

**ORIGINAL**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION**

**SECURITIES AND EXCHANGE COMMISSION,**

Plaintiff,

vs.

**KURTIS KEITH LOWE, WOODY KEITH LOWE  
JERRY LYNN RUYLE and ROBERT ALEN  
BLACKBURN**

Defendants.

FILED  
MAY 31 2000  
BY: *Path*  
Civil Action No. *400-CV-0467-A*

**400 - CV - 0467 - A**

**COMPLAINT**

Plaintiff, the United States Securities and Exchange Commission (the "Commission"), for its Complaint against defendants Kurtis Keith Lowe, Woody Keith Lowe, Jerry Lynn Ruyle and Robert Alen Blackburn would respectfully show the Court as follows:

**SUMMARY**

1. Defendants, using the assumed name of Omega Financial Services ("Omega"), successfully exploited the fears and frailties of over seventy-five (75) senior citizens living on fixed incomes and bilked these people out of over \$4.5 million dollars. Simply put, many of these elderly investors were cheated out of their life's savings.

2. Through the use of newspaper advertisements, some even placed in the obituary columns of local newspapers, defendants advertised high-return, "no risk" investments targeted directly at the elderly. Among other things, defendants' advertisements lured elderly investors with representations that Omega offered safe and

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secure investments such as “FDIC INSURED CD’S.” Once lured, however, using classic “bait and switch tactics,” defendants sold their elderly clients fraudulent investment notes. These notes, issued by Chemical Trust (“Chemical”), falsely represented as a “business trust” purportedly in the business of purchasing and selling distressed properties, U.S. Treasury backed securities and “Bank Notes,” were the investment tools used in a nationwide “ponzi” scheme. Defendants’ elderly investors’ funds were diverted offshore and used for numerous unauthorized purposes, including, but not limited to, paying defendants outrageous, undisclosed commissions of as much as 30%. Defendants collectively pocketed over \$600,000 of their elderly client’s life’s savings from this scheme.

3. The Commission, in the interest of protecting the public from such callous and unscrupulous tactics, brings this action seeking to permanently enjoin defendants from further violations of the federal securities laws, civil monetary penalties appropriate for such predatory practices and an accounting and disgorgement of defendants’ ill-gotten gains, plus prejudgment interest thereon.

#### **JURISDICTION**

4. The Court has jurisdiction over this action pursuant to Section 20(d) and 22(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §77t(d) and §77v(a)], and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§78u(d), 77u(e) and 78(aa)].

#### **PARTIES**

5. **Kurtis Keith Lowe** (“K. Lowe”), age 36 and a resident of Fort Worth, Texas, maintained an Omega office in a Fort Worth suburb, and recruited insurance

salesmen from across Texas to sell the Chemical investment under the Omega name. K. Lowe distributed offering materials to the salesmen, reviewed their investor paperwork, and facilitated their sales of the investment. He also personally raised approximately \$500,000 through sales of the Chemical investment to at least 10 investors for which he received approximately \$120,000 in commissions. K. Lowe is currently licensed to sell insurance in Texas and twice in the past has attempted to obtain a securities license, but in both instances he failed to pass the required exams.

6. **Woody Keith Lowe** (“Woody Lowe”), age 59 and a resident of Hereford, Texas, maintained an Omega office in Amarillo, Texas. Woody Lowe is the father of K. Lowe. Woody Lowe raised over \$2 million through the sale of the Chemical investment to at least 25 investors and received approximately \$300,000 in commissions. Woody Lowe is currently licensed to sell insurance in Texas.

7. **Jerry Lynn Ruyle** age 53 and a resident of Flint, Texas, maintained an Omega office in Tyler, Texas. He raised approximately \$1.3 million through sales of the Chemical investment to at least 25 investors, for which he received approximately \$130,000 in commissions. Ruyle is currently licensed to sell insurance in Texas.

8. **Robert Alen Blackburn** age 34 and a resident of Arlington, Texas, maintained an Omega office in Dallas, Texas. He raised approximately \$600,000 from at least 15 investors, for which he received approximately \$58,000 in commissions. He is currently licensed to sell insurance in Texas.

9. The Commission is an agency of the United States of America and brings this action pursuant to its authority under Sections 20(b) and 20(d) of the Securities Act, [15 U.S.C. §77t(b, d)], and by Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d).

