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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

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7
8 UNITED STATES DISTRICT COURT

9 FOR THE CENTRAL DISTRICT OF CALIFORNIA

10 98-16509 DT (JGx)

11 SECURITIES AND EXCHANGE COMMISSION

Case No.

12 Plaintiff,

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

13 vs.

14 MICHAEL A. TODD, KIM J. BROWN,
JERRY L. AUBREY, GARY JASON
15 MCCRORY, GARY L. CLEVERLY, CALVIN
J. CALVIN, AND TODD J. TAYLOR,

16 Defendants.
17

18 Plaintiff Securities and Exchange Commission ("Commission"),
19 alleges:

20 JURISDICTION AND VENUE

21 1. This Court has jurisdiction over this action pursuant
22 to Sections 20(b) and (d) and 22(a) of the Securities Act of 1933
23 [15 U.S.C. §§ 77t(b)&(d) and 77v(a)] and Sections 21(d)&(e), and 27
24 of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(d)&(e) and
25 78aa]. Defendants have, directly or indirectly, made use of the
26 means or instrumentalities of interstate commerce, of the mails,
27 and/or of the facilities of a national securities exchange in
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1 connection with the securities transactions described in this
2 Complaint.

3 SUMMARY

4 2. Defendants sold common stock in Casino Cruises Corp.,
5 a now defunct entity, and BRW Leasing Services, Inc. From June 1997
6 through January 1998, defendants utilized a fraudulent scheme to
7 raise \$908,000 from 120 investors. This fraud was organized and
8 promoted by defendants Michael A. Todd and Kim J. Brown. They
9 falsely represented that investor funds would be used to start a
10 company that would acquire, develop, and operate a casino day cruise
11 ship. Contrary to these representations, however, defendants Todd
12 and Brown took most of the investor funds for themselves. They
13 misappropriated approximately \$313,000, transferred \$125,000 to an
14 offshore account they controlled, and paid approximately \$101,000 in
15 undisclosed sales commissions. Defendants Todd and Brown also hid
16 their own involvement in these businesses, claiming that other,
17 experienced individuals operated the companies. They also falsely
18 claimed that BRW Leasing shares would be quoted on NASDAQ. The
19 remaining defendants acted as sales agents for an unregistered
20 broker-dealer that solicited investors for the stock. The
21 Commission seeks permanent injunctions, disgorgement and civil
22 penalties from Todd and Brown and permanent injunctions and civil
23 penalties from the other defendants.

24 DEFENDANTS

25 3. Michael A. Todd ("Todd"), age 53, is a resident of
26 Southern California. He formed and is the former director and
27 control person of Casino Cruises, the former president, vice
28 president, secretary, and control person of Corporate Growth, Inc.

1 and the former secretary of Rocky Mountain Stock Transfer Co. In
2 December 1996, the Illinois Secretary of State issued an order of
3 prohibition against him barring him from offering or selling
4 securities in that state.

5 4. **Kim J. Brown** ("Brown"), age 50, is a resident of
6 Southern California. She is Todd's wife, the former secretary of
7 Casino Cruises, a former control person of Corporate Growth, and the
8 former sole director, president, and secretary of Rocky Mountain.

9 5. **Jerry L. Aubrey** ("Aubrey"), age 36, is a resident of
10 Newport Beach, California. From June through October 1997, he was
11 employed by Corporate Growth as a sales agent. In July 1996, the
12 Iowa Superintendent of Securities issued a cease and desist order
13 barring him from offering or selling securities in that state for
14 offering and selling unregistered securities, failing to state
15 material facts in connection with their offer and sale, and failing
16 to register as a securities agent. At all times relevant to this
17 action, he was not associated with a broker-dealer registered with
18 the Commission.

19 6. **Gary Jason McCrory** ("McCrory"), age 52, is a resident
20 of Newport Beach. From July 1997 through January 1998, he was
21 employed by Corporate Growth as a sales agent. At all times relevant
22 to this action, he was not associated with a broker-dealer
23 registered with the Commission.

24 7. **Gary L. Cleverly** ("Cleverly"), age unknown, is a
25 resident of Laguna Beach, California. From August through December
26 1997, he was employed by Corporate Growth as a sales agent. In
27 December 1993, the Indiana Securities Division issued a cease and
28 desist order barring him from violating the securities registration,

1 antifraud, and broker-dealer registration provisions of that state's
2 securities laws. At all times relevant to this action, he was not
3 associated with a broker-dealer registered with the Commission.

4 8. **Calvin J. Calvin** ("Calvin"), age 33, is a resident of
5 Newport Beach. From August through November 1997, he was employed
6 by Corporate Growth as a sales agent. At all times relevant to this
7 action, he was not associated with a broker-dealer registered with
8 the Commission.

