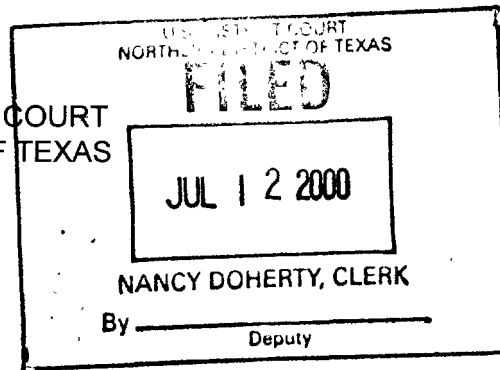


Original

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

Civil Action No.

3-00CV1489-P

STADTT MEDIA, L.L.C.,
ANTHONY B. BENAVIDES,
ROBERT M. MARTINEZ
JEFFERSON F. SANTOS,

Defendants,

and

LANA M. ST. MARTIN,

Defendant Solely for the
Purpose of Equitable Relief.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Defendants Stadtt Media, L.L.C. ("Stadtt Media"), Anthony B. Benavides ("Benavides"), Robert M. Martinez ("Martinez"), and Jefferson F. Santos ("Santos"), and Relief Defendant Lana M. St. Martin ("St. Martin"), alleges as follows:

SUMMARY

1. In this action, the Commission charges Defendants Stadtt Media and its principals, Benavides, Martinez, and Santos, with perpetrating a fraudulent offering of securities. From at least February 2000 through the present, the Defendants have been, and are currently, engaged in a fraudulent scheme to offer and sell securities in the form of membership interests ("Units") in Stadtt Media, which purports to be developing a "virtual magazine stand" on the Internet. Through June 2000, the Defendants have raised at least

\$900,000 from approximately 50 investors and have commingled and pooled investor funds in two bank accounts.

2. In the course of offering and selling these securities, the Defendants made numerous misrepresentations and omissions of material facts concerning, among other things, Stadtt Media's assets, current capital structure, planned financing, technology development, and use of investor funds. The Defendants falsely represent, for example, that Stadtt Media owns certain patents or patents pending on Internet-related inventions and has \$1 million in cash reserves, that Morgan Stanley Dean Witter ("Morgan Stanley") has committed to underwrite a \$100 million initial public offering ("IPO"), that Stadtt Media owns or has access to software capable of translating text into 25 languages, and that investor funds are used for working capital and the development of their website, www.C-Magazines.com. In reality, Stadtt Media has no patents or other significant assets, Morgan Stanley has not committed to a Stadtt Media IPO or other financing, no language translation software has been developed or procured by Stadtt Media, and Benavides and Martinez have converted investor funds for their own personal uses, including purchasing a Ferrari and Viper sports cars, two Mercedes sedans, Rolex watches, and other luxury items.

3. By engaging in the conduct detailed in this Complaint, Defendants Stadtt Media, Benavides, Martinez, and Santos, directly or indirectly, singly or in concert, have engaged, and, unless enjoined and restrained, will continue to engage in transactions, acts, practices and courses of business that constitute violations of 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.

JURISDICTION AND VENUE

4. The Stadt Media Units offered and sold by the Defendants are investment contracts, and therefore “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 temporarily restrain and preliminarily and permanently enjoin the Defendants from future violations of the federal securities laws. To prevent further investor losses, the Commission seeks an order of this Court which: 1) temporarily restrains and preliminarily and permanently enjoins Defendants Stadt Media, Benavides, Martinez and Santos, 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 Section 17(a) of the Securities Act [15 U.S.C. § 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 Stadt Media, Benavides, Martinez, Santos and Relief Defendant St. Martin to disgorge their ill-gotten gains plus prejudgment interest; 3) freezes the assets of Stadt Media, Benavides, Martinez, Santos and Relief Defendant St. Martin; 4) orders all Defendants and Relief Defendant to provide an accounting; 5) prohibits the destruction of records; 6) orders expedited discovery; 7) appoints a temporary receiver; 8) provides such other equitable relief that may be deemed appropriate. In addition, the Commission seeks civil penalties against the Defendants 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 Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77(b), 77t(d), and 77v(a)], and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(d), 77u(e) and 78aa].

7. The Defendants, 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 Northern District of Texas.

DEFENDANTS

8. **Stadt Media, L.L.C.**, is a Texas limited liability company formed in December 1999 and based in Addison, Texas. The management of Stadt Media is vested in a two person board of managers consisting of Benavides and St. Martin.

9. **Anthony B. Benavides**, age 26 and a resident of Addison, Texas, is the chief executive officer and a manager of Stadt Media. Benavides, with St. Martin, own approximately 58.6 percent of the Stadt Media Units.

10. **Robert M. Martinez**, age 31 and a resident of Plano, Texas, is executive vice president and vice president of marketing of Stadt Media.