### **RELATED NON-PARTIES**

10. **Chemical Trust** was a purported business trust with principal offices in West Palm Beach, Florida, Birmingham, Alabama and Seneca, South Carolina. It was the issuer of the investment notes defendants sold to their elderly investors. Chemical is currently in receivership. All of its principals were either indicted or entered into plea agreements. Prior to the actions brought by the SEC and criminal authorities, several states initiated actions against Chemical for the sale of unregistered securities. Moreover, in 1997, Chemical's president was permanently enjoined for fraud by Georgia and ordered to cease and desist unregistered securities activities by Pennsylvania in an unrelated scheme involving the sale of other guaranteed investments.

11. **U.S. Guarantee Corporation** ("USGC") is a Nevada corporation with its principal offices in Scottsdale, Arizona. It provided bogus surety bonds supposedly guaranteeing defendants' elderly investors' principal. USGC is also in receivership and its president pled guilty to federal conspiracy charges for his participation in the Chemical scheme. Previously, the president was convicted of fraud in 1989 for which he received a seven year probated sentence, and filed for bankruptcy in July 1998.

### **BACKGROUND FACTS**

12. From at least April 1999 until January 2000, Chemical raised over \$40 million from at least 1,275 investors located throughout the United States by offering and selling unregistered securities in the form of "guaranteed contracts." These "guaranteed contracts" were basically promissory notes that were allegedly "guaranteed" by the issuance of a surety bond by USGC. Chemical permitted its sales agents, including defendants herein, to promise investors annual returns as high as 25%, with the salesmen

retaining as undisclosed compensation, the difference between the 25% and the actual percentage offered investors. The duration of the Chemical contracts ranged from 1 to 6 years. Chemical offered an additional 5% return per annum if the investor agreed to forgo the monthly interest payments in favor of a lump sum annual payment. Chemical also offered to pay any penalties incurred by an investor for early withdrawal of their funds from other investments, such as annuities or certificates of deposit. Investors were told that the investment was approved for IRA accounts and that Chemical could provide a custodian.

13. Chemical, through its offering documents and sales agents, like defendants, represented to investors that their funds would be used to purchase U.S. Treasury backed financial instruments, “Bank Notes” purchased at large discounts from Federal Reserve banks, and distressed properties that would be redeveloped and sold. Chemical also claimed that the investment was risk free due to the issuance of surety bonds by USGC, which purportedly guaranteed investors’ principal with “over \$2 billion in assets.” The offering documents further claimed that Chemical had been in business for over fourteen years and had over \$750 million in assets.

14. The Chemical investment operation was a total scam. Virtually every representation made to investors about the nature and terms of the investment was an outright fabrication. No government backed securities were ever purchased. No Bank Notes were ever purchased. No real estate was ever purchased. Instead, investor funds were used by Chemical to support its principals’ lavish lifestyles, to pay sales agents their undisclosed, outrageous compensation, and to make ponzi payments to investors. The representations concerning USGC were also totally false. USGC did not have “over \$2

billion in assets,” or any other assets for that matter, to secure the surety bonds it issued to Chemical investors.

**A. Omega Salesmen Target Elderly Investors**

15. K. Lowe first learned of the Chemical investment in June 1999, through a newspaper advertisement for an investment promising 10% return with no risk. After calling Chemical’s toll free telephone number, he received offering materials directly from Chemical that contained many of the representations discussed above regarding the purchase of Bank Notes and the issuance of surety bonds.

16. In early July 1999, K. Lowe arranged a meeting among himself, Woody Lowe, and the principal of Chemical in Atlanta, Georgia. At the meeting, the Lowes were told that Chemical had been in business fourteen years, had over \$750 million in assets, and worked with some of the richest individuals in the world. K. Lowe asked the principal if the Chemical investment was a security. In response, the principal told the Lowes that securities regulators would argue that the investment was a security, but that because of the way Chemical was set up, trust law placed the activity out of statutory law. Chemical’s principal also told K. Lowe that Chemical’s attorneys were “working” on a legal brief to demonstrate that the investment was not a security.<sup>1</sup> After the meeting, K. Lowe signed an agreement with Chemical to be a sales agent, which, among other things, provided that he would receive a 5% override on all sales by each salesman that he recruited.

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<sup>1</sup> Notably, no legal opinion was ever produced by Chemical, and none of the Omega salesmen ever obtained a legal opinion that the investment was not a security.

