SANDRA J. HARRIS, Cal. Bar # 134153
JOEL KORNFELD, Cal. Bar # 115945
DIANA K. TANI, Cal. Bar # 136656
MICHAEL J. QUINN, Cal. Bar # 198349

Attorneys for Plaintiff
Securities and Exchange Commission
Valerie Caproni, Regional Director
5670 Wilshire Boulevard, 11th Floor
Los Angeles, California 90036-3648
Tel. (323) 965-3998
Fax (323) 965-3815

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

LELONG INVESTMENT GROUP, LLC and JAMES A. MARINO,

Defendants.

Case No. 99-09304 JSL (RCx)

COMPLAINT FOR FEDERAL SECURITIES LAW VIOLATIONS

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

I. JURISDICTION

1. This Court has jurisdiction over this action pursuant to Sections 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(d)(1) & 77v(a)] and Sections 21(d)(3)(A), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d)(3)(A), 78u(e), & 78aa].

2. Defendants LeLong Investment Group, LLC ("LeLong") and James A. Marino ("Marino") (collectively, the "Defendants") made use of the mails, means or instruments of transportation or communication in interstate commerce, or means and

(1)

instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

3. This Court is an appropriate venue for this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

II. SUMMARY

4. From at least December 1997 through June 1999, Marino, the promoter and managing director of LeLong, raised about $302,500 from 26 investors, located nationwide, in two separate, but related, securities offerings. In the first offering, Marino raised $80,000 from seven investors, to be used as "start-up" expenses for a fund that LeLong claimed would finance the production of low budget films. In the second offering, Marino raised at least $222,500 from 19 investors for a fund which he initially called LeLong Fund #1 (and later called Fund A). LeLong Fund #1 was not registered with the Commission.

5. In connection with these two offerings, Marino, both personally and through sales agents that he hired and employed at LeLong, told investors that (1) LeLong had agreements with various film companies to ensure successful film projects; and (2) the Fund was insured against loss by Lloyd's of London. In actuality, there were no agreements with any film companies and Lloyd's of London never provided any insurance. Moreover, notwithstanding Marino's claim that the money raised would be used to invest in entertainment projects, none of the money raised has been used for that purpose; rather, much of the investment proceeds were used to pay Marino's personal expenses.

6. By this Complaint, the Commission seeks a judgment which: (i) permanently enjoins LeLong and Marino from further violations of the registration and antifraud provisions of the federal securities laws; (ii) orders the disgorgement of their ill-gotten gains with prejudgment interest; and (iii) assesses monetary penalties against both LeLong and Marino.

III. THE DEFENDANTS

7. LeLong is a Nevada limited liability company with its principal place of business in Encino, California. No registration statement has been filed with the Commission for LeLong's securities.

8. Marino resides in Moorpark, California. He is the promoter and Managing Director of LeLong and one of its two members. Marino's wife, Joanne Marino, is the other member.

IV. GENERAL ALLEGATIONS

A. The LeLong Loan Program

9. From December 1997 through July 1998, Marino, and a sales agent, who Marino hired and trained, offered and sold investments in the form of loans to LeLong. Marino and his sales agent solicited investors through telephone calls and then mailed potential investors a written general business plan.

10. Marino and his sales agent orally represented, and the general business plan reiterated, that LeLong would use the loaned funds to set up operations to raise $20 million for Shou-Phoenix International Enterprises, Inc. ("Shou Phoenix"), a Los Angeles based film company. The general business plan represented that LeLong had entered into a contract with Shou Phoenix to raise $20 million, which Shou-Phoenix would then use to produce six to seven low budget films. The general business plan also stated that investors in the loan program would be repaid by receiving a share of LeLong's gross revenues, including funds raised as part of the $20 million Shou-Phoenix deal, until all investors were paid a total return of 250%. That plan projected that investors would be repaid in 15 months.

11. Marino raised $80,000 from seven investors in the loan program offering.

12. Notwithstanding the representations to investors, no contract ever existed between LeLong and Shou-Phoenix and no films have been made.

B. The LeLong Fund

13. From July 1998 through at least June 1999, LeLong offered and sold units in LeLong Fund #1 ("Fund #1"). LeLong sought to raise $10 million for Fund #1. For a minimum investment of $10,000, investors received two units in Fund #1. Marino and his sales agents represented that Fund #1 was an insured investment pool that would finance the production of low budget entertainment projects such as feature films and television movies. In return, Marino and his agents told investors that they would receive a share of the revenues from each project financed by Fund #1.

14. In connection with this offering, Marino prepared written materials that he and his agents mailed to each investor. Those written materials stated that if a particular project were profitable, investors would receive 40% of the project revenues. In the event the project were not profitable, the written offering materials stated that an insurance policy underwritten by Lloyd's of London would reimburse investors 85% of their investment.

15. Investors expected to be passive and to depend entirely on LeLong's efforts to invest their funds in successful film projects. The offering materials stated that LeLong would maintain exclusive control over Fund #1's investments in particular film projects; investors would not be involved in the film selection process.

16. In order to sell units in LeLong Fund #1, Marino purchased a list from a credit reporting company and then instructed a cadre of sales agents to call the individuals on the list.

