

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND)
EXCHANGE COMMISSION,)
)
Plaintiff,)
v.)
)
DOUGLAS NEWTON and)
REAL AMERICAN BRANDS, INC.)
n/k/a REAL AMERICAN CAPITAL CORP.,)
)
Defendants.)
_____)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From at least March through April 2009, Defendants Douglas Newton and Real American Brands, Inc. n/k/a Real American Capital Corp. engaged in a fraudulent scheme involving the company's stock. The fraud scheme involved illicit kickbacks and phony agreements to mask those kickbacks.

2. Newton, the CEO and president of Real American Brands, paid illegal kickbacks to a purported trustee of an employee pension fund so the trustee would purchase over 6.2 million restricted shares of the company's stock. Real American Brands also issued shares of its stock as compensation to a middleman who introduced them to the purported pension fund trustee.

3. Unbeknownst to the Defendants, the corrupt pension fund trustee was a creation of the FBI. The pension fund's purported friend who helped arrange the deals

was an undercover FBI agent, and the middleman was a witness cooperating with the FBI.

4. The Defendants attempted to conceal the kickbacks by entering into a sham consulting agreement between three entities: Real American Brands; Billy Martin's USA, Inc. – an entity affiliated with Real American Brands; and a bogus consulting company purportedly created to receive the kickbacks.

5. As a result of the conduct described in this Complaint, the Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Unless restrained and enjoined, they are reasonably likely to continue to violate the federal securities laws.

6. The Commission respectfully requests that the Court enter: (a) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (b) an order directing the Defendants to pay disgorgement with prejudgment interest; (c) an order directing the Defendants to pay civil money penalties; and (d) an order barring Newton from participating in any offering of a penny stock.

II. DEFENDANTS

7. Newton is the CEO of Real American Brands. He resides in Rancho Mirage, California.

8. Real American Brands is a Delaware corporation with its principal place of business in Rancho Mirage, California. It purports to be the owner of American retail and wholesale brands and related registered US trademarks for, among other things, apparel, jewelry, home décor, and accessories and operates retail stores. During the

relevant time period, its common stock was quoted on OTC Link operated by OTC Markets Group, Inc. under the symbol “RLAB.” Its securities have never been registered with the Commission.

9. Real American Brands’ stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this Complaint, the stock’s shares traded at less than \$1 per share. During the same time period, Real American Brands’ stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company’s stock: (a) did not trade on a national securities exchange; (b) was not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47); (c) did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and (d) did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

10. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a); and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

11. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida, because many of the Defendants’ acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, Newton met with the cooperating witness and the agent on March 24, 2009 in Broward County to finalize the scheme. In connection with the scheme, Newton met again with the agent on April 28 in Coral Springs. Additionally, on March 25, the Defendants sent a kickback via express delivery to the agent in Coral

Springs, Florida. On April 8, they sent a kickback and a second subscription agreement to the same location.

12. The Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

13. On March 24, 2009, following several telephone conversations with the cooperating witness, Newton met with the cooperating witness and the agent, who posed as a corrupt trustee of an employee pension fund, in Broward County, Florida to finalize a fraudulent scheme involving Real American Brands stock.

14. As part of the scheme, the parties agreed the pension fund would purchase \$20,000 worth of Real American Brands stock in exchange for a 30 percent kickback by Newton and Real American Brands to the pension fund trustee. In addition, Newton and Real American Brands agreed the cooperating witness, as a middleman, would receive shares of the company's stock for introducing the parties to the deal.

15. To conceal the kickback, Newton and Real American Brands agreed to pay a kickback to a bogus consulting company, and they planned to enter into a phony consulting agreement. They understood the bogus consulting company would not be performing any actual consulting services.

A. The First Restricted Stock Transaction and Kickback

16. On March 24, 2009, pursuant to a subscription agreement between the pension fund and Real American Brands, the pension fund agreed to purchase 4 million

restricted shares of Real American Brands stock for \$20,000.

17. On the same day, the bogus consulting company, Real American Brands, and Billy Martin's USA entered into a sham consulting agreement.

18. On March 25, 2009, the FBI wired \$20,000 to Billy Martin's USA's bank account. Billy Martin's USA then sent a \$6,000 kickback in the form of a cashier's check to the bogus consulting company.

19. On March 30, 2009, Real American Brands issued a stock certificate to the pension fund for 4 million restricted shares. On the same day, Real American Brands completed the deal by sending a stock certificate to the cooperating witness for 1 million restricted shares.

B. The Second Restricted Stock Transaction and Kickback

20. Shortly after completing the first transaction, the parties agreed to do another restricted stock deal. On April 7, 2009, Newton left a message for the agent, stating that Real American Brands' "stock is around 006 or 007. My goal is to get it up; my goal is to get it up to 1 or 2 cents."

21. That day, pursuant to a second subscription agreement, the pension fund agreed to purchase 2,222,222 restricted shares of Real American Brands stock for \$20,000.

22. The next day, the FBI wired \$20,000 to Billy Martin USA's bank account. Real American Brands then issued the stock certificate to the pension fund, and Billy Martin's USA issued a \$6,000 kickback via certified check to the bogus consulting company.

23. On April 13, 2009, Real American Brands sent the cooperating witness a restricted stock certificate dated March 26 along with an e-mail stating he wanted the cooperating witness's company "to have additional stock incentive and ownership in [Real American Brands], based on [the cooperating witness's] contributions...to the continued growth and implementation of [Real American Brands'] new business plan."

24. Newton, acting as president of Real American Brands, executed the stock certificates issued to the pension fund and the cooperating witness.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

25. The Commission realleges and incorporates paragraphs 1 through 24 of this Complaint.

26. From March through April 2009, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

27. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a).

COUNT II

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

28. The Commission realleges and incorporates paragraphs 1 through 24 of this Complaint.

29. From March through April 2009, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described in this Complaint:

- (a) obtained money or property by means of untrue statements of material facts or omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (b) engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon purchasers or prospective purchasers of such securities.

30. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT III

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

31. The Commission realleges and incorporates paragraphs 1 through 24 of this Complaint.

32. From March through April 2009, the Defendants, directly and indirectly, by use of any means or instrumentality of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

- (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 have operated as a fraud or deceit upon any person.

33. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to 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.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that the Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act, as indicated above.

III.

Disgorgement

Issue an Order directing all Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing the Defendants to pay civil money 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. § 78u(d).

V.

Penny Stock Bar

Issue an Order barring Newton from participating in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees

that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 30, 2011

By: s/ James M. Carlson

James M. Carlson
Senior Trial Counsel
S.D. Florida Bar # A5501534
Telephone: (305) 982-6328
Facsimile: (305) 536-4154
E-mail: CarlsonJa@sec.gov

Trisha D. Sindler
Senior Counsel
Florida Bar # 0773492
Telephone: (305) 982-6352
E-mail : FuchsT@sec.gov

ATTORNEYS FOR PLAINTIFF
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 536-4154