**B. The Formation of Omega Financial Services**

17. Shortly after signing his agreement with Chemical, K. Lowe opened an office in a Fort Worth suburb for the purpose of offering and selling the Chemical investment under the assumed name, "Omega Financial Services." Similarly, Woody Lowe began to offer the Chemical investment out of his Amarillo, Texas insurance office under the Omega name. K. Lowe also recruited his friend, defendant Blackburn, to set up an Omega office in Dallas, Texas. Finally, Ruyle, a friend of Woody Lowe, was recruited to operate an Omega office in Tyler, Texas. All of these salesmen, who were licensed insurance agents, began offering the Chemical investment in mid to late July 1999. None of the salesmen recruited by K. Lowe ever signed an agreement with Chemical, and other than Woody Lowe, none of the recruited salesmen ever directly contacted Chemical or USGC. The defendants were not registered as brokers or associated with a registered broker during the time they were selling the Chemical investment.

**C. The Omega Salesmen's Failure to Conduct Due Diligence**

18. Before selling the Chemical investment, none of the Omega salesmen conducted any meaningful due diligence to verify the phenomenal claims of Chemical and USGC. Incredibly, despite being advised by Chemical that securities regulators would view the Chemical investment as a security, neither K. Lowe nor Woody Lowe ever contacted a state or federal regulatory agency to determine whether the Chemical notes constituted securities. Nor did they obtain legal advice about their proposed sales activity from an attorney. Moreover, none of the defendants ever requested audited financial statements from either Chemical or USGC. None of the defendants ever

attempted to learn the names of, or contact, the Federal Reserve banks from which the “Bank Notes” were purportedly being purchased. Nor did they attempt to learn the location of distressed properties purportedly being bought and sold by Chemical. And, in light of the fact that Chemical would have to generate in excess of 35% percent profit just to pay the potential commissions due to Chemical’s sales representatives and investors, defendants never investigated Chemical’s ability to return a profit.

19. K. Lowe and Woody Lowe, beyond conducting no meaningful inquiry into Chemical’s ability to perform as promised, learned facts that placed them on notice of Chemical’s misrepresentations. First, although Chemical claimed to have been in operation for fourteen years and to have over \$750 million in assets, the Lowes learned that Dun and Bradstreet (“D&B”) had no record of the company. Second, K. Lowe learned that USGC was not registered as a federal surety company and further learned from the Insurance Department for the State of Arizona, where USGC was headquartered, that USGC was not registered as an Arizona surety company. When Lowe questioned “someone” at USGC about its failure to register with either the state of Arizona or the federal agency, he was advised that since it was a “private surety company,” USGC did not have to be registered. K. Lowe never bothered to verify this excuse with the Arizona Department of Insurance. The state of Arizona requires all companies that issue surety bonds in Arizona, whether privately or publicly-held, to be registered with the department. The Texas Department of Insurance has the same requirement for surety bonds issued to Texas residents. None of the defendants ever contacted the Texas Department of Insurance to inquire about USGC.



**D. The Omega Commission Structure**

20. Chemical permitted each representative to promise clients up to a 25% annual return on their investment. In addition, Chemical offered a 5% bonus if the investor agreed to receive the promised return at the end of the contract period, instead of monthly. The Chemical representatives, like defendants, had complete discretion in determining how much of the 25% or 30% return to offer to their clients. The representative's commission percentage was the difference between the 25% or 30%, and the amount of return promised to clients. For example, if a salesman offered a 10% annual return to an investor, the salesman received a 15% annual commission on the total amount of the investment over the life of the investment for the monthly income contracts and 20% on the annual contracts.<sup>2</sup>

21. Defendants offered investors returns ranging between 8% and 12%, without informing them of the resulting 13%-17% base commission to themselves. In some instances, defendants offered an additional bonus of 1%, instead of the 5% Chemical allotted, to those investors who agreed to forego monthly interest payments. In many instances, defendants not only failed to inform the investors about the 5% bonus, but simply kept it all for themselves. Unknown by their elderly investors, the defendants stood to received as much as 22% in annual commissions. Thus, the salesmen, who had no money at risk, were to earn more than the client on most sales made through Omega.

22. Chemical also paid a 5% annual overriding commission to K. Lowe, paid monthly over the life of the investment, on all sales made by the defendants he recruited.

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<sup>2</sup> Under the terms of this example, if a client was offered a 10% return on a \$100,000 investment, the salesperson earned a 15% commission, or \$15,000 annually for the life of the contract on the monthly payment contracts and up to 20% on the annual contracts. The defendants expected to make hundreds of thousands, if not millions, of dollars in compensation over the life of the investments.