17. Marino instructed his sales agents that in the initial telephone call they should describe the investment as an "insured investment pool" that would finance the production of low budget entertainment projects. At Marino's direction, the sales agents stressed to potential investors that the fund's investment in a film would be fully insured and thereby protected from loss, even if the film were not profitable.

18. After the initial telephone call, LeLong sent potential investors, via the mails and overnight courier service, written offering materials. These written offering materials consisted of a private placement offering memorandum, purchaser questionnaire,

subscription agreement, and a 22 page, glossy, colored brochure. That brochure highlighted LeLong's purported associations, its project selection process, and its claimed insurance from Lloyd's of London. Marino created all of these written offering materials.

19. Within several days after the written offering materials were mailed to potential investors, the sales agents placed a second telephone call to each potential investor and frequently transferred the potential investor to Marino to answer questions about the investment.

20. The written offering materials stated that LeLong had associations with, and had entered into agreements with, several film companies. The offering materials stated, "[t]he mission of the Company is . . . to provide a measure of investor safety heretofore unavailable within the entertainment industry. To that end the Company has entered into agreements with the following companies . . . " In actuality, no agreements ever existed between LeLong and any of the companies listed in the written offering materials.

21. LeLong's written offering materials also stated that investors were insured against loss. The offering memorandum stated in at least 10 places, usually in capital letters or bold print, that the Funds were insured against loss. For example, under the heading "Insurance Against Investment Loss," the offering materials stated, "[I]F UNITHOLDERS FAIL TO RECEIVE, VIA ROYALTY PAYMENTS, AN AMOUNT EQUAL TO 100% OF THEIR SUBSCRIPTION AMOUNT . . . [LELONG] WILL CAUSE A CLAIM TO BE MADE AGAINST THE INSURANCE CARRIER. IF SUCH A CLAIM IS MADE, SETTLEMENT SHALL BE PAID SOLELY TO THE UNITHOLDERS AND SHALL BE NO LESS THAN EIGHTY-FIVE (85%) PERCENT OF THE INITIAL SUBSCRIPTION."

22. At Marino's direction, LeLong sales agents told potential investors that the investment was insured and directed their attention to the specific portion of the written materials that referenced the purported insurance.

23. Notwithstanding the written representations in the offering materials and the oral representations by LeLong's sales agents, there was no insurance.

24. LeLong's written offering materials also stated that proceeds from the sale of Fund #1 units, less a 15% sales commission, would be used to invest in entertainment projects, pay expenses associated with the offering and "pay for other general Company purposes including but not limited to administrative salaries and expenses."

25. Marino raised at least $222,500 from 19 investors in the LeLong Fund #1 offering.

26. Notwithstanding the representations to investors, Marino and LeLong used investment proceeds, among other uses, to pay Marino's personal expenses including his monthly credit card bills, expenses associated with other companies owned by Marino, and interest on Marino's personal line of credit.

FIRST CLAIM

OFFER AND SALE OF UNREGISTERED SECURITIES

Sections 5(a) and 5(c) of the Securities Act

[15 U.S.C. §§ 77e(a) and 77e(c)]

(All Defendants)

27. Paragraphs 1 through 8 and 13 through 26 of this Complaint are realleged and incorporated herein by reference.

28. Defendants, and each of them, by engaging in the conduct described in Paragraphs 1 through 8 and 13 through 26 above, directly or indirectly, through the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold securities in the form of investment contracts described to investors as units in an "insured investment pool" or, directly or indirectly, carried or caused such securities to be carried through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

29. No registration statement has been filed with the Commission or is in effect with respect to such securities.

30. By reason of the foregoing, Defendants, and each of them, violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act.

SECOND CLAIM

FRAUD IN THE OFFER OR SALE OF SECURITIES

Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]

(All Defendants)

31. Paragraphs 1 through 26 are realleged and incorporated herein by reference.

32. Defendants, and each of them, by engaging in the conduct described in paragraphs 1 through 26 above, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly: (1) with scienter, employed devices, schemes or artifices to defraud; (2) 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 the light of the circumstances under which they were made, not misleading; or (3) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

33. By reason of the foregoing, Defendants, and each of them, violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act.

THIRD CLAIM

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

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]

(All Defendants)

34. Paragraphs 1 through 26 are realleged and incorporated herein by reference.

35. Defendants, by engaging in the conduct described in paragraphs 1 through 26 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: (1) with scienter, employed devices, schemes or artifices to defraud; (2) made untrue statements of material fact 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 (3) engaged in

acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

36. By reason of the foregoing, Defendants, and each of them, violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully prays that this Court:

I.

Issue findings of fact and conclusions of law that each of the Defendants committed the violations charged and alleged herein.

II.

Issue an Order permanently enjoining each of the Defendants for violations of Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III.

Order each of the Defendants to disgorge all money they received, whether directly or indirectly, as a result of their illegal conduct, with prejudgment interest.

IV.

Order each of the Defendants to pay civil penalties.

V.

Retain 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.

VI.

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

DATED: September 14, 1999

Respectfully submitted,

Michael J. Quinn
Attorney for Plaintiff
Securities and Exchange Commission