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U.S. DISTRICT COURT
DISTRICT OF COLORADO

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JAMES R. MANSPEAKER
CLERK

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

BY _____ DEP. CLK

Civil Action No. **01-WM-1340**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

WILLIAM L. BROTHERTON, and
INTERNATIONAL BUSINESS CONSORTIUM, INC.,

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its complaint against defendants William L. Brotherton ("Brotherton") and International Business Consortium, Inc. ("IBC") (collectively "Defendants"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this action to stop a securities fraud perpetrated by Brotherton and IBC. Since January 2001, the Defendants have raised over \$300,000 from at least 180 investors by making material misrepresentations in an unregistered \$20 million offering of IBC stock. The Defendants used the internet to solicit countless members of the investing public by posting an IBC offering memorandum on America Online ("AOL") and other websites. Through Brotherton, an unlicensed chiropractor and IBC's sole officer and director, IBC holds itself out as a sophisticated start-up company on the verge of successfully implementing a plan to purchase an insurance company that will sell discount workers' compensation insurance to employers. Brotherton claims that IBC will reap huge profits for its

shareholders by offering employers reduced premiums made possible by IBC's affiliation with a network of doctors who will treat injured workers at a fraction of the usual cost. These claims are all false, because IBC is a sham.

2. In the offering memorandum and in telephone conversations with investors, Brotherton knowingly misrepresents IBC's developmental progress, the company's future prospects, its use of the offering proceeds, and other material facts. For example, Brotherton represents that IBC's source of low-cost health care will be a network of "940 doctors" belonging to an entity called Conservative Health Care Corporation ("CHCC"). In fact, CHCC is a defunct corporation whose supposed membership roster consists of chiropractors who have no arrangement whatsoever with IBC. Brotherton additionally represents that IBC has recruited an experienced outside management team when, in fact, none of those people is a member of IBC management. Brotherton further represents that IBC stock will be publicly traded by June 1, 2002, even though IBC is not currently able to undertake a lawful public offering and has not taken any of the steps requisite to doing so. While Brotherton also tells investors that IBC is using their money to purchase an insurance company, none of the investors' money has been used for that or any other legitimate corporate purpose. Instead, Brotherton has (a) deposited over \$50,000 of investor funds in his personal bank account, (b) used over \$30,000 of investor funds to buy two cars, and (c) otherwise diverted at least another \$11,000 of investor funds to himself and his family. Despite these and other material misrepresentations, Brotherton virtually guarantees, without any factual basis, that investors will earn annual returns ranging from 110% to 2,099,900% while incurring little or no risk.

3. The Defendants' IBC stock offering was not registered with the Commission and did not qualify for any exemption from the registration requirements of the Securities Act of 1933 ("Securities Act").

4. When called to testify in the Commission investigation preceding this action, Brotherton refused to answer any questions about any of the matters alleged in this complaint on the basis of his Fifth Amendment privilege against self-incrimination.

5. The Defendants, directly or indirectly, have engaged, and are about to engage, in violations of Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), 77q(a), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5.

6. Unless the Defendants are temporarily restrained and preliminarily and permanently enjoined, they will continue to engage in the transactions, acts, practices and courses of business alleged herein, and in transactions, acts, practices, and courses of business of a similar type and object.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to authority conferred by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), seeking to temporarily restrain, and preliminarily and permanently enjoin the Defendants from engaging in the wrongful conduct alleged in this complaint. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering 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). The Commission also seeks equitable relief while this action is pending, including an order: (a) freezing the Defendants' assets; (b) directing the Defendants to provide an accounting; and (c) providing for expedited discovery and preventing the destruction of documents.

8. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Section 22(a) of the Securities Act, 15 U.S.C. §77v(a), and Sections 21(d), 21(e) and 27 of the Exchange Act, 15 U.S.C. §§77u(d), 77u(e) and 78aa.

9. The Defendants, directly and indirectly, singly or in concert, have made use of the means and instrumentalities of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged in this complaint. Certain of the transactions, acts, practices and courses of business occurred within the District of Colorado, including the fraudulent solicitation of investors. Defendants reside in the District of Colorado.

THE DEFENDANTS

10. Brotherton, age 60, resides in Fort Collins, Colorado. Brotherton is, and was at the time of the events alleged herein, IBC's president, vice-president, secretary, treasurer and sole director.

