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3:03-CV-01958 SECURITIES V. FRASIER

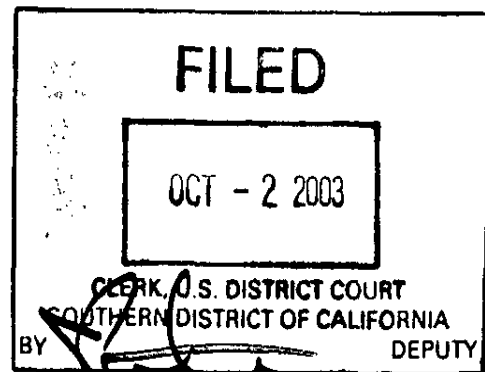
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\*CMP.\*

ROBERT M. FUSFELD  
 ELIZABETH ESPINOSA KRUPA  
 Securities and Exchange Commission  
 1801 California Street, Suite 1500  
 Denver, Colorado 80202  
 Telephone: (303) 844-1000  
 Facsimile: (303) 844-1068

THOMAS A. ZACCARO (Ca. Bar No. 183241)  
 Securities and Exchange Commission  
 5670 Wilshire Boulevard, 11<sup>th</sup> Floor  
 Los Angeles, California 90036-3648  
 Telephone: (323) 965-3812

Attorneys for United States  
 Securities and Exchange Commission



UNITED STATES DISTRICT COURT  
 SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION :

Plaintiff, :

v. :

B. Roland Frasier, III AND :

RICHARD A. MAY, :

Defendants. :

Docket Number:

**03 CV 1958 BTM JFS**  
 COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission")  
 for its complaint alleges as follows:

**I. SUMMARY OF THE ACTION**

1. From approximately October 1999 through November 2000,  
 Defendants B. Roland Frasier, III and Richard May, along with  
 related party Max Gnehm (now deceased), orchestrated a fraudulent

**ORIGINAL**

1 trading scheme involving the stock of Zandria Corp., an Internet  
2 company previously located in San Diego, California. Sales  
3 agents controlled by "cold-called" potential investors and urged  
4 them to buy Zandria stock. At the same time May sold Zandria  
5 stock to those investors. The defendants then split the proceeds  
6 from these fraudulent unregistered sales of stock.

7 2. In approximately October 1999, the owners of Zandria  
8 Entertainment Networks, Inc. ("ZEN"), a privately held company,  
9 agreed that in exchange for \$300,000 and 7 million shares of  
10 purportedly free-trading stock, Frasier would, among other  
11 things, arrange a reverse merger or similar transaction with a  
12 public shell corporation such that ZEN would become a public  
13 company.

14 3. In approximately February 2000, Frasier, May and Gnehm  
15 formed several offshore corporations through which they executed a  
16 series of sham transactions whereby they acquired a majority  
17 interest in a public shell corporation and gained control over its  
18 purportedly free-trading stock. Frasier, May and Gnehm then  
19 caused the public shell corporation to purchase the assets of ZEN  
20 and change the name of the resulting company to Zandria Corp.

21 4. In April 2000, Zandria stock began trading on the Over-  
22 The-Counter Bulletin Board ("OTCBB"). Between April 2000 and  
23 November 2000, Frasier, May and Gnehm executed a fraudulent scheme  
24 wherein they concealed from investors three materials facts.  
25 First, Gnehm paid a network of sales agents undisclosed

1 compensation if they induced investors to buy Zandria stock on the  
2 OTCBB. Second, while touting the stock to investors, Gnehm's  
3 sales agents failed to disclose the fact that the defendants paid  
4 the sales agents to tout the stock at the same time they were  
5 selling it to meet the investor demand they created. Third, the  
6 offshore entities controlled by Frasier, May and Gnehm secretly  
7 owned more than 10 percent of Zandria's stock.

8 5. During the same time period, May sold more than \$1 million  
9 dollars of Zandria stock into the market touted by Gnehm and his  
10 agents. May provided part of the proceeds from his sale of  
11 Zandria stock to Gnehm to pay undisclosed compensation to the  
12 sales agents, then split the remaining proceeds of the fraud with  
13 Frasier and Gnehm. As a result of the Zandria stock trading  
14 scheme, May received approximately \$405,000, Frasier netted  
15 approximately \$280,000, Gnehm received approximately \$380,000 and  
16 at least \$135,000 was paid to sales agents employed by Gnehm.

