

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

00-3557

BOOK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ROYAL PICTURES, INC.,
DAVID OLINSKY AND ROBERT BRENT,

Defendants.

CASE NO.

COMPLAINT FOR
INJUNCTIVE AND
OTHER RELIEF

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

1. The SEC brings this action to enjoin Defendants Royal Pictures, Inc. ("Royal"), David Olinsky ("Olinsky") and Robert Brent ("Brent") from continuing to violate the federal securities laws by making material misrepresentations regarding Royal's business.

DEFENDANTS

2. Defendant Olinsky is a resident of Hollywood, Florida. He was the president of Royal from July 1998 to March 1999 and has been a director of Royal from July 1998 to the present.

3. Defendant Brent is a resident of Miami, Florida and purportedly was a consultant and the "special advisor" to its board of directors from May 1998 to the present. In actuality, Brent was responsible for Royal's day-to-day operations and had acted as its de facto president since inception.

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4. Defendant Royal is a New York corporation, which was incorporated in 1993 under the name Amzac Resources Inc. ("Amzac"). Amzac changed its name to Royal in July 1998. Royal is currently in the business of developing and producing independent films. Royal's principal offices are located in North Miami Beach, Florida.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

6. Certain of the acts and transactions constituting violations of the Exchange Act have occurred within the Southern District of Florida. The principal offices of Royal are located within the Southern District of Florida. Olinsky and Brent reside within the Southern District of Florida.

7. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

MISREPRESENTATIONS BY ROYAL, OLINSKY AND BRENT

8. Between August 1998 and June 1999, Royal promoted its stock by disseminating various press releases through the PR Newswire and its Internet website. Royal also distributed a brochure to potential investors during a road show presentation. These publications were prepared, reviewed and/or approved by Olinsky and Brent. The press releases and investor brochure contained misrepresentations concerning negotiations Royal purportedly had with various actors

and actresses, Royal's film financing, and Brent's background and experience. The misrepresentations made are as follows:

(a) on or about December 7, 1998, Royal issued a press release stating that it was in "final talks" with actor Alec Baldwin to star and co-produce a Royal-produced film, *Men's Lives*;

(b) on or about December 18, 1998, Royal issued a press release stating that Willy Chirino will "co-star" in the film *Calle Ocho* and that negotiations were being completed with Edward James Olmos for a part in the film;

(c) on or about December 23, 1998, Royal issued a press release stating that final negotiations were taking place with Michael Madsen to star in its film entitled *Smoke on the Water*;

(d) on or about April 20, 1999, Royal issued a press release stating that it was "in final negotiations and ready to 'ink' Steven Bauer . . . for the Motion Picture 'Calle Ocho;'"

(e) during 1998, Royal issued a release on its website stating that "[f]inal negotiations are taking place with Paul Newman, Jeff Bridges, . . . and Isabella Rossellini" for *Men's Lives* and that musician "Billy Joel has already signed to produce and compose the film's score and soundtrack and has already composed almost half of the themes for the film;"

(f) on or about August 25, 1998, Royal issued a press release reporting that it had "entered into a definitive contract with an established film financing company to fund several of the company's upcoming films;"

(g) on or about December 7, 1998, Royal issued a press release stating that it had "unveiled a slate of four pictures backed by financing of \$24 million." The four films were entitled *Neon Dreams*, *Men's Lives*, *Calle Ocho*, and *Stray Kids*; and

(h) during 1999, Royal distributed a brochure to investors at a road show presentation stating that Brent founded Chicago Studios, a motion picture studio company that purportedly “shot such high profile films as ‘The Blues Brothers,’ ‘Risky Business,’ [and] ‘Ordinary People’” and that “[a]fter years of spectacular success Mr. Brent sold Chicago Studios to Harpo productions” – the production company of talk-show celebrity, Oprah Winfrey.

9. The representations described in paragraphs 8 (a) through (e) concerning artists in final negotiations with Royal for parts in *Calle Ocho*, *Men’s Lives*, and *Smoke on the Water* were false and misleading. In fact, none of the artists mentioned had entered into final negotiations with Royal to appear in its films. The majority of the artists touted in the press releases never engaged in any negotiations with Royal at all. In some instances, the artists had merely reviewed scripts that Royal submitted to them. Michael Madsen and Steven Bauer were the only actors that engaged in any talks with Royal, but these were only preliminary discussions. In addition, musician Billy Joel never entered into an agreement to produce and compose the soundtrack to *Men’s Lives*. He merely expressed an interest in doing the soundtrack.

10. The representations described in paragraphs 8 (f) and (g) concerning Royals’ film financing were also false and misleading. The “established film financing company” referred to in the press release was, in fact, nothing more than a one-man company that had previously financed only one film. In addition, Royal was never “backed” by \$24 million in financing; the only funding commitment Royal received was \$5 million in connection with the film *Calle Ocho*.

