

COPY

1 SANDRA J. HARRIS, Cal. Bar # 134153
 2 WILLIAM E. WHITE, Cal. Bar # 155617
 3 DIANA K. TANI, Cal. Bar # 136656
 4 KATHLEEN K. BISACCIA, Cal. Bar No. 987324
 5 MICHAEL R. WILNER, Cal. Bar # 156592
 6 DAVID M. ROSEN, Cal. Bar # 150880

7 Attorneys for Plaintiff
 8 Securities and Exchange Commission
 9 Valerie Caproni, Regional Director
 10 5670 Wilshire Boulevard, 11th Floor
 11 Los Angeles, California 90036-3648
 12 Tel. (323) 965-3998
 13 Fax (323) 965-3908

FILED
 OCT-6 AM 10:54
 DEPUTY

14 UNITED STATES DISTRICT COURT

15 SOUTHERN DISTRICT OF CALIFORNIA

16 SECURITIES AND EXCHANGE COMMISSION,

17 Plaintiff,

18 vs.

19 ALLIANCE LEASING CORPORATION and
 20 PRIME ATLANTIC, INC.,

21 Defendants.

Case 98cv 1810J CGA
 COMPLAINT FOR TEMPORARY
 RESTRAINING ORDER AND OTHER
 RELIEF FOR VIOLATIONS OF THE
 FEDERAL SECURITIES LAWS

22 Plaintiff Securities and Exchange Commission (the "Commission"),
 23 for its Complaint against Defendants Alliance Leasing Corporation
 24 ("Alliance") and Prime Atlantic, Inc. ("Prime") (collectively, the
 25 "Defendants"), alleges as follows:

26 I. JURISDICTION

27 1. This Court has jurisdiction over this action pursuant to
 28 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),

1 | & 78aa]. The Defendants have made use of the mails, means or
2 | instruments of transportation or communication in interstate
3 | commerce, or means and instrumentalities of interstate commerce in
4 | connection with the transactions, acts, practices, and courses of
5 | business alleged in this Complaint.

6 | **II. SUMMARY OF THE ACTION**

7 | 2. This action involves an ongoing fraudulent securities
8 | offering. Since at least December 1997, Alliance and Prime have
9 | raised at least \$7.7 million from hundreds of investors nationwide
10 | by claiming that investors will receive monthly lease payments on
11 | commercial equipment (such as computers, cellular phones, and
12 | kitchen equipment). Alliance and Prime solicit investors with
13 | claims that investors will earn a 14-16% annual return on their
14 | investment with little or no risk.

15 | 3. In reality, Alliance and Prime are reaping commissions of
16 | at least 30% of the capital raised from investors. Alliance and
17 | Prime failed to disclose this to potential investors. Alliance and
18 | Prime have also misrepresented or omitted to disclose other material
19 | facts concerning the equipment lease investment, including the
20 | purported existence of an "escrow account" at a major brokerage firm
21 | to hold investor funds, and the issuance of injunctions and cease-
22 | and-desist orders by state securities agencies against
23 | Charles Browne, Alliance's Chief Executive Officer, and Susan
24 | Randolph Browne, Alliance's Chief Operating Officer, for previous
25 | securities law violations.

26 | 4. The equipment leasing investments are securities in the
27 | form of investment contracts. Alliance has failed to register these
28 | securities with the Commission. Alliance, Prime, and their agents

1 are illegally selling the unregistered securities, and Prime is
2 acting as an unregistered broker-dealer in violation of the federal
3 securities laws.

4 5. By this Complaint, the Securities and Exchange Commission
5 seeks the entry of a temporary restraining order and preliminary and
6 permanent injunctions prohibiting further sales of these securities.
7 The Commission also seeks the entry of an asset freeze to prevent
8 the dissipation of investor funds currently held by Alliance and
9 Prime, and an accounting of all funds raised from investors. The
10 Commission also seeks the imposition of monetary penalties against
11 all of the Defendants for their illegal conduct, and the
12 disgorgement of ill-gotten gains by the Defendants with prejudgment
13 interest as a result of this securities offering.

14 **III. THE DEFENDANTS**

15 6. Alliance is a Nevada corporation with its principal place
16 of business in San Diego, California. No registration statement has
17 ever been filed with the Commission or is in effect for Alliance's
18 securities. In July 1998, the State of Mississippi entered a cease-
19 and-desist order against Alliance prohibiting the fraudulent sale of
20 unregistered securities.