17 6. Defendant Frasier has, directly and indirectly, engaged  
18 in, and unless restrained and enjoined by this Court will engage  
19 in, transactions, acts, practices, and courses of business that  
20 violate Section 10(b) of the Securities Exchange Act of 1934  
21 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder  
22 [17 C.F.R. § 240.10b-5].

23 7. Defendant May has, directly and indirectly, engaged in,  
24 and unless restrained and enjoined by this Court will engage in,  
25 transactions, acts, practices, and courses of business that

1 violate Sections 5(a) and 5(c) of the Securities Act of 1933  
2 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)], Section 10(b)  
3 of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder  
4 [17 C.F.R. § 240.10b-5].

5 8. The Commission brings this action pursuant to the  
6 authority conferred upon it by Section 20 of the Securities Act  
7 [15 U.S.C. § 77t] and Sections 21(d) and (e) of the Exchange Act  
8 [15 U.S.C. §§ 78u(d) and (e)] for an order permanently restraining  
9 and enjoining Defendants and granting other equitable relief.

## 10 II. JURISDICTION AND VENUE

11 9. This Court has jurisdiction over this action pursuant to  
12 Section 22(a) of the Securities Act [15 U.S.C. § 77u(a)] and  
13 Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e)  
14 and 78aa].

15 10. In connection with the transactions, acts, practices,  
16 and courses of business described in this Complaint, each of the  
17 defendants, directly and indirectly, has made use of the means or  
18 instrumentalities of interstate commerce, of the mails, and/or of  
19 the means and instruments of transportation or communication in  
20 interstate commerce.

21 11. Venue lies in this Court pursuant to Section 22(a) of  
22 the Securities Act [15 U.S.C. § 77u(a)] and Section 27 of the  
23 Exchange Act [15 U.S.C. § 78aa].

24 12. All of the defendants reside within this judicial  
25 district. Additionally, certain of the transactions, acts,

1 practices and courses of business constituting the violations of  
2 law alleged herein occurred within this judicial district.

3 **III. DEFENDANTS**

4 13. B. Roland Frasier, III is a resident of Rancho Santa Fe,  
5 California. At times relevant to the Commission's Complaint,  
6 Frasier was a partner in the law firm Gage, Frasier & Teeple LLP  
7 ("GFT") in San Diego, California where he purported to specialize  
8 in offshore asset protection. Frasier is licensed to practice  
9 law in California and served as counsel to ZEN, Zandria, May and  
10 Gnehm.

11 14. Richard A. May is a resident of San Diego, California.  
12 May is the president and sole owner of Loma Portal Ventures, Inc.  
13 May was associated with various broker-dealers registered with  
14 the Commission from October 1992 through June 1999. May claims  
15 to have extensive experience in buying and selling public shell  
16 corporations and arranging the subsequent public trading or  
17 market making of their stock. At times relevant to the  
18 Commission's Complaint, May controlled Nevis corporations  
19 Manitoba Systems, Ltd. and Internet Investments, Ltd.

20 **IV. RELATED PARTIES**

21 15. Max W. Gnehm, was a Swiss citizen and a full-time  
22 resident of San Diego, California. On August 28, 2003, Gnehm  
23 died. At times relevant to the Commission's Complaint, Gnehm was  
24 the president and sole owner of Communications Group, Inc. (dba  
25 Swiss American Investment Group, Inc. and SAIG Trading, Ltd.), a

1 stock promotion company. At times relevant to the Commission's  
2 Complaint, Gnehm controlled Nevis corporations INET Capital, Ltd.  
3 and Jamestown Capital, Ltd. Gnehm was never registered with the  
4 Commission as a broker or dealer or associated with a registered  
5 broker or dealer.

6 16. Zandria Corp. is a Nevada corporation, and its principal  
7 place of business was formerly in San Diego, California. Zandria  
8 was formed when public shell Longhorn, Inc. purchased the assets  
9 of ZEN, a privately held Florida corporation and the company  
10 changed its name to Zandria. Zandria stock began trading on the  
11 OTCBB on or about April 3, 2000. From approximately January 2000  
12 through November 2000, Zandria conducted daily operations through  
13 its wholly owned subsidiary, LevelRed.com, Inc. On February 18,  
14 2003, the United States Bankruptcy Court, Southern District of  
15 California, granted the petition of three creditors to place  
16 Zandria in involuntary bankruptcy.