11. **Jefferson F. Santos**, a resident of Dallas, Texas, is employed by Stadt Media to solicit prospective investors to purchase Stadt Media securities.

RELIEF DEFENDANT

11. **Lana St. Martin**, age 27 and a resident of Addison, Texas, is a manager and an officer of Stadt Media.

THE FRAUDULENT OFFERING

12. Since on or before February 19, 2000, and continuing through the present, Defendants Stadtt Media, Benavides, Martinez, and Santos (collectively referred to as "Defendants"), individually and in combination with others, solicited, caused to be solicited, and continue to solicit numerous individuals to purchase Stadtt Media securities. The Defendants have raised approximately \$900,000 from the sale of Stadtt Media Units to at least 50 investors in and around the Dallas-Fort Worth area.

13. The Defendants, individually, in combination and with others, solicited and sold Stadtt Media securities through investment seminars, in meetings at local restaurants and bars, and in one-on-one investor presentations conducted by Benavides, Martinez and/or Santos. In conjunction with these presentations, the Defendants distributed offering documents, a prospectus ("Prospectus") and subsequently a private placement memorandum ("PPM") describing, among other things, the company, its assets and financing plans, its website and technology employed thereon, and key personnel.

14. The Defendants represent to investors and prospective investors, through written and oral communications, directly or indirectly, that Stadtt Media was formed in December 1999 purportedly to market magazines on an Internet website C-Magazines.com ("Website"). The Defendants further represent that the Website is able to digitally reproduce a magazine, including advertisements, and present the complete magazine online to readers, and when operational, the Website will employ a "page-turning" software to create the illusion that the reader is actually turning the pages of the online magazine.

15. The Defendants also represent that computer users will be able to purchase and read a wide selection of mainstream magazines, which will be indexed and capable of being

sorted by general category, subject matter, article keywords, language preference, geographic region or specific title, in up to 25 languages on its Website.

16. To date, the Website is not operational and remains little more than a concept.

**THE DEFENDANTS' MISREPRESENTATIONS
AND OMISSIONS OF MATERIAL FACTS**

17. The Defendants oral representations and written offering materials provided to investors and prospective investors contain numerous misrepresentations of material facts, and omit to disclose facts that are material.

18. Defendants Benavides and Martinez represent, orally and in writing, that investors are being offered the opportunity to purchase up to 8 million Units at 50 cents each in a "Friends and Family" offering in advance of an anticipated \$100 million IPO underwritten by Morgan Stanley. Defendants Benavides and Martinez further represent that Friends and Family investors will be able to sell their Units at \$50 per unit at the time of the IPO -- a 10,000 percent return. In fact, Stadtt Media has not engaged or taken any significant steps to engage Morgan Stanley or any other underwriter for an IPO. Moreover, Benavides and Martinez had no reasonable basis for making the claim that investors could sell their Units at \$50 per unit in an IPO or otherwise.

19. Benavides and Martinez falsely represented to certain investors that, as an alternative to an IPO, the legal department of Stadtt Media was reviewing a potential reverse merger transaction with a Canadian company to become a publicly-traded company. In fact, at the time of the statement, Stadtt Media had no legal department nor had it engaged an attorney to review such a transaction.

20. The Defendants falsely represent to investors, orally and in writing, that Stadtt Media owned patents, or had patents pending, on certain software or other inventions, including “page turning” software, which would facilitate the Website. Stadtt Media’s offering materials claim that C-Magazines.com has developed a proprietary, patent-pending application [software program] that would enable it to scale up quickly and serve millions of readers, researchers and publishers. In fact, Stadtt Media has no patents and has no interest in any software or other invention in which a patent is pending, and has not developed any application or other technology.

21. The Defendants falsely represent to investors, orally and in writing, that Stadtt Media owned computer software that the Website would use to instantly translate entire magazines, including advertisements, into 25 languages and from one language to another, accurately retaining the concepts and meanings contained in the original text. In fact, Stadtt Media did not own or have access to any such software.

22. Defendants Stadtt Media, Benavides, and Martinez falsely represent, orally and in writing, to investors that Martinez had been formerly a senior securities broker and manager at Bear Stearns & Co, Inc. In fact, Martinez has never been associated with Bear Stearns & Co., Inc., in any capacity.

23. Defendants Stadtt Media, Benavides, and Martinez falsely represent, orally and in writing, to investors that St. Martin, prior to joining Stadtt Media, was a portfolio manager for LSM Investments, a company founded by St. Martin, and that St. Martin achieved great success in overseas sales while managing LSM Investments. Contrary to these representations, prior to joining Stadtt Media, St. Martin did not provide professional portfolio

management services. In fact, just prior to joining Stadtt Media, St. Martin was employed as a dancer in a Dallas nightclub.

