final judgment which orders Stapleton to account for and to disgorge any ill-gotten gains, with prejudgment interest, and that orders him to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)].

JURISDICTION AND VENUE

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

5. Venue lies in this District pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa] because certain acts or transactions constituting the violations occurred in this District, including the deposit of misappropriated investor funds into an account controlled by Stapleton at the Springfield Main Branch of the National City Bank of Michigan/Illinois, which is a bank located in this District.

6. Defendant Stapleton, directly or indirectly, used the means and instrumentalities of interstate commerce and the mails in connection with the conduct alleged herein, some of

which occurred within this District.

THE DEFENDANT

7. Stapleton, age 51, a retired United States Army sergeant, was a registered representative, from January 1994 through August 2001, at the Kaiserslautern, Germany branch of Nalico Equity Corporation (“Nalico”). From November 1998 through August 2001, Stapleton was also the president and majority-owner of Nalico. Nalico is a broker-dealer registered with the Commission, which operates in both the United States and Europe. From 1994 through August 2001, Stapleton also sold automobile insurance to American military and civilian personnel in Germany. Stapleton fled Germany in August 2001 after questions were raised about funds missing from his automobile insurance business. Upon information and belief, Stapleton currently resides in El Paso, Texas and works in the finance department of an automobile dealership.

OTHER ENTITIES INVOLVED

8. Nalico Equity Corporation is a registered broker-dealer that is incorporated in Delaware and headquartered in Weilerbach, Germany. Nalico holds itself out to the public as a firm dedicated to bringing financial security to American citizens in both the United States and in Europe.

9. L&S Associates (“L&S”) was an automobile insurance business, which operated from 1994 through August 2001. The principals of L&S were Stapleton and Hamilton Lindsay. Lindsay was also a registered representative at Nalico. The core business of L&S was the sale of automobile insurance to Americans living in Germany. L&S’ bank accounts, however, were located in Springfield, Illinois. Stapleton opened these accounts in the early 1990’s while stationed at a United States Army recruiting office in the Springfield area. The L&S “premium

holdings account” (account number 07132038162) maintained at the National City Bank of Michigan/Illinois, formerly known as First of America Bank (the “National City Bank Account”), was the account into which Stapleton deposited the misappropriated money that is the subject of this Complaint.

THE FRAUDULENT SCHEME

10. Stapleton misappropriated funds from three American customers who were working abroad in Germany. These American customers were David Lawson, Jr., Teresa L. Kriner, and Frederick L. Smith. In each instance, Stapleton invested some of his customers’ funds as promised, but misappropriated the rest. In each instance, the misappropriated portion consisted of monies that the customer had given to Stapleton to invest in certain funds that he had recommended. These Stapleton-recommended funds were managed by Eagle Star International Life Limited (“Eagle Star”), now known as Zurich International Life Limited. Eagle Star is located on the Isle of Man.

11. In each case, Stapleton deposited the misappropriated funds into the National City Bank Account that he controlled. Once the embezzled funds were deposited into this account, the money was used by Stapleton to support his lifestyle and to operate his automobile insurance business.

12. Following each misappropriation, and continuing until his flight from Germany, Stapleton took intentional steps to conceal his theft. For example, Stapleton provided his customers with counterfeit Eagle Star account statements, which falsely assured them that he had invested their funds as instructed and that these investments were performing well. By the time of Stapleton’s disappearance, almost all of the money in the National City Bank Account had been depleted.

THE DEFRAUDED CUSTOMERS

David Lawson, Jr.

13. David Lawson, Jr., now a retired United States Army Sergeant, was the first customer defrauded by Stapleton. Lawson served on active duty in the U.S. Army from 1979 until his retirement in 1999. Lawson was stationed in Germany from 1989 through 1998. It was during his deployment in Germany that he met Stapleton.

14. In the fall of 1996, Stapleton introduced himself to Lawson as a U.S.-licensed securities professional. Lawson told Stapleton that he had \$80,000 in savings—accumulated over the course of Lawson’s then 17-year U.S. Army career—which he wanted to invest. Lawson told Stapleton that he wanted to allocate 60% of his savings to a lower risk investment, which assured long-term growth, and to allocate the remaining 40% to a higher risk investment. Citing Lawson’s investment objectives, Stapleton recommended that he invest in two different Eagle Star investment products: (i) the Eagle Star Elite International Bond (“EIB”), which Stapleton said would yield a guaranteed return of 8% per year, and (ii) the Eagle Star Supra Fund (“Supra Fund”), which Stapleton described as a “medium to higher risk” product.