17 17. Zandria Entertainment Networks, Inc. ("ZEN"), was a  
18 Florida corporation, that at times relevant to the Commission's  
19 Complaint, had its principal place of business in San Diego,  
20 California. ZEN purported to be developing various Internet web  
21 sites, including Z-LandFilm.com, Z-LandMusic.com, and  
22 LevelRed.com. ZEN is defunct and its status as a corporation has  
23 been suspended by the state of Florida.

24 18. Brian Lee (aka Brian Lee Petrosian) is a resident of San  
25 Diego, California. At times relevant to the Commission's

1 Complaint, Lee co-owned ZEN. From approximately November 1998  
2 through March 2000, Lee, DiRoberto (see below) and others  
3 conducted a fraudulent, unregistered and non-exempt offering of  
4 ZEN stock that is the subject of a separate Commission civil  
5 action.

6 19. Todd DiRoberto is a resident of San Diego, California.  
7 At times relevant to the Commission's Complaint, DiRoberto co-  
8 owned ZEN. From approximately November 1998 through March 2000,  
9 DiRoberto, Lee and others conducted a fraudulent, unregistered  
10 and non-exempt offering of ZEN stock that is the subject of a  
11 separate Commission civil action.

12 20. Shesado, Ltd. was a corporation organized under the laws  
13 of the Caribbean island of Nevis. Frasier caused the  
14 incorporation of Shesado and at times relevant to the  
15 Commission's Complaint, Frasier controlled Shesado. As detailed  
16 below, Frasier used Shesado as his corporate alter ego to conceal  
17 his transactions with, among others, ZEN, INET Capital, Ltd.,  
18 Jamestown Capital, Ltd., Manitoba Systems, Ltd. and Internet  
19 Investments, Ltd.

20 21. INET Capital, Ltd. was a corporation organized under the  
21 laws of the Caribbean island of Nevis. Frasier caused the  
22 incorporation of INET Capital, then transferred control of the  
23 entity to Gnehm. Gnehm used INET Capital as a holding company to  
24 conceal his control over approximately 1,375,350 shares of  
25 Zandria stock.



1 22. Jamestown Capital, Ltd. was a corporation organized  
2 under the laws of the Caribbean island of Nevis. Frasier caused  
3 the incorporation of Jamestown Capital, then transferred control  
4 of the entity to Gnehm. Gnehm used Jamestown Capital as a  
5 holding company to conceal his control over approximately  
6 1,375,350 shares of Zandria stock.

7 23. Manitoba Systems, Ltd. was a corporation organized under  
8 the laws of the Caribbean island of Nevis. Frasier caused the  
9 incorporation of Manitoba Systems, then transferred control of  
10 the entity to May. May used Manitoba Systems as a holding  
11 company to conceal his control over approximately 1,375,350  
12 shares of Zandria stock.

13 24. Internet Investments, Ltd. was a corporation organized  
14 under the laws of the Caribbean island of Nevis. Frasier caused  
15 the incorporation of Internet Investments, then transferred  
16 control of the entity to May. May used Internet Investments as a  
17 holding company to conceal his control over approximately  
18 1,375,350 shares of Zandria stock.

19 V. FACTS

20 The Majority Owners of ZEN, a Private Company, Sought  
21 to Make The Company Public and Raise Additional Funding

22 25. In approximately November 1998, Lee and DiRoberto  
23 acquired 4.2 million shares, or eighty-five percent of the 5  
24 million total outstanding shares of ZEN, a privately held company  
25

1 that purported to be developing various Internet web sites  
2 devoted to youth culture, music, film, sports and clothing.

3 26. From approximately November 1998 through March 2000,  
4 Lee, DiRoberto and others raised approximately \$5 million through  
5 a purported private placement of 1 million shares of ZEN stock in  
6 a fraudulent, unregistered and non-exempt offering.

7 27. In approximately October 1999, Frasier and DiRoberto  
8 verbally agreed that in exchange for \$300,000 and 7 million  
9 purportedly free trading shares of stock, Frasier would arrange  
10 for a third party to complete a reverse merger or similar  
11 transaction with a public shell corporation such that ZEN would  
12 become a public company. Frasier and DiRoberto further agreed  
13 that Frasier would attempt to raise additional funding for ZEN  
14 after the company became public. DiRoberto caused ZEN to wire  
15 \$300,000 to the escrow account of Frasier's law firm, GFT,  
16 pending the location of a suitable public shell.