11. The representations described in 8(h) concerning Brent’s background and experience were also false and misleading. Brent was not the founder of Chicago Studios, and although the brochure describes Brent’s career as “successful,” it did not disclose that Brent was

convicted of mail fraud in 1967 and served five years in prison, and that in 1988 he was convicted of bank fraud and served another five years in prison.

12. The representations made by Royal regarding negotiations it purportedly had with various actors and actresses, its film financing, and Brent's background and experience were material to a prospective investor or to the investor's decision to purchase, sell or hold Royal stock.

COUNT I

FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

The SEC repeats and realleges paragraphs 1 through 12 of this Complaint.

13. Since on or about August 1998 through June 1999, Defendants Olinsky, Brent, and Royal, directly and indirectly, by use of the means and instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, as described herein, have knowingly, willfully or recklessly: (i) employed manipulative or deceptive devices, contrivances, schemes or artifices to defraud; (ii) made untrue statements of material facts and/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; and (iii) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

14. By reason of the foregoing, Defendants Olinsky, Brent, and Royal have 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, thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine and find that Defendants Olinsky, Brent, and Royal have committed the violations of the federal securities laws alleged herein.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction, enjoining Defendants Olinsky, Brent, and Royal, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 10(b) of the Exchange Act and Rule 10b-5, thereunder.

III.

Officer and Director Bar

Grant an Order permanently barring Defendant Brent from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 781, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

IV.

Penalties

Issue an Order directing Defendants Olinsky and Brent to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78(d)(3).

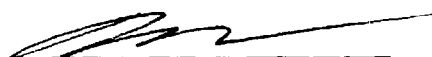
V.

Retention of Jurisdiction

Further, the SEC 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 may hereby be entered, or to entertain any suitable application or motion by the SEC for additional relief within the jurisdiction of this Court.

Respectfully submitted,

By:



Mitchell E. Herr
Regional Trial Counsel
SD Fla. A-5500-259

September 22, 2000

Jeffrey L. Cox
Staff Attorney
Florida Bar No. 173479

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Florida, Florida 33131
Telephone: (305) 536-4700
Facsimile: (305) 982-6394

CIVIL COVER SHEET 00-3557

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

SECURITIES AND EXCHANGE COMMISSION

DEFENDANTS

ROYAL PICTURES, INC., DAVID OLINSKY AND ROBERT BRENT

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT **MIAMI-DADE**

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
**Mitchell E. Herr, Esq., (305) 982-6336
SEC, 1401 Brickell Avenue, Suite 200
Miami, Florida 33131**

ATTORNEYS (IF KNOWN)
**Jeffrey Winikoff, Esq.
Stein, Rosenberg & Winikoff
4875 N. Federal Highway, Ft. Lauderdale, FL 33308**

(d) CIRCLE COUNTY WHERE ACTION AROSE: **DADE**, MONROE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE HIGHLANDS

II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- | | | | | | |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| | PTF | DEF | | PTF | DEF |
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judgment

V. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

A CONTRACT	A TORTS	FORFEITURE/PENALTY	A BANKRUPTCY	A OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans Excl. Veterans <input type="checkbox"/> 153 Recovery of Overpayment of Veterans Benefits <input type="checkbox"/> 160 Stockholders Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> B 610 Agriculture <input type="checkbox"/> B 620 Other Food & Drug <input type="checkbox"/> B 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> B 630 Liquor Laws <input type="checkbox"/> B 640 R.R. & Truck <input type="checkbox"/> B 650 Airline Regs <input type="checkbox"/> B 660 Occupational Safety/Health <input type="checkbox"/> B 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 A PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark B SOCIAL SECURITY <input type="checkbox"/> 861 HIA 1395H <input type="checkbox"/> 862 Black Lung 1923 <input type="checkbox"/> 863 DIWC DIWW 1405(g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI 1405(g)	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions A OR B
A REAL PROPERTY	A CIVIL RIGHTS	PRISONER PETITIONS	FEDERAL TAX SUITS	
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> B 510 Motions to vacate Sentence HABEAS CORPUS: <input type="checkbox"/> B 530 General <input type="checkbox"/> A 535 Death Penalty <input type="checkbox"/> B 540 Mandamus & Other <input type="checkbox"/> B 550 Civil Rights <input type="checkbox"/> B 555 Prison Condition	<input type="checkbox"/> A 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> A 871 IRS Third Party 26 USC 7609	

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5; 15 U.S.C. § 781; 15 U.S.C. § 78o(d); 15 U.S.C. § 78u(d)(2); 15 U.S.C. § 78(d)(3). Violations of the federal securities laws.

LENGTH OF TRIAL via ___ days estimated (for both sides to try entire case)

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$ Perm. Inj. and civil penalties

CHECK YES only if demanded in complaint. **JURY DEMAND:** YES NO

VIII. RELATED CASE(S) IF ANY (See instructions):

JUDGE _____

DOCKET NUMBER _____

DATE _____ SIGNATURE OF ATTORNEY OF RECORD _____

9/22/00

Mitchell E. Herr
Mitchell E. Herr, Regional Trial Counsel

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING FEE _____