9 9. **Todd J. Taylor** ("Taylor"), age unknown, is a resident
10 of Southern California. He is Brown's son. From August through
11 December 1997, he was employed by Corporate Growth as a sales agent.
12 At all times relevant to this action, he was not associated with a
13 broker-dealer registered with the Commission.

14 RELATED ENTITIES

15 10. **Casino Cruises Corp.** ("Casino Cruises") was a British
16 Virgin Islands corporation located in Newport Beach. It was
17 incorporated in July 1996 as Euro-Tech Trading Co., Inc. and changed
18 its name to Casino Cruises in May 1997. Offering materials
19 represented that Casino Cruises was a development stage company
20 formed for the purpose of acquiring, developing, owning, and
21 operating a casino day cruise ship which would sail from Southern
22 California to Ensenada, Mexico and back. Casino Cruises dissolved
23 in January 1998.

24 11. **Corporate Growth, Inc.** ("Corporate Growth") was a
25 Nevada corporation located at the same address as Casino Cruises in
26 Newport Beach. It was the in-house broker-dealer for Casino
27 Cruises. Corporate Growth was never registered with the Commission
28 as a broker-dealer. Nor was the company a member of the National

1 Association of Securities Dealers. Corporate Growth was
2 incorporated in February 1997 and dissolved in February 1998.

3 12. **Rocky Mountain Stock Transfer Co.** ("Rocky Mountain")
4 was a Nevada corporation located at the same address as Casino
5 Cruises in Newport Beach. It was incorporated in November 1996 as
6 Dolphin Gaming Cruises Corp. and changed its name to Rocky Mountain
7 in July 1997. Offering materials represented that Rocky Mountain
8 was the stock transfer agent of Casino Cruises. Rocky Mountain
9 closed its bank account and dissolved in February 1998.

10 13. **BRW Leasing Services, Inc.** ("BRW Leasing") is a
11 Missouri corporation, incorporated in 1981, and located in
12 Independence, Missouri. Offering materials represented that BRW
13 Leasing was a publicly held company engaged in owning operating
14 leases for its own account and the sale and leasing of various items
15 including automobiles, mobile homes, office equipment, and oil field
16 equipment. The same materials represented that BRW Leasing and
17 Casino Cruises merged to enable the public trading of Casino Cruises
18 stock. Casino Cruises failed to provide BRW Leasing the
19 consideration called for by their merger agreement, however, and the
20 merger was never completed.

21 **ALLEGATIONS COMMON TO ALL CLAIMS FOR RELIEF**

22 The Casino Cruises/BRW Leasing Investment Program

23 14. From June through approximately September 1997, Todd
24 and Brown offered and sold stock in Casino Cruises for the stated
25 purpose of providing start-up capital to a company formed to
26 acquire, develop, own, and operate casino day cruise ships. The
27 Casino Cruises stock was not registered with the Commission.

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1 15. Brown and Todd offered and sold Casino Cruises stock
2 using a written offering document dated May 21, 1997. Todd directed
3 and supervised the preparation of this document.

4 16. In approximately September 1997, investors received
5 an unsigned, undated letter on Casino Cruises letterhead requesting
6 them to approve a merger between Casino Cruises and BRW Leasing.
7 The letter told investors that approval would mean that their shares
8 would be exchanged on a one for one basis with BRW Leasing shares.
9 Investors later received certificates for BRW Leasing shares along
10 with a letter stating that BRW Leasing would be "publicly traded
11 within the next 30 days."

12 17. From approximately October 1997 through January 1998,
13 Todd and Brown offered and sold stock in BRW Leasing, also for the
14 purpose of providing start-up capital to a company formed to
15 acquire, develop, own, and operate casino day cruise ships. The BRW
16 Leasing stock was not registered with the Commission.

17 18. Todd and Brown offered and sold stock in BRW Leasing
18 using an undated, unsigned, four-page glossy brochure summarizing
19 Casino Cruises' business plan. Todd directed and supervised the
20 preparation of the offering brochure.

21 Boiler-Room Sales Of Casino Cruises and BRW Leasing

22 19. Todd and Brown used Corporate Growth to solicit
23 investors to purchase stock in Casino Cruises and BRW Leasing.
24 Aubrey, McCrory, Cleverly, Calvin, and Taylor were sales agents for
25 Corporate Growth and are referred to collectively as the "Sales
26 Agents."

27

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1 20. Todd and Brown supervised the Sales Agents and
2 instructed them on sales methods and the content of oral
3 representations made during the offerings.