17 28. Frasier caused the formation of a Nevis corporation,  
18 Shesado, Ltd. At times relevant to the Commissions Complaint,  
19 Frasier controlled Shesado, including, but not limited to, its  
20 entry into agreements as well as its bank and brokerage accounts.

21 29. Frasier memorialized his prior verbal agreement with  
22 DiRoberto by drafting the Consulting and Shell Acquisition  
23 Agreement dated January 26, 2000 between ZEN and Shesado ("Shell  
24 Acquisition Agreement"). Frasier concealed from DiRoberto that  
25 he controlled Shesado.

1        30. The Shell Acquisition Agreement provided that Shesado  
2 would acquire a public shell corporation suitable for a reverse  
3 merger or similar transaction with ZEN. The Shell Acquisition  
4 Agreement also provided that Shesado would use its "best efforts"  
5 to obtain \$2 million dollars in funding for ZEN after it became a  
6 public company. The Shell Acquisition Agreement further provided  
7 that Shesado would be paid \$300,000 and receive 7 million shares  
8 of purportedly free-trading stock in ZEN after it became a public  
9 company. By virtue of the Shell Acquisition Agreement, Shesado  
10 was an affiliate of ZEN pursuant to SEC Rule 144(a)(3)(i) [17  
11 C.F.R. 230.144(a)(3)].

12                    Frasier, May and Gnehm Executed a Series of Sham  
13                    Transactions to Acquire a Public Shell Corporation and  
14                    Gain Control of Its Purportedly Free-Trading Stock

15        31. Frasier enlisted May to locate a public shell  
16 corporation and negotiate its acquisition.

17        32. In approximately February 2000, Frasier and May arranged  
18 for ZEN to purchase a majority interest in Longhorn, Inc., a  
19 public shell corporation, for \$200,000 from a securities fraud  
20 recidivist. Frasier and May further agreed with the owners of  
21 Longhorn that payment of the \$200,000 would be concealed by four  
22 separate stock purchases whereby entities controlled by Frasier,  
23 May and Gnehm would each purportedly pay \$50,000 for 229,225  
24 shares of Longhorn stock.  
25

1       33. In approximately March 2000, Frasier caused the  
2 formation of four Nevis corporations: INET Capital, Ltd.;  
3 Jamestown Capital, Ltd.; Internet Investments, Ltd. and Manitoba  
4 Systems, Ltd. (collectively "the Nevis Holding Corporations").  
5 Frasier formed the Nevis Holding Corporations to act as Shesado's  
6 agents with respect to the Shell Acquisition Agreement.

7       34. In approximately March 2000, Frasier transferred control  
8 of Manitoba Systems and Internet Investments to May. At or about  
9 the same time, Frasier transferred control over INET Capital and  
10 Jamestown Capital to Gnehm.

11       35. On or about March 14, 2000, at Frasier's direction, May  
12 and Gnehm executed sham stock purchase agreements on behalf of  
13 each of the Nevis Holding Corporations under their respective  
14 control whereby each entity purportedly bought 229,225 shares of  
15 Longhorn stock for \$50,000. Frasier, May and Gnehm structured  
16 the stock purchase agreements to conceal their acquisition and  
17 combined control of Longhorn.

18       36. Also on or about March 14, 2000, at Frasier's direction,  
19 May and Gnehm executed sham promissory notes on behalf of each of  
20 the Nevis Holding Corporations under their respective control  
21 whereby each entity purported to borrow \$50,000 from Frasier's  
22 entity, Shesado. Frasier, May and Gnehm executed the sham  
23 promissory notes in order to conceal that the Nevis Holding  
24 Corporations were purchasing their respective Longhorn stock  
25 using funds Shesado would obtain from ZEN.

1 37. Also, on or about March 14, 2000, using a portion of the  
2 \$300,000 that ZEN had escrowed at Frasier's firm, GFT, Frasier  
3 caused the issuance of checks for \$50,000 to the owners of  
4 Longhorn on behalf of each of the Nevis Holding Corporations.  
5 Without informing ZEN, Frasier pocketed the remaining \$100,000 in  
6 ZEN's escrow account at GFT by causing the funds to be wired to a  
7 Shesado offshore bank account that he controlled.