21 7. Prime is a Florida corporation with its principal place of
22 business in Jacksonville, Florida. At all relevant times, Prime has
23 not been registered with the Commission as a broker-dealer or in any
24 other capacity.

25 **IV. RELATED INDIVIDUALS**

26 8. Charles Browne ("C. Browne") is a resident of San Diego
27 County, California. C. Browne is the Chief Executive Officer of
28 Alliance. In December 1995, the California Superior Court entered

1 an injunction against C. Browne prohibiting him from engaging in the
2 fraudulent sale of unregistered securities and from acting as an
3 unregistered broker-dealer. In March 1995, the State of Wisconsin
4 entered a cease-and-desist order against C. Browne prohibiting him
5 from engaging in the sale of unregistered securities. In July 1998,
6 the State of Mississippi entered and a cease-and-desist order
7 against C. Browne prohibiting him from engaging in the fraudulent
8 sale of unregistered securities.

9 9. Susan Randolph Browne ("S. Browne") is a resident of
10 San Diego County, California. S. Browne is the Chief Operating
11 Officer of Alliance. In December 1995, the California Superior
12 Court entered an injunction against S. Browne prohibiting her from
13 engaging in the fraudulent sale of unregistered securities. In
14 March 1995, the State of Wisconsin entered a cease-and-desist order
15 against S. Browne prohibiting her from engaging in the sale of
16 unregistered securities. In July 1998, the State of Mississippi
17 entered and a cease-and-desist order against S. Browne prohibiting
18 her from engaging in the fraudulent sale of unregistered securities.

19 **V. ALLEGATIONS COMMON TO ALL CLAIMS**

20 **A. Nature of the Offering**

21 10. Since at least December 1997, Alliance and Prime have
22 offered and sold securities in the form of investment contracts to
23 investors in at least 32 states.

24 11. According to Alliance's offering materials and sales
25 agents, investor money is used to purchase commercial office or
26 kitchen equipment. Alliance raises money from investors in amounts
27 ranging from \$5,000 to at least \$200,000.

28 *

1 12. Alliance represents to investors that it will enter into
2 an agreement with a third-party lessee to lease the equipment. The
3 lease payments made under this agreement will purportedly be paid to
4 investors on a monthly basis.

5 13. Alliance's offering materials represent that investors
6 will earn a return of at least 14% per year on this equipment lease
7 investment. Alliance variously represents that this investment is
8 "guaranteed" or "low risk."

9 14. Investors' money is pooled together, purportedly to
10 purchase equipment to be leased to third-party lessees. In
11 addition, investors and Alliance are to share jointly in the profits
12 derived from these leases on a pro rata basis.

13 15. Alliance has the sole responsibility for purchasing this
14 equipment. Alliance also identifies potential lessees, reviews the
15 lessees' credit, obtains personal guarantees from the owners of
16 these businesses, and negotiates the terms of the lease agreements
17 with the lessees on behalf of investors.

18 16. In the course of the offering, Alliance discloses that
19 investors will only pay Alliance a fee of 10% of their initial
20 investment.

21 17. Certain investors request the opportunity to approve a
22 summary of the terms of the proposed equipment lease negotiated by
23 Alliance. However, investors can participate in this investment
24 without making any decisions concerning the selection of a lessee or
25 the terms of the equipment lease.

26 18. Furthermore, investors have no role in the operation or
27 management of this investment after Alliance establishes the lease.
28 Investors do not anticipate that they will participate in the day-

1 to-day activities of Alliance or its equipment leasing business.
2 Investors anticipate that they will be only passive participants in
3 this investment.

4 B. The Sales Effort

5 19. Alliance has retained Prime to market this equipment
6 leasing investment to the public. In turn, Prime solicits insurance
7 agents, stock brokers, and others to offer the Alliance equipment
8 lease investment to their customers.

9 20. Alliance pays Prime a commission of 30% of the initial
10 investment made by an investor.

11 21. To date, Alliance has raised at least \$7.7 million from
12 investors as a result of this offering.

13 22. Representatives of Alliance and Prime have stated that
14 Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Merrill Lynch"), a
15 national brokerage firm, will hold investor funds in an escrow
16 account, and will not release this money until it is to be used to
17 purchase equipment for the investor. However, Alliance has never
18 established such an escrow account at Merrill Lynch.