Therefore, the Chemical investment would have to return a minimum of 30% annually, to pay the investor return, the representative's commission, and the 5% override. For those investors who chose to forego monthly payments, and thus Chemical would pay an additional 5% return, the minimum necessary annual return would be 35%. This is before taking into account Chemical's expenses and anticipated profits. None of the foregoing was disclosed to investors and none of the defendants ever questioned Chemical's ability to return such extraordinary returns to cover these costs.

**E. Defendants Solicit and Victimize Senior Citizens**

23. Defendants targeted elderly investors in offering the Chemical investment. Defendants primarily used newspapers to advertise investments with fixed returns, monthly payments, safety of principal, and no stock market risk. These investment factors are typically desired by elderly investors who cannot afford to lose their money in more risky investments with no guarantee. Woody Lowe and Ruyle also sought to attract the attention of individuals nearing retirement by placing many of their advertisements with the question "Retiring?" In addition, Woody Lowe placed his advertisements in the obituary section of the newspaper in hopes of attracting the attention of elderly individuals.<sup>3</sup>

24. The vast majority of the individuals successfully solicited by the defendants were elderly, including many whom were in their seventies. These investors depended on fixed income from annuities, certificates of deposit and money market accounts to pay their daily living expenses and could not afford to lose their principal.

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<sup>3</sup> Woody Lowe and Ruyle also solicited their existing insurance clients, many of whom were elderly. They capitalized on the trust developed during their longstanding business relationships with their clients to sell the Chemical investment.

The defendants not only knew of the conservative investment objectives of their clients, they actively exploited these objectives through offering the Chemical notes. Defendants, in many instances, made promises that the investors could not lose their principal under any conditions, that the investments would generate monthly returns, and that the Chemical rates were superior to their existing investments.

25. Many of these investors suffered devastating hardships as a result of losing much of their life savings in this investment. Although there were over seventy-five (75) victims, the following are representative of the types of investors solicited and victimized by defendants.

26. John Hickman is an 83-year-old resident of Dallas, Texas who invested his life savings of \$150,000 with Chemical, through K. Lowe and Blackburn. At the time of his investment, Mr. Hickman was a resident of a private nursing facility, and confined to a wheelchair. Mr. Hickman saw the advertisement in the paper and contacted Blackburn who agreed to go and see him. K. Lowe and Blackburn traveled to the nursing home and solicited Mr. Hickman, representing that the investment was just like investing in a certificate of deposit. Hickman agreed to invest his \$150,000. Blackburn contacted Mr. Hickman shortly after the Commission's action against Chemical and falsely told him that he would be getting most of his money back. Due to the loss of his life savings, Mr. Hickman was forced to leave his private nursing home and is now dependent upon Medicaid benefits to live.

27. Mr. and Mrs. Ira and Ella Mae Burrell, ages 82 and 79 respectively, are residents of Amarillo, Texas, and invested \$120,000, almost all of their life savings, in Chemical through Woody Lowe. The Burrells contacted Woody Lowe after they saw an

advertisement he placed in an Amarillo newspaper. Woody Lowe told them that the Chemical investment was guaranteed and safe. Based on his representations, they liquidated an annuity and invested with Chemical. The Burrells intended to live off of the money they invested with Woody Lowe and needed it to pay for Mrs. Burrell's medical expenses associated with her emphysema.

28. Ms. Ann Cameron is a 58-year-old widow, and a resident of Arlington, Texas. She invested \$15,000 in Chemical through Woody Lowe. Ms. Cameron learned of the investment through her sister, who saw the advertisement in an Amarillo newspaper, and told her that she knew Woody Lowe from church and found him to be a good Christian gentleman. She traveled to Amarillo and met with Woody Lowe at his office where he told her that the investment was just as safe as a certificate of deposit and was backed by a surety bond issued by USGC. Ms. Cameron has Parkinson's disease and is no longer able to work. She lives in an assisted retirement center and cannot afford the loss of this money.

29. Mr. and Mrs. Charles and Loraine Graham, ages 76 and 77 respectively, are residents of Tyler, Texas, and invested \$70,000, all of their life savings, in Chemical through Ruyle. The Grahams saw an advertisement placed by Ruyle in a Tyler newspaper. Ruyle told the Grahams that a bank is not a secure investment, the Chemical investment was better than a certificate of deposit, and that they would receive a surety bond from USGC to secure the investment. The Grahams informed Ruyle that this money was going to be used to help pay for treatment of Mrs. Graham's health problems and that they could not afford to lose this money. Upon learning of the problems with Chemical from a letter sent by the Chemical receiver, the Grahams contacted Ruyle who

told them that he had invested his own money with Chemical and that it was not his fault that Chemical was a scam. In fact, Ruyle never invested a dime of his own money with Chemical.