8 38. On or about March 14, 2000, Longhorn entered into an  
9 agreement to purchase all of the assets of ZEN purportedly in  
10 exchange for Longhorn stock. The combined public company then  
11 changed its name to Zandria Corp.

12 39. On or about March 16, 2000, at Frasier's direction,  
13 Zandria split its stock 6-1. Following Zandria's stock split,  
14 Zandria had approximately 32.2 million outstanding shares.  
15 Former ZEN shareholders held approximately 25.2 million of  
16 Zandria's outstanding shares. All of the shares held by former  
17 ZEN shareholders, including Lee, DiRoberto and investors in the  
18 ZEN offering were restricted and could not be traded until their  
19 Zandria shares were registered with the Commission and stock  
20 certificates were issued.

21 40. Following Zandria's stock split, the Nevis Holding  
22 Corporations controlled by May and Gnehm each held approximately  
23 1,375,350 shares of purportedly free-trading Zandria stock.  
24 Thus, the Nevis Holding Corporations combined held over 5.5  
25 million shares, or approximately 91 percent of the purportedly

1 free-trading shares of Zandria. In addition, Frasier's entity  
2 Shesado held approximately 1.5 million restricted shares of  
3 Zandria stock.

4 41. As alleged herein, the Nevis Holding Corporations each  
5 acquired their Zandria stock through sham transactions with  
6 Shesado. Because Shesado was an affiliate of ZEN, such stock was  
7 therefore restricted as to sale pursuant to SEC Rule  
8 144(a)(3)(i). [17 C.F.R. 230.144(a)(3)]

9 Gnehm Coordinated Sales Agents Soliciting Investors to  
10 Buy Zandria Stock on the OTCBB

11 42. Frasier arranged for Zandria stock to begin trading on  
12 the OTCBB on or about April 3, 2000.

13 43. From approximately April 2000 through November 2000,  
14 Frasier, May and Gnehm designed and implemented a plan to hype  
15 demand by paying a nationwide network of sales agents undisclosed  
16 compensation in exchange for convincing investors to buy Zandria  
17 stock on the OTCBB through broker-dealers.

18 44. Gnehm paid approximately twenty sales agents  
19 compensation based upon a percentage of the value of the Zandria  
20 stock purchased by investors on the OTCBB. Gnehm paid the sales  
21 agents commissions upon his receipt of proof that an investor had  
22 bought Zandria stock on the OTCBB. To receive payment, some  
23 sales agents delivered to Gnehm investors' Zandria stock purchase  
24 confirmations. Other sales agents notified Gnehm of the date,  
25

1 approximate time, quantity and broker-dealer where an investor  
2 they had solicited purchased Zandria stock. Using a real-time  
3 stock quotation service, Gnehm verified investors' purchases and  
4 paid commissions to the sales agents.

5 45. The sales agents used telephone sales tactics, as well  
6 as talking points and promotional materials provided by Gnehm.  
7 When prospective investors expressed interest in purchasing  
8 Zandria stock, Gnehm's sales agents mailed them promotional  
9 materials and provided them with the names of broker-dealers  
10 making a market in Zandria stock.

11 46. The sales agents failed to disclose to investors that  
12 they were receiving compensation from Gnehm in exchange for  
13 convincing investors to buy Zandria stock. The sales agents also  
14 failed to disclose to investors that Frasier, May and Gnehm  
15 initially controlled more than 91 percent of Zandria's  
16 purportedly free-trading stock and more than 10 percent of  
17 Zandria's total outstanding stock. The sales agents also failed  
18 to disclose that at the same time they were hyping the stock to  
19 investors they were acting on behalf of Frasier, May and Gnehm,  
20 who were coordinating May's sale of Zandria stock to meet the  
21 investor demand. Finally, the sales agents failed to disclose  
22 that the Nevis Holding Corporations  
23  
24  
25

May Sold Zandria Stock Into the Market Created by  
Gnehm, Then Split The Proceeds with Frasier and Gnehm

47. Between approximately April 2000 and November 2000, May offered and sold more than 1.3 million shares of Zandria stock from brokerage accounts he controlled, netting more than \$1 million dollars. For example, on April 3, 2000, the first day that Zandria was publicly traded, Zandria's total trading volume was 150,000 shares. On the first day of trading, May offered and sold 105,285 shares of Zandria, netting approximately \$689,000. Therefore, through his control of Manitoba Systems, Ltd. and Internet Investments, Ltd., May dominated and controlled the early trading of Zandria stock on the OTCBB.

