

COPY

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

RICHARD J. BRIDEN,  
EMPOWERMENT FUNDING GROUP, LLC,  
and INFOPRO GROUP, LTD.

Defendants.

CIVIL ACTION NO. 99 CV 11009 RCL  
COMPLAINT  
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Plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION"), for its  
Complaint, alleges that:

PRELIMINARY STATEMENT

1. The Commission brings this enforcement action to enjoin defendant Richard J. Briden ("Briden") from further violations of the securities laws and to seek assessment of a penalty. The Commission seeks to enjoin Briden, a Massachusetts business consultant, and his closely held corporate entities, from offering and selling unregistered securities in the form of "prime bank" securities that Briden asserted would pay investors extraordinarily high returns. Since at least early 1998 to the present, defendant Briden has used Internet websites, electronic bulletin board postings and Internet e-mails, as well as direct personal solicitation, to offer and sell these purportedly risk-free high yield investment opportunities.

2. During 1998, Defendant Briden established Internet websites in the name of Empowerment Funding Group, LLC ("Empowerment") and Infopro Group, Ltd. ("Infopro"), two corporate entities he founded, owns and controls, to solicit investors for at least two prime bank investment programs. Defendant Briden has misled investors by representing that he offers and sells investments in prime bank securities, as such securities and trading programs do not exist; that investors will earn enormous rates of return while retaining full control of their funds at all times; and that the touted investments are risk-free.

3. Defendant Briden's first program requires a minimum investment of \$1 million, promises the investor the right to invest with a "Nationally Chartered or International Bank," guarantees returns of "over 100% per week" for 40 trading weeks, and purports to use investor funds as collateral in a risk-free transaction ("Million Dollar Programs"). At least three individuals responded to defendant Briden's solicitations with executed agreements providing Briden 25% to 30% commissions from investor returns, although no funds were actually invested.

4. Defendant Briden's second program, known as "Acorn", accepts less than a \$1 million investment. The program promises returns of 640%, over a 40 week period, purports to place investor funds in a trading program conducted by European trading groups, and guarantees the safety of investor funds. At least seven individuals invested a total of \$295,000 which Briden pooled and wired off-shore to a bank account in Guernsey. The funds have since disappeared from the Guernsey bank account.

5. In connection with this scheme, defendants Briden, Empowerment and Infopro, directly and indirectly have engaged, are engaging or are about to engage in transactions, acts,

practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), as amended, [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), as amended, [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder-[17 C.F.R. § 240.10b-5], Section 5(c) of the Securities Act [15 U.S.C. §§ 77e(c)] and Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

6. The COMMISSION seeks a permanent injunction prohibiting the defendants from violating the securities registration, anti-fraud and broker-dealer registration provisions of the Securities Act and the Exchange Act. In addition, the COMMISSION seeks the imposition of civil monetary 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)].

#### JURISDICTION

7. 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)].

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa]. Many of the acts and practices complained of herein occurred within the District of Massachusetts.

9. In connection with the conduct alleged, the defendants have made use of the means and instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

## DEFENDANTS

10. Defendant Briden is 63 years old, a resident of Ashland, Massachusetts, and the founder and sole owner of defendants Empowerment and Infopro. He was licensed as a Certified Public Accountant in Rhode Island and employed as an accountant until 1970. From 1970 until 1995, he held various managerial positions with a number of small, privately-held companies in New England.

11. Defendant Empowerment is a Delaware corporation founded in November 1997 by defendant Briden to facilitate the placement of clients into prime bank trading programs. Defendant Briden operates defendant Empowerment out of his home and maintains a website, in the corporate name, which offers prime bank investments.

12. Defendant Infopro is a Massachusetts corporation founded in 1995 by defendant Briden for the purpose of assisting businesses to obtain financing from conventional sources such as banks and venture capitalists. Defendant Infopro has had approximately 20 clients since its formation. Defendant Briden also maintains a website in the corporate name of defendant Infopro which contains information about investment in prime bank instruments.

## FACTS

### **Briden Creates Internet Websites Touting his Prime Bank Securities Offering**

13. In early 1998, using information he gathered from other websites and electronic bulletin boards, defendant Briden set up two websites on the Internet, one under the name of defendant Empowerment and one under the name of defendant Infopro. Both sites continue in existence and promote "European Private Placement Programs." Readers are instructed to

initiate the process of investment in a trading program by downloading, completing and submitting a Non-Disclosure and Non-Circumvention Agreement and providing Briden with proof of \$1 million in available funds. These sites have been "visited" by Internet explorers over 500 times.

#### Misrepresentations Contained in Briden's Websites

14. The sites contain a number of misrepresentations concerning the operation of these programs including, among others, that:

- a. Sophisticated and internationally savvy individuals use these programs to generate massive levels of funding because the programs generate high yields (commonly over 100%) and are risk-free.
- b. Large prominent European Trading Banks allow the program manager to leverage funds at a much higher level than the 50% allowed in U.S. stock market transactions.
- c. The actual profits generated by these programs are considerably higher than the amount shared with the investor. The balance of the return is used to finance international humanitarian projects approved by the U.S. Federal Reserve and/or the International Monetary Fund.
- d. The program manager uses the investor funds as a type of collateral to enable the program manager to trade "first issue debentures" of the largest of Western European International Banks in multiple transactions in which the program manager assumes all risk of loss.
- e. Astonishing returns are available to "those who can break from the limiting understandings of more conventional investments" and that "even the diehard skeptic has nothing to lose by entering a program."