4 21. From June through approximately September 1997, the
5 Sales Agents offered and sold Casino Cruises stock by cold calling
6 prospective investors. In addition, Corporate Growth solicited
7 investors for Casino Cruises by advertisements on radio, television
8 and in magazines. After the initial contact, the Sales Agents sent
9 prospective investors the Casino Cruises offering document and a
10 video tape describing Casino Cruises' purported line of business.
11 The investors were next asked to complete a stock subscription
12 agreement included with the offering document and send a check
13 payable to Rocky Mountain.

14 22. From approximately October 1997 through January 1998,
15 the Sales Agents offered and sold the BRW Leasing stock by
16 resoliciting Casino Cruises investors and cold calling prospective
17 new investors. The Sales Agents sent investors the offering
18 brochure, a stock purchase order form, and the video tape.
19 Investors were asked to complete the stock purchase order form and
20 send a check payable to Rocky Mountain.

21 23. All of the proceeds from the sales of the Casino
22 Cruises and BRW Leasing shares were commingled in Corporate Growth's
23 bank accounts.

24 24. The Sales Agents received sales commissions from
25 Corporate Growth for sales of Casino Cruises and/or BRW Leasing
26 shares in the amounts shown below:

<u>Sales Agent</u>	<u>Commissions</u>
Aubrey	\$28,000

1	McCrorry	\$17,000
2	Cleverly	\$14,000
3	Calvin	\$13,000
4	Taylor	\$11,000

5 Misrepresentations and Omissions Concerning Use of Funds

6 25. The offering document for Casino Cruises made certain
7 representations concerning the use of the proceeds of the offering.
8 The offering document represented that investor funds would be used
9 to provide start-up capital for a gaming cruise ship company. More
10 specifically, the offering document represented that the proceeds
11 would be used "to hire professionals in the gaming and cruise ship
12 field and secure necessary port leases, architectural plans, ship
13 models and working capital." The offering document also represented
14 that with respect to sales of Casino Cruises stock, any sales
15 commissions would be paid only to a broker-dealer registered with
16 the National Association of Securities Dealers.

17 26. The offering brochure for BRW Leasing represented
18 that Casino Cruises' goal was "to launch the first Las Vegas style
19 gaming ship in Southern California." Its "time table" projected
20 "having a ship in the water by June of 1998." There was no
21 disclosure in the offering brochure that any sales commissions would
22 be paid on the sales of BRW Leasing stock.

23 27. Contrary to the representations made to investors,
24 only a small portion of investor funds were used for expenses
25 related to the business of Casino Cruises or for offering expenses
26 related to Casino Cruises and BRW Leasing.

27 28. Contrary to the representations made to investors,
28 Todd and Brown never intended to use the offering proceeds to

1 provide start-up capital for Casino Cruises. Instead, Todd and
2 Brown misused at least \$539,000 (59 percent) of investor funds, as
3 set forth below:

4 (1) Cash: Todd and Brown withdrew approximately \$230,000
5 of investor funds (25 percent) as cash.

6 (2) Transfers to offshore account: Approximately
7 \$125,000 of investor funds (14 percent) was transferred to a British
8 Virgin Islands account in the name of Casino Cruises and controlled
9 by Todd and Brown.

10 (3) Sales commissions to unregistered broker-dealer:
11 Approximately \$101,000 of investor funds (11 percent) was used to
12 pay commissions to sales agents employed by Corporate Growth, an
13 unregistered broker-dealer.

14 (4) Payment for Todd's personal expenses: Approximately
15 \$40,000 of investor funds (four percent) was used to pay Todd's
16 credit card bills.

17 (5) Payments to Todd and Brown: Approximately \$32,000 of
18 investor funds (four percent) was paid to Todd and Brown.

19 (6) Payments to another entity owned by Todd:
20 Approximately \$11,000 of investor funds (one percent) was paid to or
21 used for expenses related to Dolphin Equities Limited, an
22 unincorporated entity owned by Todd.

23 Misrepresentations and Omissions Concerning The Principals

24 29. The Casino Cruises offering document represented that
25 Casino Cruise's management included Eldon Williams, George Case
26 Phillips Jr., and Jim Kilby. The offering document further
27 represented that Casino Cruises' success was dependent on the
28 efforts of management. On this point, the offering document

1 described the special expertise of management, stating that Williams
2 was a retired U.S. Navy Aviation Commander, that Phillips owned a
3 computer software company and was a retired sheriff's department
4 lieutenant, and that Kilby was one of the most prominent authorities
5 on gaming in the world.