11. IBC is a Colorado corporation whose sole business address is Brotherton's residence. IBC is not and never has been registered with the Commission in any capacity.

OTHER RELEVANT ENTITY

12. CHCC is, according to Brotherton's statements in IBC's offering memorandum, an "independent physicians association" of "940 doctors" who will provide "in-plan" healthcare services for IBC's health insurance company. The Colorado Secretary of State's records, however, demonstrate that CHCC is a former Colorado corporation that was dissolved in 1995.

**THE DEFENDANTS' FRAUDULENT OFFER
AND SALE OF UNREGISTERED IBC SECURITIES**

The Defendants' Unregistered \$20,000 Stock Offering

13. From January 2001 through the present, IBC has offered and sold, without ever filing a registration statement with the Commission, over \$300,000 of IBC common stock to more than 180 investors in twenty different jurisdictions, including Colorado. The Defendants conducted this unregistered stock offering using the internet, email and the telephone.

14. In conjunction with the unregistered stock offering described above in paragraph 13, Brotherton prepared an offering memorandum to advertise the sale of IBC stock to prospective investors. Brotherton posted the IBC offering memorandum on at least two different internet websites: www.ibcproposal.com ("IBC Proposal Website") and <http://members.aol.com/-ht-a/life2wb/bp1.html> ("AOL Website"). Both websites are registered to Brotherton, and he is exclusively responsible for their content.

15. Since Brotherton first posted the IBC offering memorandum on the internet, he has modified the content of the offering memorandum and his websites on multiple occasions. According to a version of the IBC offering memorandum that appeared on the AOL Website in April 2001, IBC "is selling between 5 million and 20 million shares of its stock to purchase an insurance company" that is "licensed to sell [workers' compensation] policies." In that same version of the IBC offering memorandum, Brotherton states that the offering will continue "to the day an insurance company is purchased or when \$20 million is raised."

The Defendants' Material Misrepresentations

16. In the IBC offering memorandum and, in some cases, in email correspondence and telephone conversations with prospective investors, IBC and Brotherton have knowingly misrepresented: (1) the status of IBC's development and operations; (2) that IBC stock will be

publicly traded by June 2002; (3) their use of the offering proceeds; (4) that IBC or IBC stock is registered with, and IBC has had its "research" reviewed by, the Commission; and (5) the rates of return and relative risks associated with an investment in IBC stock.

Misrepresentations About the Status of IBC's Development and Operations

17. The Defendants have materially misled prospective investors about the status of IBC's development and operations by misrepresenting, among other things, that:

- (a) "940 doctors belong to, Conservative Health Care Corporation, (CHCC) the independent physicians association that will provide in-plan doctors for our future insurance company";
- (b) IBC and CHCC have recruited an experienced team of managers, including a noted scientist "and his staff", a computer specialist, a human resources expert, a workers' compensation expert, and a president for CHCC;
- (c) IBC has made presentations to large employers who are potential purchasers of the workers' compensation policies that IBC purportedly will market, and that "[e]very employer we talked to said that they would purchase our future [workers' compensation] policies as soon as they are available";
- (d) "a silent partner from the insurance industry may come forward very soon";
- (e) IBC has raised as much \$1 million, there is a major group of Canadian investors that may pour as much as \$20 million into IBC within a matter of weeks and that major companies such as Johnson & Johnson are interested in participating in this investment group; and

(f) IBC is "on schedule to sell [workers' compensation] policies as early as June 1, 2001."

18. The representations described in paragraph 17 are materially false and misleading because, among other reasons:

- (a) CHCC was dissolved four years ago and the roster of "940 doctors" identified by Brotherton are chiropractors rather than primary care physicians and, in any event, have no arrangement with either IBC or CHCC to participate in the purported business venture described in the IBC offering memorandum;
- (b) The four executives identified in the IBC offering memorandum who are not Brotherton's relatives are not affiliated with IBC or CHCC and did not give Brotherton permission to use their names;
- (c) None of the three purported "employers" whom IBC identified in response to an investigative subpoena from the Commission as being the "employers" who supposedly heard presentations from IBC told IBC that they would purchase workers' compensation policies from IBC;
- (d) Neither Brotherton nor IBC produced any documents identifying the supposed "silent partner from the insurance industry" or reflecting any contact with such a "partner" in response to the Commission's investigative subpoenas seeking all such documents;
- (e) Although it is true that Brotherton has attempted to solicit Canadian investors through a resident of British Columbia, that individual never received the financial statements and other documentation he had requested from

Brotherton and has taken no affirmative steps to secure funding for IBC from any investors; and

- (f) IBC did not acquire an insurance company or otherwise obtain the ability to sell workers' compensation policies by June 1, 2001 or at any time since then, and neither Brotherton nor IBC provided any evidence in response to the Commission's investigative subpoenas that IBC has engaged in negotiations with an insurance company or taken any other meaningful steps toward acquiring the ability to sell policies by June 1, 2001.