#### Briden Attempts to Place Three Investors in Million Dollar Prime Bank Programs

15. Defendant Briden falsely represents to potential investors via the Internet and otherwise that the Million Dollar programs involve a small group of tightly controlled trading

groups who trade "First Issue Debentures" of Europe's largest banks; and that these trading groups trade on behalf of select investors who commit to keep at least \$1 million of their funds in a bank or brokerage account as a type of collateral. Defendant Briden falsely represents that investor funds are used as collateral for one hundred or more trades thereby generating astronomically high returns. Defendant Briden falsely states that the proposed investment is risk-free because investors' funds never leave the investors' bank or brokerage accounts. Finally, Defendant Briden falsely claims that this trading activity is approved by the U.S. Federal Reserve Bank.

16. In approximately early October 1998, defendant Briden received three client referrals from Rick Fulcher ("Fulcher"), a defendant named in another prime bank fraud action filed by the Commission, SEC v. Koontz, Civil Action No. 98cv11378-NG (D. Mass., September 17, 1998). Defendant Briden and Fulcher conversed with these investors in conference calls in which Briden explained the Million Dollar trading programs.

17. Following the October 1998 conference calls, each investor sent Briden proof of \$1 million in available funds. Upon receipt of proof of funds, Briden sent each investor a package of materials, including a General Terms and Conditions Agreement and a Power of Attorney. The Power of Attorney named defendant Briden as Attorney-in-Fact for the investor. The General Terms and Conditions Agreement provided that Briden would receive 25%, and in at least one instance, 30%, of the investor's returns. It also provided that if the investors were accepted into a trading program, they would earn rates of return ranging from 120% per month to 400% a month.

18. Defendant Briden obtained signed General Terms and Conditions Agreements and Powers of Attorney from the three investor referrals but failed to place them in the touted Million Dollar Programs. Briden stated to the potential investors that all available trading programs had closed. Briden destroyed all documentation relating to his purported attempts to place investors in the Million Dollar prime bank trading programs.

**Briden Offers and Sells the "Acorn" Prime Bank Program to Seven Investors**

19. In approximately the Fall of 1998, defendant Briden organized a joint venture under the name Ledgemere Associates for the purpose of pooling investor funds in a prime bank investment program known as "Acorn". The program was run by an off-shore investor group called Mutual and accepted investors with less than \$1 million to invest. Defendant Briden prepared and sent joint venture agreements to seven investors. Briden signed the joint venture agreements as President of defendant Infopro and Managing Partner of defendant Empowerment which were parties to the agreement. Each of the seven investors signed a joint venture agreement which gave defendant Briden authority to invest their funds in the Acorn investment program. The joint venture agreements called for profits to be divided with 70% going to investors and 30% allocated as commissions, fees and a profit share to defendants Infopro and Empowerment. The seven investors, variously located in Massachusetts, Maine, New Jersey and Florida, invested a total of \$295,000 with defendant Briden.

20. Investor funds were pooled and deposited into a bank account, or accounts, controlled by defendant Briden. On or about October 21, 1998, defendant Briden wired the

investors' funds to a bank account controlled by Mutual at the Royal Bank of Scotland in Guernsey, Channel Islands in the name of RPM Corporate Services, Ltd.

21. The joint venture agreements signed by the Acorn investors falsely represented that the investors would receive a return of 16% per week for 40 weeks or a total 640% return on their investment. The agreements also falsely represented that investors may reinvest 50% of their weekly return to increase returns to up to 270% a week. No return has been paid.

22. Defendant Briden also misled Acorn investors with lulling statements to explain the failure to receive timely, promised investment returns including:

- a. On or about November 21, 1998, just over a month after defendant Briden wired the investors' funds off-shore, he falsely informed investors that the trading group had moved their account to a new trading bank that would pay an even higher interest rate of 20% per week, and that trading in the new program would begin the next week with "payout" before Christmas, 1998.
- b. On or about December 4, 1998 (a Friday) defendant Briden falsely informed investors that trading would begin on December 7, 1998 (Monday) and that he had obtained a new written guarantee that profits would, at least, double their investment. He assured investors that "there will definitely be a payout before Christmas, 1998."
- c. On or about December 10, 1998, defendant Briden informed investors that trading had started, that their funds were pooled with funds totaling \$180 million, and that the first payout would be before Christmas, 1998, as promised.
- d. On or about December 21, 1998, defendant Briden informed investors that trading had been delayed due to a Swiss bank's "usual 4 week holiday." He assured investors that if there were any further delays, he would "withdraw and get back all our funds."
- e. On or about February 12, 1999, defendant Briden informed investors that trading should begin on February 16, 1999, that the "Director of the Trading Group" was embarrassed because of the delays; and that the program had paid out returns for over 20 months before the delays in this particular program.



