

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MONROE L. BEACHY,

Defendant.

C.A. No.

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the “Commission”) alleges as follows:

INTRODUCTION

1. This case involves a multi-million-dollar fraudulent offering scheme operated by Defendant Monroe L. Beachy (“Beachy”), a 77-year-old member of the Ohio Amish community.

2. From as early as 1986 through June 2010, Beachy, doing business as A&M Investments, raised at least \$33 million from more than 2,600 investors through the offer and sale of investment contracts. The vast majority of Beachy’s investors were Amish. Beachy told the investors that their money would be used to purchase risk-free U.S. government securities, which would generate returns for the investors.

3. In reality, Beachy used investor money to make speculative investments. Until he filed for Chapter 7 bankruptcy in June 2010, Beachy never told his investors that he had lied about how he was investing their money. Beachy also never told his

investors that he had experienced significant losses on the underlying investments.

Beachy provided his investors with monthly account statements that showed fabricated gains.

4. When Beachy filed for bankruptcy, less than \$18 million remained from approximately \$33 million of investor money.

5. By engaging in this conduct, which is described more fully below, Beachy violated Sections 5(a), 5(c), and Section 17(a)(1), (2), and (3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2), and (3)], and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION

6. 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(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue is proper in this Court 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. Beachy transacted business in the Northern District of Ohio and the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Northern District of Ohio and elsewhere.

8. Beachy, directly and indirectly, has made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts,

transactions, practices, and courses of business alleged herein.

DEFENDANT

9. Monroe L. Beachy is a 77-year-old resident of Sugarcreek, Ohio. Beachy did business under the fictitious name of A&M Investments. Beachy was formerly a registered representative of H.D. Vest Advisory Services Inc., but his registration was voluntarily terminated in 2004.

FACTS

10. Beginning as early as 1986, Beachy, doing business as A&M Investments, offered and sold securities in the form of investment contracts.

11. Beachy offered and sold investment contracts to his fellow Amish and to others.

12. Beachy offered and sold investment contracts by himself. Beachy maintained his own books and made all investment decisions on his own.

13. Beachy raised more than \$33 million from at least 2,600 investors from 29 states, including Ohio.

14. If investors asked, Beachy told them that their money was going to be used to purchase risk-free U.S. government securities, which would generate returns for the investors.

15. Beachy enticed investors by promising interest rates greater than banks were offering at the time.

16. Investors purchased investment contracts from Beachy by either hand-delivering or mailing checks or cash to Beachy. At the time of the investment, Beachy did not give his investors any documents regarding the investment other than a

handwritten receipt showing the amount invested.

17. Beachy did not make financial statements available to his investors.

18. Many, if not most, of Beachy's investors were not accredited investors.

19. Beachy mailed investors monthly statements showing, among other things, the rate of return being earned and the overall account balance.

20. Many of Beachy's investors treated their investment accounts with Beachy like money market accounts. They believed their accounts were highly liquid, and that they could withdraw their money at any time.

21. Because Beachy's offer and sale of investment contracts continued for such a long period of time, some members of the older generation of Amish investors recommended to their children that they invest with Beachy. Amish children did in fact purchase investment contracts from Beachy.

22. Beachy's representations to investors that their money was being used to purchase risk-free U.S. government securities were false. In reality, Beachy used investor money to make speculative investments, including Ginnie Mae securities, high yield (junk) bonds, mutual funds, and stocks.

23. Because Beachy's investments were speculative, they lost money from time to time. In fact, the speculative nature of the investments caused Beachy to lose investor principal. During at least the last decade of Beachy's scheme, based on the loss of investor principal, Beachy would not have had the ability to meet redemptions if there were a "run on the bank."

24. Beachy's representations on the investor monthly statements regarding the rate of return being earned and the overall account balance were false.

25. Beachy did not disclose his losses to investors. Instead, Beachy maintained the charade that the investors were making money.

26. As of June 30, 2010, Beachy's investors believed, based on the fabricated monthly statements Beachy had sent them, that they had approximately \$33 million invested with Beachy. In reality, less than \$18 million of investor money remained.

27. On June 30, 2010, Beachy filed for Chapter 7 bankruptcy. In his bankruptcy schedules, he admitted that less than \$18 million remained from approximately \$33 million of investor money.

COUNT I
Violations of Sections 5(a) and (c) of the Securities Act
[15 U.S.C. §§ 77e(a) and (c)]

28. Paragraphs 1 through 27 above are re-alleged and incorporated herein by reference.

29. By his conduct, Beachy, directly or indirectly: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities as to which no registration statement was in effect; and (iii) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

30. No valid registration statement was filed or was in effect with the

Commission in connection with Beachy's offer and sale of the investment contracts.

31. By reason of the foregoing, Beachy violated Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

COUNT II
Violations of Section 17(a)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]

32. Paragraphs 1 through 31 above are re-alleged and incorporated herein by reference.

33. By his conduct, Beachy in the offer or sale of securities in the form of investment contracts, by the use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly, has employed devices, schemes or artifices to defraud.

34. Beachy acted with scienter.

35. By reason of the foregoing, Beachy violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III
Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

36. Paragraphs 1 through 35 above are re-alleged and incorporated herein by reference.

37. By his conduct, Beachy, in the offer or sale of securities in the form of investment contracts, by the use of the means or instruments of transportation and communication in interstate commerce and by the use of the mails, directly or indirectly, has 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; or has engaged in transactions, practices or courses of business which have operated as a fraud or deceit upon purchasers of securities from Beachy.

38. By reason of the foregoing, Beachy violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT IV

**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]**

39. Paragraphs 1 through 38 above are re-alleged and incorporated herein by reference.

40. By his conduct, Beachy, in connection with the purchase or sale of securities in the form of investment contracts, by the use of the means or instrumentalities of interstate commerce or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact and omitted 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) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

41. Beachy acted with scienter.

42. By reason of the foregoing, Beachy violated 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].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

A. Permanently enjoining Beachy, his agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from further violations of Sections 5(a), 5(c), 17(a)(1), (2), and (3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2), and (3)]; and 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. Ordering Beachy to pay an appropriate civil monetary penalty 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)];

C. Retaining jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and to 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 the Court; and

D. Granting such further relief as the Court may deem appropriate.

Respectfully Submitted,

/s/ Brian D. Fagel

Brian D. Fagel (Illinois Bar No. 6224886)

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