**F. The Omega Sales Force's Fraudulent Conduct**

30. Each of the defendants lured investors with false advertisements that offered investments with annual returns of between 8% and 11%, that were "Insured," "Guaranteed," and had "No Risk." Moreover, in an obvious "bait and switch" sales tactic, some of the advertisements touted "FDIC INSURED CD'S" with "No Service Fees."<sup>4</sup> K. Lowe and Blackburn opened their Omega offices for the sole purpose of offering the Chemical investment, not for the purpose of selling certificates of deposit. The defendants' advertisements quoted rates of returns in excess of then current certificate of deposit rates. And importantly, defendants rarely, if ever, offered their clients certificates of deposit, but to the contrary, actively encouraged their clients to liquidate their existing certificates of deposit and annuities and invest those monies in the Chemical notes. Needless to say, during these discussions, defendants failed to disclose the outrageous and exorbitant commissions each would receive from Chemical.

31. Defendants falsely represented to investors that the Chemical investment would pay returns in excess of contemporary certificate of deposit rates, with absolutely no risk to principal. Specifically, they represented to investors that their funds would be

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<sup>4</sup> One advertisement used by all of the defendants stated "BEFORE YOU CD, SEE US."

used by Chemical to trade in Bank Notes and government backed instruments issued by the U.S. Treasury and to buy distressed properties, and that their principal investment was secured by a surety bond issued by USGC. Similar to their misleading advertisements, defendants compared the safety of the Chemical investment to that of a certificate of deposit insured by the Federal Deposit Insurance Corporation. Worse still, defendants falsely represented that the Chemical investment was “safer than a CD,” because in the past the FDIC had problems paying insured investors, whereas if Chemical ever failed, USGC would pay out the claims in sixty days. Woody Lowe and Ruyle also lied to their investors by telling them that they had invested their own money with Chemical.

32. In addition to making the above false and misleading statements to investors, the Omega salesmen withheld critical information from investors. For instance, none of the defendants ever disclosed to investors the commission structure or that Chemical had to generate minimum returns of 30% to 35% in order to pay the annual returns and commissions on the investment. In addition, as previously noted, the proposed defendants withheld for their own benefit, all, or most of the 5% bonus for those investors that elected to forego monthly returns. Each defendant felt that such information was “none of the investors’ business.” To the contrary, had defendants disclosed such information, many of the defrauded investors would have recognized that the Chemical investment was a sham and would not have invested their life’s savings with defendants.

33. Furthermore, defendants never disclosed to investors that several state regulatory agencies, viewed the guaranteed contract as a security. Between June 28, 1999, and November 8, 1999, several state securities agencies brought enforcement

actions against Chemical alleging it was unlawfully offering unregistered securities. On August 1, 1999, just two weeks after the defendants began offering the Chemical investment, a principal of Chemical sent out a memorandum addressed to, among others, “all associated brokers and financial consultants” (the “Chemical Memorandum”). The Chemical Memorandum acknowledged that several state agencies had “inquired” about the Chemical offering. According to the memorandum, Chemical had responded to each inquiry and asserted that since Chemical was a “Pure, Complex Trust,” it was “Constitutionally exempted” from the state and federal securities laws. Significantly, the Chemical Memorandum was not written by an attorney, nor did it state whether Chemical’s response to the states had resolved their inquiries. Each of the defendants received a copy of the Chemical Memorandum.

34. Shortly after the distribution of the Chemical Memorandum, each of the defendants learned that Oklahoma securities regulators had served a subpoena upon one of their associates in Oklahoma. Then, in early September 1999, two investigators from the Texas State Securities Board (“TSSB”) met with Blackburn and informed Blackburn that the agency considered the Chemical investment the offer and sale of a security. Blackburn immediately contacted K. Lowe and informed him that he had been interviewed by the TSSB regarding Chemical and that he had given them the offering documents. K. Lowe told Blackburn that he should not have cooperated with the TSSB because the Chemical investment was not under its jurisdiction. When the TSSB investigators later attempted to interview K. Lowe about Chemical, he told them that he had nothing to say and that he would not let them in his office.