15. Lawson accepted Stapleton’s investment advice and entrusted him with two cashier’s checks, each drawn on a U.S. bank and payable to Eagle Star. Lawson directed Stapleton to invest the funds from the \$30,000 check in the Supra Fund and to invest the funds from the \$50,000 check in the EIB investment product. Based on Stapleton’s advice, Lawson also agreed to make future contributions, through monthly automatic credit card payments, directly to the Supra Fund. Of the two cashier’s checks received from Lawson, Stapleton invested only the funds from the \$30,000 check for Lawson. With respect to the \$50,000 check, Stapleton deposited it into the Stapleton-controlled National City Bank Account. Stapleton

never invested this \$50,000 in any Eagle Star or other investment product for Lawson. Instead, Stapleton spent this misappropriated money on, among other things, his L&S insurance business.

16. Even though Stapleton never invested Lawson's \$50,000 as directed, Stapleton furnished Lawson with fabricated "policy schedules," which falsely represented that Stapleton had invested his \$50,000 in the EIB investment product. Stapleton also provided Lawson, on at least two occasions during the Spring of 1997 and Spring of 1998, with fictitious summaries of his Eagle Star accounts. These summaries falsely confirmed that Stapleton had, pursuant to Lawson's instructions, fully invested his \$80,000 in two Eagle Star products—when in fact Stapleton had invested only \$30,000 of Lawson's money in Eagle Star—and falsely indicated that both of these investments were performing well.

17. In early 1998, Lawson was transferred from Germany to Ft. Hood, Texas. Lawson returned to Germany, however, in August 1999. During Lawson's U.S. deployment, Stapleton continued to make false oral representations to him concerning the favorable performance of his non-existent EIB holding. For example, Stapleton told Lawson that his fictional EIB holding was enjoying an annual growth rate of 12%.

18. In approximately May or June of 2000, Stapleton scheduled a meeting with Lawson at the Brauhaus restaurant in Friedburg, Germany. Stapleton asked Lawson to bring with him every document that he had concerning his EIB investment. At that meeting, Stapleton deceitfully told Lawson that the EIB investment product was no longer available to Americans and that he immediately needed to close out his investment. Stapleton compounded this untruth by telling Lawson that his EIB holding had grown in value to \$81,000. Stapleton also claimed to have an \$81,000 check for Lawson, which purportedly represented Lawson's principal and earnings from the EIB investment. Stapleton told Lawson, however, that before he could release

the check to him, Lawson needed to hand over the original documents concerning his EIB holding. Lawson complied with Stapleton's request and gave to Stapleton all of the documents that he was able to locate at that time—including the original receipts that Stapleton had given to Lawson in exchange for his \$30,000 and \$50,000 cashier's checks.

19. Stapleton did not, however, give Lawson the purported \$81,000 check. Instead, Stapleton recommended that Lawson reinvest the funds from this non-existent \$81,000 check in a different investment managed by Oppenheimer Funds. Lawson followed Stapleton's advice and directed Stapleton to execute the Oppenheimer Funds transaction. Subsequently, in or around July of 2000, Lawson informed Stapleton that he needed \$1,000. Stapleton furnished Lawson with a \$1,000 check and he again falsely assured Lawson that he would invest the phantom \$80,000 with Oppenheimer Funds. Stapleton, however, never made this investment because he had already embezzled and spent Lawson's original \$50,000. Nonetheless, sometime in the Spring or Summer of 2001 when Lawson asked Stapleton about the performance of his Oppenheimer Funds investment, Stapleton falsely responded that it was "down to \$76,000."

20. Several months after Stapleton's disappearance, Lawson contacted Stapleton's office to inquire about his investments. At that time, Lawson learned that Stapleton had fled Germany and also learned that he did not have any assets managed by Oppenheimer Funds. Lawson next contacted Eagle Star and received more bad news concerning the extent of Stapleton's deceit. Eagle Star informed Lawson that: (i) Stapleton had never invested his \$50,000 in the EIB investment product; (ii) Stapleton had only invested his \$30,000 in the Supra Fund; (iii) the only other assets that Lawson had with Eagle Star were his automatic monthly investments made directly with Eagle Star; and (iv) the "policy schedule" that Stapleton had given him, which reflected a \$50,000 EIB holding, was a forgery. In total, Stapleton

misappropriated at least \$49,000 from Lawson.