24. The Defendants falsely represent to investors that Stadtt Media has cash reserves of \$1 million and that the Website could be fully functional in 30 days. In fact, Stadtt Media has no cash reserves, and there is no reasonable basis for the claim that the Website could become fully functional in 30 days.

25. The Defendants falsely represent that investor funds are to be used for working capital and the development and promotion of the Website. In fact, the Defendants have converted investor funds for their own personal purposes, including the rental of luxury apartments, the purchasing of a \$126,000 Ferrari sports car, a Viper sports car, two Mercedes Benz, three Rolex watches, home furnishings, and other luxury items. The Defendants have also transferred investor funds or assets purchased with investor funds to Relief Defendant St. Martin.

CAUSES OF ACTION
FIRST CLAIM

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

26. The Commission repeats and realleges paragraphs 1 through 25 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

27. Stadtt Media, Benavides, Martinez, and Santos, 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 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.

28. As a part of and in furtherance of their scheme, Stadtt Media, Benavides, Martinez, and Santos, directly and indirectly, prepared, disseminated or used written offering documents and made 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 above.

29. The Defendants made the above-referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.

30. By reason of the foregoing, Defendants Stadtt Media, Benavides, Martinez, and Santos, 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)(1) of the Securities Act

31. The Commission repeats and realleges paragraphs 1 through 25 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

32. Defendants Stadtt Media, Benavides, Martinez, and Santos, 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, 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.

33. As part of and in furtherance of this scheme, the Defendants 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.

34. The Defendants made the above-referenced misrepresentations and omissions knowingly or recklessly disregarding the truth.

35. By reason of the foregoing, Defendants Stadtt Media, Benavides, Martinez, and Santos have violated, and unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. 77q(a)].

THIRD CLAIM

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

36. The Commission repeats and realleges paragraphs 1 through 25 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

37. Defendants Stadtt Media, Benavides, Martinez, and Santos, 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, have obtained money and property by means of untrue statements of material fact and by 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.

38. The Defendants 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, have engaged in transactions, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers.

39. As part of and in furtherance of this scheme, the Defendants, 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 above.

40. The Defendants, 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.

41. By reason of the foregoing, Defendants Stadtt Media, Benavides, Martinez, and Santos have 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

Claim Against the Relief Defendant as Custodian of Investor Funds

42. The Commission repeats and realleges paragraphs 1 through 25 of this Complaint and incorporates them herein by reference as if set forth *verbatim*.

43. As set forth above, St. Martin received funds and property from one or more of the Defendants, which are the proceeds, or are traceable to the proceeds, of the unlawful activities of the Defendants, as alleged above.

44. St. Martin obtained the funds and property alleged above as part of and in furtherance of the securities violations alleged above, and under circumstances in which it is not just, equitable or conscionable for her to retain the funds and property. As a consequence, St. Martin has been unjustly enriched.

RELIEF REQUEST

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

I.

Enter an Order temporarily restraining and preliminarily and permanently enjoining Defendants Stadt Media, Benavides, Martinez, and Santos, 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 Section 17(a) of the Securities Act [15 U.S.C. § 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];

II.

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

III.

Enter an Order *instanter* freezing the assets of Defendants Stadtt Media, Benavides, Martinez, and Santos and Relief Defendant St. Martin and directing that all financial or depository institutions comply with the Court's Order.

IV.

Enter an Order *instanter* that all Defendants and the Relief Defendant shall file with the Court and serve upon Plaintiff Commission, no later than 5 days (including weekend days, if applicable) after notice of this Order, an accounting, under oath, detailing all of their assets and all funds or other assets received from investors and from one another.

V.

Enter an Order *instanter* that all Defendants and the Relief Defendant be restrained and enjoined from destroying, removing, mutilating, altering, concealing or disposing of, in any manner, any of their books and records or documents relating to the matters set forth in the Complaint, or the books and records and such documents of any entities under their control, until further order of the Court.

VI.

Enter an Order that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents, or the taking of depositions on 72 hours notice.

VII.

Enter an Order *instanter* for the appointment of a receiver *pendente lite* for Stadtt Media, Benavides, Martinez, Santos and St. Martin, for the benefit of investors, to marshal, conserve, protect and hold funds and assets obtained by the Defendants and their agents, co-conspirators

and others involved in this scheme, wherever such assets may be found until further order of the Court.

VIII.

Enter an Order imposing civil penalties against the Defendants 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.

IX.

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

For the Commission, by its attorneys:

Dated this 12th day of July 2000.



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CERTIFICATE OF SERVICE

This is to certify that on this the 12th day of July, 2000, a true and correct copy of the foregoing document was served by either U.S. First Class mail, Federal Express, facsimilie transmission or hand delivery on the following individuals and entities:

Stadt Media, LLC
C/o Anthony B. Benavides
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