Misrepresentations About IBC Stock Becoming Publicly Traded

19. The Defendants have materially misled prospective investors by misrepresenting that IBC will be publicly traded by June 1, 2002.

20. For example, in a version of the IBC offering memorandum that was posted on the AOL Website in April 2001, Brotherton states as follows: "Invest \$5000 and become a millionaire by, June 1, 2002, because by then your 5000 shares of stock will represent earnings of \$262,500 or more every year, and to maximize the value of each share of IBC stock, IBC will be public by then."

21. The representations described above in paragraphs 19 and 20 are materially false and misleading because, among other reasons, IBC is currently unable to conduct a lawful public offering of IBC stock and the Defendants failed to provide any evidence in response to the Commission's investigative subpoenas that IBC has taken any meaningful steps to prepare for an initial public offering, such as communications with prospective underwriters, counsel, or auditors.

Misrepresentations About IBC's Use Of The Offering Proceeds

22. The Defendants have materially misled prospective investors by misrepresenting what IBC will do with the proceeds of the stock offering.

23. In the IBC offering memorandum and in telephone conversations with prospective investors, Brotherton represents, for example, that IBC will use the investors' funds to buy an insurance company that will sell workers' compensation policies.

24. The representations described above in paragraphs 22 and 23 are materially false and misleading because, among other reasons:

- (a) None of the investors' money has been used to buy an insurance company or for any other legitimate corporate purpose;
- (b) Brotherton instead deposited at least \$50,000 of investor proceeds into his personal bank account, wrote checks on two IBC corporate accounts, which are funded exclusively by offering proceeds, to purchase two automobiles for approximately \$33,000;
- (c) One of the two automobiles is registered to Brotherton's wife, who has nothing to do with IBC's business;
- (d) Brotherton wrote several checks on two IBC corporate accounts to his family members, including a \$1,000 check to his 90-year-old mother, and at least \$10,000 in checks to himself; and
- (e) None of the uses of investor funds described above were disclosed to prospective IBC investors.

Misrepresentations About IBC's Registration Status And Contacts With The SEC

25. The Defendants have materially misled prospective investors about IBC's registration status and contacts with the Commission.

26. For example, Brotherton has orally told investors either that IBC or IBC stock is registered with the Commission. This representation is false, because neither IBC nor its stock is registered with the Commission.

27. In addition, in the version of the offering memorandum that was posted on the AOL Website in May 2001 and thereafter, Brotherton stated that "because this offer is such a very high profile opportunity, shortly after we went on line, February 12, 2001, the SEC requested and reviewed our research and other documentation, and contacted several people who helped develop this program." This representation is materially false and misleading, as the Commission has not reviewed any of IBC's documentation other than in connection with the enforcement investigation that preceded this action.

Misrepresentations About Investment Returns And Risks

28. The Defendants have materially misled prospective investors by misrepresenting that investors' profits are virtually guaranteed and that an investment in IBC is risk free.

29. In different versions of the IBC offering memorandum, Brotherton has, for example, misrepresented investor returns as follows:

- (a) "Invest as little as \$500 and achieve financial independence, by earning \$26,250 or more every year for perhaps the rest of your life."
- (b) "Invest \$2,000 and move up to the upper middle class by earning \$105,000 or more every year for as long as our future insurance company conducts business and we expect that to be for as long as any successful insurance company."

(c) "Invest \$5,000 and become a millionaire by, June 1, 2002, because by then your 5,000 shares of stock will represent earnings of \$262,500 or more every year, and to maximize the value of each share of IBC stock, IBC will be public by then."