Teresa L. Kriner

21. Teresa L. Kriner, formerly known as Teresa L. Everest, a United States Department of Defense civilian schoolteacher based in Kaiserslautern, Germany, was the second customer defrauded by Stapleton. When Stapleton met Kriner, he represented to her that he was a U.S.-licensed securities professional. Kriner then sought and received investment services from Stapleton.

22. In June of 1997 and November of 1998, Kriner entrusted Stapleton with funds intended for investment. On both occasions, Kriner endorsed a third-party check—made payable to her and drawn on a U.S. bank—and then gave it to Stapleton. The first check, in the amount of \$127,849.40, was drawn on the corporate account of Franklin-Templeton Funds and represented money that Kriner had inherited from a deceased relative. The second check, in the amount of \$69,193.87, was drawn on a law firm trust account and represented proceeds from the sale of a home in South Carolina in which Kriner had an interest.

23. In June of 1997, Stapleton prepared a typed recommendation for Kriner concerning the investment of at least \$115,000 of her \$127,849.40. Stapleton's investment proposal was not for the entire amount of her inheritance check because Kriner had informed Stapleton that she intended to use some of the funds to retire an automobile loan and to pay graduate school tuition.

24. Stapleton advised Kriner to invest: (i) \$100,000 in the EIB investment product; (ii) \$10,000 in an Individual Retirement Account ("IRA") at Oppenheimer Funds; and (iii) \$5,000 in the AIM Global Fund. Stapleton also advised Kriner to make future monthly investments in an Eagle Star Vista Policy and to transfer her existing IRA from Fidelity

Investments to Oppenheimer Funds.

25. Kriner approved Stapleton's investment plan and authorized him to make each of his recommended investments. Stapleton handled Kriner's funds, however, in a manner contrary to his investment advice and her instructions. Rather than investing Kriner's money as she had directed, Stapleton, on or about June 25, 1997, deposited her \$127,849.40 check into the Stapleton-controlled National City Bank Account. Stapleton then proceeded to invest and disburse only a small portion of Kriner's funds as instructed. In particular, Stapleton used \$10,000 of Kriner's money to open an Oppenheimer Funds account and another \$5,000 to open an AIM Global Fund account. Stapleton also provided Kriner with some of her funds, which she used to retire an automobile loan and/or to pay graduate school tuition. The remainder of Kriner's money, however, was misappropriated by Stapleton.

26. Stapleton never invested Kriner's \$100,000 in the EIB investment product as she had instructed. Instead, Stapleton used Kriner's \$100,000 to support his lifestyle and to operate his L&S insurance business. Despite this fact, Stapleton subsequently furnished Kriner with false documents showing that she had an EIB holding which was initially funded with a \$100,000 contribution.

27. In November of 1998, Kriner again turned to Stapleton for investment advice regarding proceeds from the sale of her South Carolina home. As she had done before with the \$127,849.40 inheritance check, Kriner endorsed a \$69,193.87 check, which comprised her share of the home sale proceeds, and gave it to Stapleton. In accordance with Stapleton's advice, Kriner instructed him to invest \$9,000 of the \$69,193.87 in a custodial account for her infant daughter and to invest the remainder with Eagle Star. In direct contravention of Kriner's instructions, however, Stapleton invested only a small portion of the \$69,193.87 and

misappropriated the rest. Specifically, Stapleton deposited the \$69,193.87 check into the Stapleton-controlled National City Bank Account and, although Stapleton used \$9,000 of the \$69,193.87 to open a custodial account for Kriner's infant daughter at Oppenheimer Funds as directed, he simply embezzled the remaining \$60,193.87. In total, Stapleton misappropriated at least \$160,193.87 from Kriner.

Frederick L. Smith

28. Frederick L. Smith, a civilian computer expert for a United States Air Force defense contractor in Germany, was the third customer defrauded by Stapleton. Smith presently resides in Austin, Texas.