6 30. The BRW Leasing offering brochure made the same
7 representations concerning Williams described above. In addition,
8 the offering brochure represented that Williams was president of the
9 entity that survived the "merger" between Casino Cruises and BRW
10 Leasing.

11 31. Contrary to the representations made to investors,
12 neither Williams, Phillips, nor Kilby had substantive
13 responsibilities with respect to the management of Casino Cruises or
14 BRW Leasing or the securities offering.

15 32. Contrary to the representations made to investors,
16 Todd and Brown controlled Casino Cruises, Corporate Growth, and
17 Rocky Mountain. Todd was the president, vice president, and
18 secretary of Corporate Growth and supervised its day-to-day
19 operations. Brown was the secretary of Casino Cruises and a
20 director of Corporate Growth. Brown made business decisions for
21 Corporate Growth and supervised and instructed its sales agents.

22 Misrepresentations Concerning Quotation of Stock

23 33. Todd told Corporate Growth's sales agents that the
24 BRW Leasing shares were about to become publicly traded on the
25 National Association of Securities Dealers Automated Quotation
26 system ("NASDAQ"). Sales Agents, in turn, made this representation
27 to potential investors.

28

1 34. Contrary to the representations made to investors,
2 BRW Leasing has never attempted to register its stock or have it
3 quoted on NASDAQ.

4 FIRST CLAIM FOR RELIEF

5 FRAUD IN THE OFFER OR SALE OF SECURITIES

6 Section 17(a) of the Securities Act

7 (Defendants Todd and Brown Only)

8 35. Paragraphs 2 through 34 are incorporated by this
9 reference.

10 36. Defendants Todd and Brown, by engaging in the conduct
11 described above, directly or indirectly, in the offer or sale of
12 securities, by the use of means or instruments of transportation or
13 communication in interstate commerce or by the use of the mails:

- 14 a) with scienter, employed devices, schemes or
15 artifices to defraud;
- 16 b) obtained money or property by means of untrue
17 statements of material fact or by omitting to state
18 material facts necessary in order to make the
19 statements made, in the light of the circumstances
20 under which they were made, not misleading; or
- 21 c) engaged in transactions, practices or courses of
22 business which operated or would operate as a fraud
23 or deceit upon the purchasers of such securities.

24 37. By reason of the facts and circumstances described
25 above, defendants Todd and Brown violated, and unless enjoined will
26 continue to violate, Section 17(a) of the Securities Act [15 U.S.C.
27 § 77q(a)].

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SECOND CLAIM FOR RELIEF
FRAUD IN CONNECTION WITH THE
PURCHASE OR SALE OF SECURITIES
Section 10(b) of the Exchange Act
and Rule 10b-5
(Defendants Todd and Brown Only)

38. Paragraphs 2 through 34 of this Complaint are incorporated by this reference.

39. Defendants Todd and Brown, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter:

- a) employed devices, schemes or artifices to defraud;
- b) made untrue statements of material facts or 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; or
- c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

40. By reason of the facts and circumstances described above, defendants Todd and Brown violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

1 THIRD CLAIM FOR RELIEF

2 UNREGISTERED BROKER-DEALERS

3 Section 15(a) of the Exchange Act

4 (Defendants Aubrey, McCrory,

5 Cleverly, Calvin, and Taylor Only)

6 41. Paragraphs 2 through 24 are incorporated by this
7 reference.

8 42. Defendants Aubrey, McCrory, Cleverly, Calvin, and
9 Taylor, by engaging in the conduct described above, made use of the
10 mails and means or instrumentalities of interstate commerce to
11 effect transactions in, and to induce or attempt to induce the
12 purchase or sale of, securities while not associated with a broker
13 or dealer registered with the Commission.

14 43. By reason of the facts and circumstances described
15 above, defendants Aubrey, McCrory, Cleverly, Calvin, and Taylor
16 violated, and unless enjoined will continue to violate, Section
17 15(a) of the Exchange Act [15 U.S.C. §78o(a)].

18 PRAYER FOR RELIEF

19 WHEREFORE, the Commission respectfully requests that this
20 Court:

21 I.

22 Permanently enjoin defendants Todd and Brown from
23 violating Section 17(a) of the Securities Act, Section 10(b) of the
24 Exchange Act and Rule 10b-5 thereunder; and defendants Aubrey,
25 McCrory, Cleverly, Calvin, and Taylor from violating Section 15(a)
26 of the Exchange Act.

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II.

Order Defendants Todd and Brown to disgorge all benefits gained as a result of their illegal conduct.

III.

Impose a civil penalty against each defendant.

IV.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: August 10, 1998

By James A. Howell
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Securities and Exchange Commission