48. May used the mails or other interstate means to offer and sell Zandria stock. None of these transactions were registered with the Commission.

49. May transferred a portion of the proceeds from his sales of Zandria stock to Gnehm in order for Gnehm to pay undisclosed compensation to the sales agents. May split the remaining proceeds of sales of Zandria stock with Frasier and Gnehm. For example, following May's sales of Zandria stock on April 3, 2000, he wired approximately \$689,000 in proceeds to a checking account that he controlled. May then wired \$290,000 of the proceeds to an offshore bank account controlled by Gnehm and \$180,000 to a Shesado offshore bank account controlled by Frasier.



1 50. By August 2000, the price of Zandria stock had fallen to  
2 below \$1 per share. As a result, May began receiving fewer  
3 proceeds from his sale of Zandria stock with which Gnehm could  
4 pay the sales agents. Gnehm therefore began paying the sales  
5 agents' commissions in Zandria stock that he held through his  
6 control over INET Capital and Jamestown Capital.

7 51. Beginning in approximately August and September 2000,  
8 the sales agents began selling the Zandria stock they had  
9 received as compensation from Gnehm without disclosing to  
10 investors that they were personally selling the stock they were  
11 recommending that investors purchase. These sales further  
12 depressed the price of Zandria stock to pennies per share by  
13 October 2000.

14 52. May continued offering and selling Zandria stock through  
15 approximately November 2000 when he had completed the sale of all  
16 of the Zandria stock under his control.

17 **FIRST CLAIM FOR RELIEF**

18 **(Violations by Frasier and May**

19 **of Exchange Act § 10(b) and Rule 10b-5**

20 **[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5])**

21 53. Paragraphs 1 through 52 are hereby realleged and  
22 incorporated by reference.

23 54. Defendants Frasier and May, with scienter, in connection  
24 with the purchase or sale of Zandria securities, by the use of  
25

1 means or instrumentalities of interstate commerce or of the  
2 mails, directly or indirectly: (a) employed devices, schemes or  
3 artifices to defraud; (b) made untrue statements of material  
4 facts or omitted to state material facts necessary in order to  
5 make the statements made, in the light of the circumstances under  
6 which they were made, not misleading; or (c) engaged in acts,  
7 practices or courses of business which operated or would operate  
8 as a fraud or deceit upon purchasers of securities in violation  
9 of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

10 55. By reason of the foregoing, Defendants Frasier and May  
11 violated, and unless restrained and enjoined, will violate  
12 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

13 **SECOND CLAIM FOR RELIEF**

14 (Violations By May Of Sections 5(a) And 5(c) Of The  
15 Securities Act as to Zandria [15 U.S.C. §§ 77e(a) and (c)])

16 56. Paragraphs 1 through 52 are hereby realleged and  
17 incorporated by reference.

18 57. Defendant May, directly and indirectly, made use of the  
19 means or instruments of transportation and communication in  
20 interstate commerce and of the mails to offer to sell or offer to  
21 buy through the use or medium of any prospectus or otherwise  
22 Zandria securities, without a registration statement having been  
23 filed with the Commission as to such securities in violation of  
24 Sections 5(a) and 5(c) of the Securities Act.  
25

1 58. No registration statements have been filed with the  
2 Commission or are otherwise in effect with respect to the Zandria  
3 stock offered by May.

4 59. By reason of the foregoing, Defendant May violated, and  
5 unless restrained and enjoined, will violate Sections 5(a) and  
6 5(c) of the Securities Act.

7 **PRAYER FOR RELIEF**

8 WHEREFORE, the Commission respectfully requests that the  
9 Court:

10 **I.**

11 Find that the Defendants, and each of them, committed the  
12 violations alleged.

13 **II.**

14 Enter an Injunction, in a form consistent with Rule 65(d) of  
15 the Federal Rules of Civil Procedure, permanently restraining and  
16 enjoining each defendant, their subsidiaries, officers,  
17 directors, agents, servants, employees, and attorneys-in-fact, and  
18 all persons in active concert or participation with them, from  
19 violating, directly or indirectly, the provisions of law and  
20 rules alleged in this complaint.