35. Despite indications of wrongdoing raised by the various inquiries by state regulatory agencies, none of the defendants attempted to determine whether Chemical was the subject of any enforcement actions. Nor did they consult with any legal counsel in order to determine whether the investment was a security. Instead, each of them, motivated by their greed, continued their sales activities. Defendants continued to sell the Chemical investments without regard to whether the Chemical investment was an illegal security, without conducting any investigation into Chemical's ability to generate a profit, without investigating USGC's ability to stand behind its surety obligations, without disclosing that there were various regulatory investigations into the Chemical Trust, and without disclosing the outrageous commission each was to receive. Only after the Commission initiated an enforcement action against Chemical in January, 2000 and shut the entire ponzi scheme down were defendants' sales activities halted.

## CLAIMS

### FIRST CLAIM

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

36. Plaintiff Commission repeats and incorporates paragraphs 1 through 35 of this Complaint by reference as if set forth *verbatim*.

37. K. Lowe, Woody Lowe, Ruyle and Blackburn, directly or indirectly, singly or in concert with others, 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 have: (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.

38. As a part of and in furtherance of their scheme, K. Lowe, Woody Lowe, Ruyle and Blackburn, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations 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 in Paragraphs 1 through 35 above.

39. K. Lowe, Woody Lowe, Ruyle and Blackburn made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

40. By reason of the foregoing, K. Lowe, Woody Lowe, Ruyle and Blackburn have 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) of the Securities Act**

41. Plaintiff Commission repeats and incorporates paragraphs 1 through 35 of this Complaint by reference as if set forth *verbatim*.

42. K. Lowe, Woody Lowe, Ruyle and Blackburn, directly or indirectly, singly, in concert with others, 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, have: (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.

43. As part of and in furtherance of this scheme, K. Lowe, Woody Lowe, Ruyle and Blackburn, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and 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 in paragraph 1 through 35 above.

44. K. Lowe, Woody Lowe, Ruyle and Blackburn made the above-referenced misrepresentations and omissions knowingly or with severe recklessness with regard for the truth. Defendants were also negligent in their actions regarding the representations and omissions alleged herein.

45. By reason of the foregoing, K. Lowe, Woody Lowe, Ruyle and Blackburn have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. 77q(a)].

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

46. Plaintiff Commission repeats and incorporates paragraphs 1 through 35 of this Complaint by reference as if set forth *verbatim*.

47. Defendants K. Lowe, Woody Lowe, Ruyle and Blackburn, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and have 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.

48. As described in paragraphs 1 through 35, the purported Chemical Trust trading program was offered and sold to the public through a general solicitation of investors. No registration statements were ever filed with the Commission or otherwise in effect with respect to these securities.

49. By reason of the foregoing, K. Lowe, Woody Lowe, Ruyle and Blackburn have 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 77e(c)].

**FOURTH CLAIM**  
**Violations of Section 15(a)(1) Of The Exchange Act**

50. Plaintiff Commission repeats and realleges paragraphs 1 through 35 of this Complaint and incorporated herein by reference as if set forth *verbatim*.

51. At the times alleged in this Complaint, K. Lowe, Woody Lowe, Ruyle and Blackburn have been in the business of effecting transactions in securities for the accounts of others.

52. K. Lowe, Woody Lowe, Ruyle and Blackburn made use of the mails and of the means and instrumentalities of interstate commerce to effect transactions in and to induce or attempt to induce the purchase of securities.

53. At the times alleged in this Complaint, K. Lowe, Woody Lowe, Ruyle and Blackburn were not registered with the Commission as a broker or dealer, as required by Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)].

54. By reason of the foregoing, K. Lowe, Woody Lowe, Ruyle and Blackburn have violated and, unless enjoined, will continue to violate Section 15(a)(1) of the Exchange Act [15 U.S.C. §78o(a)(1)].

#### **RELIEF REQUESTED**

55. The Commission requests the Court to permanently enjoin the defendants, their agents, servants, employees, attorneys and all persons in active concert or participation with them 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)], of Sections 10(b) and 15(a)(1) of the Exchange Act, [15 U.S.C. §78j(b) and §78o(a)(1)], and of Rule 10b-5 [17 C.F.R. §240.10b-5].

56. The Commission requests that the Court order the defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

57. The Commission requests that the Court order the defendants to file with the Court and serve upon the Commission, no later than 30 days after the filing of the

Answer, an accounting, under oath, detailing all commissions and other benefits received based upon their sales of the Chemical investment.

58. The Commission requests that the Court order defendants to pay civil monetary penalties 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. §79u(d)] for their violations of the federal securities laws as alleged herein.

59. The Commission seeks all further relief as the Court may deem just and proper.

For the Commission, by its attorneys:



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Dated this 31<sup>st</sup> day of May, 2000 Fort Worth, Texas.