

**ORIGINAL**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
BEAUMONT DIVISION**

FILED-CLERK  
U.S. DISTRICT COURT

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TX EASTERN-BEAUMONT

BY Adele M. Sullivan

**Judge Heartfield**

Civil Action No.

**1101CV-621**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

RONALD K. RANDOLPH, Individually and d/b/a  
INTERNATIONAL POLYMERS WORKS, INC.

**COMPLAINT**

The United States Securities and Exchange Commission ("Commission") files this complaint against Defendant Ronald K. Randolph ("Randolph"), individually and doing business as International Polymers Works ("IPW), and would respectfully show the Court as follows:

**SUMMARY**

1. The Commission brings this case against Defendant Randolph, a Baptist Minister, doing business as IPW, a plastics business in Beaumont, Texas. Randolph used his position as a minister to defraud members of his congregation and other religious entities of \$3.5 million. Targeting the African-American community, Defendant Randolph sold IPW securities to approximately 130 individuals and 25 religious entities from 1997 through 2000.

2. In selling these securities, Randolph made numerous misrepresentations and omissions of material fact concerning, among other things, IPW's business prospects, the projected returns on IPW securities and the use of investor funds. Contrary to Defendant Randolph's representations, IPW had minimal business operations and was incapable of paying

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the promised returns to investors. Randolph simply used investor monies to make *Ponzi* payments to prior investors and to pay his personal expenses.

3. By engaging in the conduct detailed in this Complaint, Defendant Randolph directly or indirectly, singly or in concert, has engaged, and, unless enjoined and restrained, will continue to engage in transactions, acts, practices and courses of business that 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), 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.

#### **JURISDICTION AND VENUE**

4. The investments offered and sold by the Defendant are “securities” under Section 2(1) of the Securities Act [15 U.S.C. §77b] and Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c].

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)], to permanently enjoin the Defendant from future violations of the federal securities laws. To prevent further investor losses, the Commission seeks an order of this Court which: 1) permanently enjoins the Defendant, his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future 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 Exchange Act [15 U.S.C. §78j(b)] and of Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]; 2) requires Defendant Randolph to disgorge his ill-gotten gains plus prejudgment interest; and 3) imposes a civil money penalty against the Defendant pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

6. This Court has jurisdiction over this action, and venue is proper, pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Section 27 of the Exchange Act [15 U.S.C. §78aa].

7. The Defendant, directly or indirectly, singly or in concert, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the Eastern District of Texas.

#### **DEFENDANT**

8. **Ronald K. Randolph**, age 48, of Beaumont, Texas, is a Baptist minister. In 1988, Randolph began operating IPW, a sole proprietorship, engaged in the plastics business.

#### **THE DEFENDANT'S SCHEME TO DEFRAUD**

9. Defendant Randolph, in addition to his duties as a minister, operated IPW, a small plastics company in Beaumont, Texas. According to Randolph, IPW served as a conduit between sellers and buyers of plastic materials, matching customers seeking plastic materials

with manufacturers who sold them. Randolph also led investors to believe that IPW developed, manufactured and marketed plastic products.

10. IPW was not a profitable business. Despite this fact, Defendant Randolph began selling IPW securities in 1997, falsely representing the nature of the investment interests being sold, as well as IPW's business operations and financial health. For example, he told investors that IPW was a profitable company that had several contracts with major corporations such as Exxon, Dupont and Dow Chemical, with gross sales of \$4.4 million. In addition, Randolph falsely advised investors that IPW had contracted to do business with China and Taiwan. Randolph also deceived investors about the safety of their investments, the use of their investment funds, and the promised investment returns. Randolph told investors that their funds were insured by Lloyds of London, that their funds would be used strictly for business purposes and would yield annual returns between 7 and 30 percent. In reality, IPW had minimal business operations and Randolph simply used investor monies to make *Ponzi* payments to prior investors and to pay his personal expenses. From 1997 through November 2000, Randolph fraudulently sold over \$3.5 million of IPW securities to approximately 130 individual investors and 25 religious organizations in numerous states.

11. In selling the securities of IPW, Randolph targeted members of his congregation at the Pilgrim Rest Missionary Baptist Church in Beaumont, as well as members of other churches and religious organizations, to which he belonged. Defendant Randolph conducted investment seminars at local churches, advising investors, both orally and through offering

materials that he authored, that IPW securities, available only to African-Americans, offered a way for African-Americans to support “black-owned” businesses.

12. The IPW offering materials promised investors returns of 7 to 15 percent. In his oral presentations, however, Randolph tended to improvise, varying the promised investment rates and at times projecting returns up to 30 percent. Randolph represented to prospective investors that investment funds would be used to run IPW’s business and that investors would be paid returns from business profits.

13. In reality, Randolph conducted a *Ponzi* scheme by using investor funds to pay principal and interest due to earlier investors. In fact, Defendant Randolph spent at least \$1.87 million of investor funds to pay prior investors. Additionally, Defendant Randolph misappropriated at least \$630,000 of investor funds for his personal use, including the purchase of automobiles, furniture, and electronics, as well as for the payment of utility, credit card and his children’s college tuition bills.

**THE DEFENDANT’S MISREPRESENTATIONS  
AND OMISSIONS OF MATERIAL FACTS  
IN FURTHERANCE OF HIS SCHEME TO DEFRAUD**

14. Defendant Randolph’s oral representations and the written offering materials he provided to investors and prospective investors contain numerous misrepresentations of material facts, and omit to disclose facts that are material.