21 **III.**

22 Order Defendants and their respective agents, servants,  
23 employees and attorneys to account for and disgorge all ill-  
24 gotten gains received or benefits in any form derived from the  
25

1 illegal conduct alleged in this Complaint, together with pre-  
2 judgment and post-judgment interest as provided by law.

3 IV.

4 Order Defendants to pay third tier civil penalties pursuant  
5 to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]  
6 and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] in  
7 an amount to be determined by the Court.

8 V.

9 Enter an Order barring Frasier and May from participating in  
10 an offering of penny stock pursuant to Section 20 of the  
11 Securities Act and Section 21(d) of the Exchange Act.

12 VI.

13 Enter an Order barring May from serving as an officer or  
14 director of any publicly held company pursuant to Section 20(e)  
15 of the Securities Act, Section 21(d)(2) of the Exchange Act and  
16 the Court's equitable authority.

17 VII.

18 Grant such other relief as this Court may deem just or  
19 appropriate.

20  
21 Dated: October 1, 2003

22 Respectfully submitted,  
23  
24  
25



ROBERT M. FUSFELD  
ELIZABETH ESPINOSA KRUPA  
THOMAS A. ZACCARO  
Attorneys for Plaintiff  
Securities and Exchange Commission

JS44

(Rev. 07/89)

**FILED****CIVIL COVER SHEET**

sheet. (SEE INSTRUCTIONS ON THE SECOND PAGE OF THIS FORM.)

I (a) PLAINTIFFS  
SECURITIES AND EXCHANGE  
COMMISSION**OCT - 2 2003****CLERK, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

DEFENDANTS

B. ROLAND FRASIER, III and  
RICHARD A. MAY**'03 CV 1958 BTM JFS**(b) COUNTY OF RESIDENCE OF FIRST LISTED  
PLAINTIFF

(EXCEPT IN U.S. PLAINTIFF CASES)

DEPUTY

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT  
(IN U.S. PLAINTIFF CASES ONLY)San DiegoNOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND  
INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Robert M. Fusfeld/Elizabeth Espinosa Krupa, Securities  
and Exchange Commission, 1801 California Street, Suite  
1500, Denver, CO 80202-2656. Phone: (303) 844-1000

ATTORNEYS (IF KNOWN)

B. Roland Frazier attorney: Jan Handzlik, Esq., Kirkland & Ellis, 777 S. Figueroa  
St., Los Angeles, CA 90017 (213) 680-8480  
Richard May attorney: Michael Spadaccini, Esq., 12531 El Camino  
Real, Unit A, San Diego, DA 92130 (619) 374-2027

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

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

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX  
(For Diversity Cases Only)      FOR PLAINTIFF AND ONE BOX FOR DEFENDANT

	PT	DEF		PT	DEF
Citizen of This State	• 1	• 1	Incorporated or Principal Place of Business in This State	• 4	• 4
Citizen of Another State	• 2	• 2	Incorporated and Principal Place of Business in Another State	• 5	• 5
Citizen or Subject of a Foreign Country	• 3	• 3	Foreign Nation	• 6	• 6

