

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 1:20-cv-20176

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

THOMAS TROY BROOKS, an individual,

DEFENDANT.

COMPLAINT

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

SUMMARY OF THE ACTION

1. From at least June 2016 through February 2018, Thomas Troy Brooks (“Defendant”) solicited investors throughout the United States to purchase the securities of numerous microcap companies whose shares traded on the over-the-counter (“OTC”) market.
2. While he engaged in these solicitations, Defendant was neither registered with the Commission as a broker or dealer nor associated with a broker or dealer registered with the Commission.
3. Defendant earned transaction-based compensation for his solicitation activities.
4. By engaging in this conduct, as further described herein, Defendant violated and, unless restrained and enjoined by this Court, may continue to violate Section 15(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78o(a)(1)].

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 21(d) and (e) of the Exchange Act [15 U.S.C. § 78u(d) and (e)] to enjoin such acts, practices, and courses of business, and to obtain disgorgement, prejudgment interest, civil money penalties, and such other and further relief as this Court may deem just and appropriate.

6. Defendant was involved in the offer and sale of the common stock of numerous microcap companies, which are each a “security” as that term is defined under Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

7. Defendant, directly or indirectly, made use of the mails or the means or instrumentalities of interstate commerce in connection with the conduct alleged in this Complaint.

8. This Court has subject matter jurisdiction over this action pursuant to Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa] and 28 U.S.C. § 1331.

9. Venue in this District is proper because Defendant is found, inhabits, and/or transacted business in the Southern District of Florida and because one or more acts or transactions constituting the violations occurred in the Southern District of Florida.

DEFENDANT

10. **Thomas Troy Brooks**, born in 1989, is last known to reside in Miami Beach, Florida.

FACTS

11. During or around June 2016, Defendant, who was unemployed at the time, was given the phone number of D.W., who operated several investor solicitation call centers in southern California.

12. Defendant was told that D.W. was hiring individuals to engage in securities solicitations.

13. Defendant, who had previously been involved in the investment solicitation business, contacted D.W., and D.W. hired Defendant as an investment solicitor.

14. Defendant worked remotely for D.W. out of Defendant's own office in Florida.

15. D.W.'s investment solicitation business worked as follows:

a. D.W. entered into arrangements with certain individuals, hereinafter referred to as the "selling shareholders," who would obtain large blocks of at least nominally unrestricted shares of microcap issuers.

b. The selling shareholders sought to profit quickly by selling their shares into the market, but understood that selling large amounts of thinly traded microcap stock through standard brokerage sell orders would take a long time (if using limit orders) and/or cause a collapse in the share price (if using market orders).

c. To avoid these results, a selling shareholder would hire D.W. to engage his call centers and his other remote hires like Defendant to solicit investors to purchase the selling shareholders' shares.

d. The solicitors, like Defendant, used purchased lead lists to call prospective investors and inquired whether the prospect had an active brokerage account with online order-entry functionality.

e. If the prospective investor had such a brokerage account, the solicitor pitched the promoted security—*i.e.*, the one the selling shareholder owned and wished to liquidate—to the prospect.

f. Once a prospective investor had been persuaded to purchase the promoted security and determined how much money he or she would like to invest, the solicitor would tell the investor that a “market maker” needed to be contacted to determine the appropriate share price.

g. Instead of contacting a market maker, the solicitor would pass this information on to D.W., who would contact the selling shareholder.

h. The selling shareholder would then check the current level II quotation (which shows the offers on the ask and bid) for the subject security and provide D.W. with a limit order price.

i. D.W. would communicate that price to the solicitor, who would pass the information along to the investor.

j. The solicitor would instruct the investor to enter a purchase limit order online in the investor’s brokerage account at the coordinated price. At the same time, the selling shareholder would place a sell limit order for the same amount of shares at the same price.

k. Through these means, the investor’s buy order and the selling shareholder’s sell order were likely to match, thus enabling the selling shareholder to liquidate his or her position in the subject security piecemeal into a market with ready purchasers.

l. D.W. and the selling shareholder would discuss how many shares of the investor’s order were “captured” (*i.e.*, matched between the investor and the selling shareholder), and the selling shareholder would pay D.W. a commission that was generally between 25% and 50% of the invested funds.

m. D.W. then paid a portion of these commissions to the solicitor who was responsible for the trade.

16. Defendant engaged in this conduct as a solicitor from at least June 2016 until at least February 2018.

17. Defendant also hired several individuals to work under him as securities solicitors.

18. During this timeframe, D.W. paid Defendant gross commissions totaling \$603,237.09, a portion of which Defendant used to pay the solicitors working under him.

CLAIM FOR RELIEF

Violations of Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)]

19. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1–18, inclusive, as if they were fully set forth herein.

20. By engaging in the conduct described above, Defendant:

a. engaged in the business of effecting transactions in securities for the account of others; and

b. directly or indirectly, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, securities without being registered as a broker or dealer with the Commission or associated with a broker or dealer registered with the Commission.

21. By reason of the foregoing, Defendant violated and, unless enjoined, will continue to violate Sections 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

PRAYER FOR RELIEF

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

I.

Permanently restraining and enjoining Defendant from, directly or indirectly, engaging in conduct in violation of Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)];

II.

Permanently restraining and enjoining Defendant from directly or indirectly, including, but not limited to, through any entity owned or controlled by him, soliciting any person or entity to purchase or sell any security;

III.

Ordering Defendant to disgorge all ill-gotten gains or unjust enrichment derived from the activities set forth in this Complaint, together with prejudgment interest thereon;

IV.

Ordering Defendant to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

V.

Retaining jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court; and,

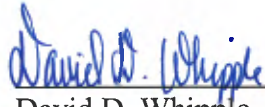
VI.

Granting such other and further relief as this Court may deem just, equitable, or necessary in connection with the enforcement of the federal securities laws and for the protection of investors.

DATED January 15, 2020

Respectfully submitted,

By:



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