15. Defendant Randolph falsely represented to investors that IPW was a profitable company capable of generating the investment returns that he promised.

16. Defendant Randolph falsely represented to investors that their funds would not be at risk because he had obtained insurance to guarantee their safety.

17. Defendant Randolph falsely represented to investors that IPW would use investor funds solely for business operating expenses and to manufacture, develop and market its plastic products.

18. The Defendant Randolph falsely represented to investors, orally and in writing, that IPW had secured lucrative contracts with six major domestic oil companies.

19. Defendant Randolph falsely represented to investors, orally and in writing, that IPW had gross sales of \$4.4 million.

20. Defendant Randolph falsely represented to investors, orally and in writing, that IPW had a significant presence in the international marketplace, and he also falsely represented that IPW had supply contracts with China and Taiwan.

21. Defendant Randolph failed to disclose to investors that he had no reasonable basis for representing that investors would receive annual returns of up to 30 percent.

22. Defendant Randolph failed to disclose to investors that IPW did not have significant revenue from its business operations.

23. Defendant Randolph failed to disclose to investors that he had been using funds from later investors to pay returns to certain earlier investors, *i.e.*, that he was merely operating a *Ponzi* scheme.

## CAUSES OF ACTION

### FIRST CLAIM

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

24. The Commission repeats and realleges paragraphs 1 through 23 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

25. Defendant Randolph, directly or indirectly, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails has: (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 operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

26. As a part of and in furtherance of his scheme, Defendant Randolph, directly and indirectly, prepared, disseminated or used written offering documents and made oral presentations which contained untrue statements of material facts, and which 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, including, but not limited to, those set forth above.

27. The Defendant made the above-referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.

28. By reason of the foregoing, Defendant Randolph, has violated and, unless enjoined, will continue to violate the provisions 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].

**SECOND CLAIM**

**Violations of Section 17(a)(1) of the Securities Act**

29. The Commission repeats and realleges paragraphs 1 through 23 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

30. Defendant Randolph, directly or indirectly, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, has: (a) employed devices, schemes or artifices to defraud; (b) obtained money or 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 (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

31. As part of and in furtherance of this scheme, the Defendant directly and indirectly, prepared, disseminated or used written offering documents and made oral presentations, which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth above.

32. The Defendant made the above-referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.



33. By reason of the foregoing, Defendant Randolph has violated, and unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

**THIRD CLAIM**

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

34. The Commission repeats and realleges paragraphs 1 through 23 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

35. Defendant Randolph, directly or indirectly, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, has: (a) employed devices, schemes or artifices to defraud; (b) obtained money or 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 (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

36. As part of and in furtherance of this scheme, the Defendant, directly and indirectly, prepared, disseminated or used written offering materials and made oral presentations which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth above.

37. The Defendant, directly or indirectly, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce made the above-referenced misrepresentations and omissions negligently.

38. By reason of the foregoing, Defendant Randolph has violated, and unless enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§77q(a)(2) and (3)].

#### **FOURTH CLAIM**

##### **Violations of Sections 5(a) and 5(c) of the Securities Act**

39. The Commission repeats and realleges paragraphs 1 through 23 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

40. Defendant Randolph, directly or indirectly, has been offering to sell, selling and delivering after sale, certain securities and has been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise, (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation such securities for the purpose of sale and for delivery after sale, and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

41. As described above, IPW securities were offered to the public through a general solicitation of investors. No registration statement had been filed with the Commission or was otherwise in effect with respect to these securities.

42. By reason of the foregoing, Defendant Randolph has 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 (c)].

### **RELIEF REQUEST**

**WHEREFORE**, Plaintiff Securities and Exchange Commission respectfully requests that this Court:

#### **I.**

Enter an Order permanently enjoining Defendant Randolph, his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§77e(a), 77e(c) and 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and of Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder;

#### **II.**

Enter an Order requiring Defendant Randolph to disgorge an amount equal to the funds and benefits he obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

#### **III.**

Enter an Order imposing a civil penalty against the Defendant pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], for the violations alleged herein.

IV.

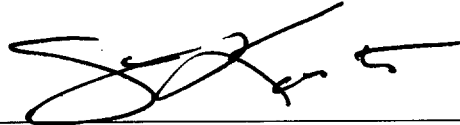
Enter an Order requiring the Defendant to file with this Court and serve upon Plaintiff Commission, an accounting, under oath, of (1) all monies and other assets he received, directly or indirectly, from investors in the securities described in the Commission's Complaint; (2) all assets in which the Defendant has a beneficial interest, directly or indirectly, wherever they may be located and by whomever they are being held; and (3) all accounts with any financial institution or securities brokerage firm maintained in his name or for his benefit on or after January 1, 1997.

V.

Enter an Order for such further relief as this Court may deem just and proper.

For the Commission, by its attorneys:

Dated this 5<sup>th</sup> day of September 2001.



STEPHEN J. KOROTASH  
(Attorney-in-Charge)  
Oklahoma Bar No. 5102  
SPENCER C. BARASCH  
District of Columbia Bar No. 388886  
WILL J. FERGUS  
Member, New Jersey Bar  
Attorneys for Plaintiff

UNITED STATES  
SECURITIES & EXCHANGE COMMISSION  
801 Cherry Street, Suite 1900  
Fort Worth, Texas 76102  
(817) 978-3821/-6490  
FAX: (817) 978-4927