29. Smith began making investments through Stapleton in September of 1997. In reliance on Stapleton's advice, Smith opened an Eagle Star Vista policy with an initial investment of \$5,000 and also enrolled to make subsequent automatic monthly contributions to the same investment. The following year, Smith engaged Stapleton to invest \$38,000 in the EIB investment product.

30. Finally, in the Fall of 1999, Smith used Stapleton to make an additional investment with Eagle Star. This time, following investment advice that he had received from Stapleton, Smith gave Stapleton a \$35,000 check and two checks totaling \$50,058.55, which represented proceeds from Smith's sale of two mutual funds managed by the AIM Funds. Smith then directed Stapleton to invest the money from the three checks in the Eagle Star Elite International Personal Portfolio Bond. Smith also directed Stapleton to place shares of common stock that he held in three U.S. companies in the same Eagle Star Elite International Personal Portfolio Bond account into which the other funds were supposed to be invested. Stapleton handled the \$35,000 check and securities as directed, but pilfered the \$50,058.55 in proceeds

from Smith's AIM Funds holdings.

31. Specifically, on or about October 19, 1999, Stapleton deposited the proceeds from Smith's AIM Funds investments (in the form of two AIM Funds checks, one for \$23,943.23 and the other for \$26,115.32, both made payable to Smith, but endorsed by Smith and tendered to Stapleton) into the Stapleton-controlled National City Bank Account. Smith's \$50,058.55 was never invested, as he had directed, with Eagle Star. Stapleton simply spent Smith's \$50,058.55 on, among other things, his L&S insurance business.

32. During the course of Stapleton's fraudulent scheme, Smith advised Stapleton that he was seriously ill and Smith indicated that he did not expect to live for more than five years. In October of 2000, Smith advised Stapleton that he needed some of the money that he understood was invested with Eagle Star in order to pay for medical treatment in the United States. Stapleton then gave Smith a check for \$6,000 which was drawn on the Stapleton-controlled National City Bank Account. Stapleton said that he would later reimburse himself for this \$6,000 check from Smith's Eagle Star account, but never did so. Thus, in total, Stapleton misappropriated at least \$44,058.55 from Smith.

COUNT I

Violations of Sections 17(a)(1), (2) and (3) of the Securities Act

33. Paragraphs 1 through 32 are realleged and incorporated by reference as if set forth fully herein.

34. From 1996 through 2001, Stapleton, knowingly or recklessly, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud.

35. From 1996 through 2001, Stapleton, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, obtained money and property by means of untrue statements of material fact or 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 engaged in transactions, practices or courses of business which operated as a fraud and deceit upon purchasers.

36. By reason of the activities described above, Stapleton violated Securities Act Sections 17(a)(1), (2) and (3) [15 U.S.C. §§ 77q(a)(1), (2) and (3)].

COUNT II

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

37. Paragraphs 1 through 36 are realleged and incorporated by reference as if set forth fully herein.

38. From 1996 through 2001, Stapleton, knowingly or recklessly, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and instrumentalities of interstate commerce and of the mails, employed, schemes and artifices to defraud; has made untrue statements of material fact and has 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 has engaged in acts, practices and courses of business which operated as a fraud and deceit upon the customers discussed in paragraphs 13-31 above.

39. By reason of the activities described above, Stapleton violated Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that the Court:

I.

Find that defendant Stapleton committed the violations charged and alleged herein.

II.

Issue a Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Stapleton from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2), and 77q(a)(3)], 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.

Issue an Order requiring Stapleton to provide an accounting regarding his disposition of the misappropriated investor funds, as well as requiring Stapleton to provide a sworn identification of any and all assets, foreign or domestic, in his name or in which he has or had, at any time since 1996, a beneficial interest or over which he exercises or exercised, at any time since 1996, direct or indirect control, including, without limitation, all property (whether real or personal), accounts with financial institutions (including, but not limited to, bank accounts, savings accounts, securities or brokerage accounts, and investments and deposits of any kind), and insurance products, annuities or policies.

IV.

Issue an Order requiring Stapleton to disgorge the ill-gotten gains that he received as a result of his wrongful conduct, including prejudgment interest thereon.

V.

Issue an order requiring Stapleton to pay civil penalties 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)].

VI.

Grant such other relief as the Court deems just and proper.

Dated: October 1, 2004
Washington, D.C.

Respectfully submitted,



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