30. In a version of the IBC offering memorandum that was posted on the AOL Website in February 2001, Brotherton misrepresents that:

- (a) If IBC is able to capture 40% of the \$250,000,000,000 workers' compensation insurance market, a "\$5,000 investment would be worth an annual income of \$105,000,000," a return on investment of 2,099,900%; and
- (b) If IBC is only able to capture 4% of the workers' compensation insurance market, he is "sorry to say that your \$5000 investment will only result in an annual income of \$10,500,000. As you can see, we don't need much of this market to make you and us very wealthy."

31. The representations described above in paragraphs 28-30 are materially false and misleading because, in addition to the facts described above in paragraphs 1-27, these outlandish returns lacked any factual basis.

32. In different versions of the IBC offering memorandum and in telephone conversations with prospective investors, Brotherton represents that if the IBC insurance venture does not succeed, investors will receive a refund of no less than 75% of their investment. For example, in a version of the IBC offering memorandum that was posted on the AOL Website, Brotherton states as follows:

IBC agrees to make every reasonable effort to purchase an appropriate insurance company on or before, December 1, 2001, and no later than its deadline date of, June 1, 2003, and in the event IBC is unable to purchase an insurance company on or before said deadline date, IBC shall return no less than 75% of Investor's investment on or before,

June 16, 2003.” Identical representations have been made to investors orally in telephone conversations with Brotherton.

33. The representations described above in paragraph 33 are materially false and misleading because, in addition to the facts described above in paragraphs 1-27, Brotherton has failed to set aside 75% of all investor funds; instead, he has misappropriated more than 25% of investor proceeds.

Brotherton’s Knowledge That The Representations Were False And Misleading

34. Brotherton knew that the representations described above in paragraphs 16-33 are false because, in addition to the facts described in those paragraphs, Brotherton is: (a) IBC’s founder; (b) intimately familiar with IBC’s supposed business activities; (c) IBC’s president, vice president, treasurer, and secretary; and (d) IBC’s sole officer and director. In fact, Brotherton is IBC’s alter ego and controls every aspect of its affairs.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act,
Section 10(b) of the Exchange Act and Rule 10b-5

35. The Commission repeats and realleges the allegations contained in paragraphs 1 through 34 by reference as if fully set forth herein.

36. Defendants, directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or by the use of the mails, in the offer or sale, and in connection with the purchase or sale, of securities, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made untrue statements of material fact, or omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading; and (c) engaged in

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

37. As part of and in furtherance of this violative conduct, Brotherton and IBC, through Brotherton, directly or indirectly, made the representations and omitted to state the facts alleged above in paragraphs 16 through 33.

38. The false statements and omissions made by Defendants, more fully described above in paragraphs 1, 2, and 16 through 33, were material.

39. The Defendants knew, or were reckless in not knowing, that these material misrepresentations, more fully described above in paragraphs 1, 2, and 16 through 33, were false or misleading.

40. By reason of the acts, omissions, practices, and courses of business set forth in this Complaint, the Defendants have violated, are about to violate, and, unless restrained and enjoined, will again violate, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5.

SECOND CLAIM FOR RELIEF

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

41. The Commission realleges and incorporates paragraphs 1 through 34 by reference as if fully set forth herein.

42. The Defendants, directly and indirectly, singly and in concert, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise when

no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available.

43. By reason of the foregoing, the Defendants violated, are about to violate, and, unless restrained and enjoined, will again violate, Sections 5(a) and 5(c) of the Securities Act.

PRAAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully requests that this Court issue:

I.

Orders temporarily and preliminarily, and Final Judgments permanently, restraining and enjoining Brotherton and IBC, their agents, servants, employees, attorneys in-fact, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future 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.

II.

An Order directing that the assets of Brotherton and IBC be frozen (to the extent of the funds raised by them from investors).

III.

An Order directing Brotherton and IBC to each file with this Court and serve upon the Commission, within five business days, or within such extension of time as the Commission agrees in writing or as otherwise Ordered By the Court, verified written accountings, signed by each of them under penalty of perjury.

IV.

An Order permitting expedited discovery.

V.

An Order enjoining and restraining Brotherton and IBC, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VI.

A Final Judgment requiring Brotherton and IBC to disgorge their ill-gotten gains from the violative conduct alleged in this complaint, and to pay prejudgment interest thereon.

VII.

A Final Judgment imposing against Brotherton and IBC civil monetary penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act for the violations alleged herein.

VIII.

Such other and further relief as the Court deems appropriate.

Dated: July 13, 2001
New York, New York

Respectfully Submitted,



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