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

15 USC 78j(b), securities fraud

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

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<ul style="list-style-type: none"> <li>• 110 Insurance</li> <li>• 120 Marine</li> <li>• 130 Miller Act</li> <li>• 140 Negotiable Instrument</li> <li>• 150 Recovery of Overpayment &amp; Enforcement of Judgment</li> <li>• 151 Medicare Act</li> <li>• 152 Recovery of Defaulted Student Loans (Excl. Veterans)</li> <li>• 153 Recovery of Overpayment of Veterans Benefits</li> <li>• 160 Stockholders Suits</li> <li>• 190 Other Contract</li> <li>• 195 Contract Product Liability</li> </ul>	<p><b>PERSONAL INJURY</b></p> <ul style="list-style-type: none"> <li>• 310 Airplane</li> <li>• 315 Airplane Product Liability</li> <li>• 320 Assault, Libel &amp; Slander</li> <li>• 330 Federal Employers' Liability</li> <li>• 340 Marine</li> <li>• 345 Marine Product Liability</li> <li>• 350 Motor Vehicle</li> <li>• 355 Motor Vehicle Product Liability</li> <li>• 360 Other Personal Injury</li> </ul> <p><b>PERSONAL INJURY</b></p> <ul style="list-style-type: none"> <li>• 362 Personal Injury- Medical Malpractice</li> <li>• 365 Personal Injury - Product Liability</li> <li>• 368 Asbestos Personal Injury Product Liability</li> </ul> <p><b>PERSONAL PROPERTY</b></p> <ul style="list-style-type: none"> <li>• 370 Other Fraud</li> <li>• 371 Truth in Lending</li> <li>• 380 Other Personal Property Damage</li> <li>• 385 Property Damage Product Liability</li> </ul>	<ul style="list-style-type: none"> <li>• 610 Agriculture</li> <li>• 620 Other Food &amp; Drug</li> <li>• 625 Drug Related Seizure of Property 21 USC881</li> <li>• 630 Liquor Laws</li> <li>• 640 RR &amp; Truck</li> <li>• 650 Airline Regs</li> <li>• 660 Occupational Safety/Health</li> <li>• 690 Other</li> </ul> <p><b>LABOR</b></p> <ul style="list-style-type: none"> <li>• 710 Fair Labor Standards Act</li> <li>• 720 Labor/Mgmt. Relations</li> <li>• 730 Labor/Mgmt. Reporting &amp; Disclosure Act</li> <li>• 740 Railway Labor Act</li> <li>• 790 Other Labor Litigation</li> <li>• 791 Empl. Ret. Inc. Security Act</li> </ul>	<ul style="list-style-type: none"> <li>• 422 Appeal 28 USC 158</li> <li>• 423 Withdrawal 28 USC 157</li> </ul> <p><b>PROPERTY RIGHTS</b></p> <ul style="list-style-type: none"> <li>• 820 Copyrights</li> <li>• 830 Patent</li> <li>• 840 Trademark</li> </ul> <p><b>SOCIAL SECURITY</b></p> <ul style="list-style-type: none"> <li>• 861 HIA (13958)</li> <li>• 862 Black Lung (923)</li> <li>• 863 DIWC/DIWW (405(g))</li> <li>• 864 SSD Title XVI</li> <li>• 865 RSI (405(g))</li> </ul> <p><b>FEDERAL TAX SUITS</b></p> <ul style="list-style-type: none"> <li>• 870 Taxes (U.S. Plaintiff or Defendant)</li> <li>• 871 IRS - Third Party 26 USC 7609</li> </ul>	<ul style="list-style-type: none"> <li>• 400 State Reappointment</li> <li>• 410 Antitrust</li> <li>• 430 Banks and Banking</li> <li>• 450 Commerce/ICC Rates/etc.</li> <li>• 460 Deportation</li> <li>• 470 Racketeer Influenced and Corrupt Organizations</li> <li>• 810 Selective Service</li> <li>• 850 Securities/Commodities Exchange</li> <li>• 875 Customer Challenge 12 USC</li> <li>• 891 Agricultural Acts</li> <li>• 892 Economic Stabilization Act</li> <li>• 893 Environmental Matters</li> <li>• 894 Energy Allocation Act</li> <li>• 895 Freedom of Information Act</li> <li>• 900 Appeal of Fee Determination Under Equal Access to Justice</li> <li>• 950 Constitutionality of State</li> <li>• 890 Other Statutory Actions</li> </ul>
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS		
<ul style="list-style-type: none"> <li>• 210 Land Condemnation</li> <li>• 220 Foreclosure</li> <li>• 230 Rent Lease &amp; Ejectment</li> <li>• 240 Tort to Land</li> <li>• 245 Tort Product Liability</li> <li>• 290 All Other Real Property</li> </ul>	<ul style="list-style-type: none"> <li>• 441 Voting</li> <li>• 442 Employment</li> <li>• 443 Housing/Accommodations</li> <li>• 444 Welfare</li> <li>• 440 Other Civil Rights</li> </ul>	<ul style="list-style-type: none"> <li>• 510 Motions to Vacate Sentence Habeas Corpus</li> <li>• 530 General</li> <li>• 535 Death Penalty</li> <li>• 540 Mandamus &amp; Other</li> <li>• 550 Civil Rights</li> <li>• 555 Prisoner Conditions</li> </ul>		

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

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

VII. REQUESTED IN  
COMPLAINT:• CHECK IF THIS IS A CLASS ACTION  
UNDER f.r.c.p. 23

DEMAND \$

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

**ORIGINAL**