- f. On or about February 21, 1999, defendant Briden informed investors he had been advised that trading had started on February 18, 1999 and that the initial payout would be "sometime next week."
- g. On or about March 6, 1999, defendant Briden informed investors that their funds had been moved to an "entirely new trading program" because two people at the first trading bank were involved in fraud in the renting of Treasury Bills and "the FEDS" had closed down the program.
- h. On or about March 12, 1999, defendant Briden informed investors that the new program would "definitely trade next week (week starting 15th)."
- i. On or about March 25, 1999, defendant Briden informed investors they may have to wait for payment to "the week following Easter."

23. As of this date, the Acorn investor funds, which total \$295,000, have not been invested nor paid any return as defendant Briden promised, and, in fact, have disappeared from the Guernsey account to which defendant Briden transferred the funds.

#### FIRST CLAIM

#### **FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES (Violations of Exchange Act Section 10(b) and Rule 10b-5)**

24. Plaintiff repeats and realleges paragraphs 1 through 14 and 19 through 23 above.

25. Defendants, singly and in concert, directly or indirectly, intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails: (a) have employed, or are employing devices, schemes, or artifices to defraud; (b) have made, or are making untrue statements of material facts or have omitted, or are omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) have engaged, or are engaging, in acts, practices, or courses of business which have operated, or are operating as a fraud or deceit upon persons, in connection with the purchase or sale of

securities as set forth above, in violation of Section 10(b) of the Exchange Act (15 U.S.C. §78j(b)) and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

26. Defendants' conduct involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of 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)].

### SECOND CLAIM

#### **FRAUD IN THE OFFER AND SALE OF SECURITIES (Violations of Securities Act Section 17(a))**

27. Plaintiff repeats and realleges Paragraphs 1 through 23 above.

28. Defendants, singly and in concert, directly and indirectly, intentionally, knowingly or recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly: (a) have employed, or are employing devices, schemes, or artifices to defraud; (b) have obtained, or are obtaining 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 the light of the circumstances under which they were made, not misleading; and (c) have engaged, or are engaging in transactions, acts, practices, or courses of business which operate, are operating or are about to operate as a fraud upon purchasers of securities as set forth above, in violation of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

29. Defendants' conduct involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to

other persons, within the meaning of 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)].

### THIRD CLAIM

#### **OFFER OF UNREGISTERED SECURITIES (Violations of Securities Act Section 5(c))**

30. Plaintiff repeats and realleges Paragraphs 1 through 23 above.

31. Defendants, singly and in concert, directly and indirectly, have made, are making or are about to make use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed and for which no exemption from registration has been available.

32. By reason of the transactions, acts, practices and courses of business set forth herein, the defendants, have violated, are violating or are about to violate Section 5(c) of the Securities Act [15 U.S.C. § 77e(c)].

### FOURTH CLAIM

#### **EFFECTING SECURITIES TRANSACTIONS FOR THE ACCOUNT OF OTHERS WITHOUT BEING REGISTERED WITH THE COMMISSION AS A BROKER-DEALER (Violations of Section 15(a) of the Exchange Act)**

33. Plaintiff repeats and realleges Paragraphs 1 through 23 above.

34. Defendants directly or indirectly: (i) have engaged, are engaging or about to engage in the business of effecting transactions in securities for the account of others; (ii) are either persons other than a natural person or a natural person not associated with a broker-dealer which is a person other than a natural person (other than such broker or dealer whose business is exclusively intrastate and who

does not make use of any facility of any national securities exchange); have made, are making or are about to make use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of any security (other than exempted) security or commercial paper, bankers' acceptances, or commercial bills) without being registered in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

35. By reason of the transactions, acts, omissions, practices and courses of business set forth herein, the defendants have violated, are violating or about to violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

#### FIFTH CLAIM

##### **CIVIL MONETARY PENALTIES**

(Statutory Penalties for Violations of Sections 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a) and (c) and 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder)

36. Plaintiff repeats and realleges Paragraphs 1 through 35 above.

37. Defendants' violations of Sections 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(c) and 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons.

38. By reason of foregoing their alleged conduct, the defendants are liable for 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. § 78(d)(3)] in an amount to be determined by the Court.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully requests that this Court enter a Final Judgment:

I.

Permanent restraining and enjoining defendants Briden, Empowerment and Infopro and each of them, from violating, directly or indirectly, singly or in concert:

- a. 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];
- b. Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];
- c. Section 5(c) of the Securities Act [15 U.S.C. § 77e(c)]; and
- d. Section 15(a) of the Exchange Act [15 U.S.C. § 77o(a)];

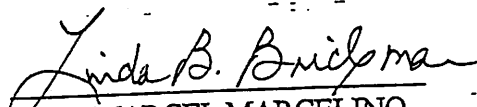
II.

Ordering defendants Briden, Empowerment and Infopro 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. § 78(d)(3)] in an amount to be determined by the Court; and

III.

Ordering such other and further relief as this case may require and the Court deems appropriate.

Respectfully submitted,

  
Linda B. Bridgman

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Dated: May 11, 1999