19 VI. MISREPRESENTATIONS AND OMISSIONS OF FACT IN THE
20 OFFERING DOCUMENTS

21 23. The Defendants have made material misrepresentations and
22 omitted to disclose material facts in connection with this offering.

23 24. The Defendants falsely state that investors will pay
24 Alliance a fee of only 10% of the offering proceeds in the
25 transaction. In fact, the Defendants fail to disclose to potential
26 investors that at least an additional 30% of the money raised from
27 investors will be paid to Alliance and Prime.

28 *

1 25. The Defendants falsely represent to investors that
2 Alliance has established, and is holding investor funds in, a
3 protected escrow account at Merrill Lynch. The false statements
4 about the existence of the escrow account falsely imply that a third
5 party is holding investor funds only to be release for disclosed
6 purposes.

7 26. The Defendants falsely state that C. Browne and S. Browne
8 are reputable business people. In fact, the Defendants fail to
9 disclose that C. Browne and S. Browne have been the subject of
10 permanent injunctions and cease-and-desist orders related to the
11 fraudulent offer and sale of unregistered securities to investors.

12 FIRST CLAIM

13 FRAUD IN THE OFFER OR SALE OF SECURITIES

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

15 (All Defendants)

16 27. Paragraphs 1 through 26 are realleged and incorporated
17 herein by reference.

18 28. Defendants, and each of them, by engaging in the conduct
19 described in paragraphs 1 through 26 above, in the offer or sale of
20 securities, by the use of means or instruments of transportation or
21 communication in interstate commerce or by the use of the mails,
22 directly or indirectly: (1) with scienter, employed devices,
23 schemes or artifices to defraud; (2) obtained money or property by
24 means of untrue statements of material fact or omissions to state
25 material facts necessary in order to make the statements made, in
26 the light of the circumstances under which they were made, not
27 misleading; (3) engaged in transactions, practices or courses of

28 *

1 business which operated or would operate as a fraud or deceit upon
2 the purchaser, in violation of Section 17(a) of the Securities Act.

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

6 SECOND CLAIM

7 FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

8 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
9 Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

10 (All Defendants)

11 30. Paragraphs 1 through 26 are realleged and incorporated
12 herein by reference.

13 31. Defendants, by engaging in the conduct described in
14 paragraphs 1 through 26 above, directly or indirectly, in connection
15 with the purchase or sale of securities, by the use of means or
16 instrumentalities of interstate commerce, or of the mails, with
17 scienter: (1) employed devices, schemes or artifices to defraud;
18 (2) made untrue statements of material fact or omitted to state
19 material facts necessary in order to make the statements made, in
20 the light of the circumstances under which they were made, not
21 misleading; or (3) engaged in acts, practices or courses of business
22 which operated or would operate as a fraud or deceit upon other
23 persons, in violation of Section 10(b) of the Exchange Act and
24 Rule 10b-5 thereunder.

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

28 *

1 THIRD CLAIM

2 OFFER AND SALE OF UNREGISTERED SECURITIES

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

4 [15 U.S.C. §§ 77e(a) and 77e(c)]

5 (All Defendants)

6 33. Paragraphs 1 through 26 of this Complaint are realleged
7 and incorporated herein by reference.

8 34. Defendants, and each of them, by engaging in the conduct
9 described in Paragraphs 1 through 26 above, directly or indirectly,
10 through the means or instruments of transportation or communication
11 in interstate commerce or the mails, offered to sell or sold
12 securities in the form of investment contracts described to
13 investors as "equipment lease investments," or, directly or
14 indirectly, carried or caused such securities to be carried through
15 the mails or in interstate commerce, for the purpose of sale or
16 delivery after sale.

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

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

22 FOURTH CLAIM

23 VIOLATIONS OF THE BROKER-DEALER REGISTRATION PROVISIONS

24 Section 15(a) (1) of the Exchange Act

25 [15 U.S.C. § 78o(a) (1)]

26 (Defendant Prime)

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

1 38. Defendant Prime, by engaging in the conduct described in
2 Paragraphs 1 through 26 above, directly or indirectly, made use of
3 the mails or means or instrumentalities of interstate commerce to
4 effect transactions in securities, without being registered as a
5 broker or dealer in accordance with Section 15(b) of the
6 Exchange Act, in violation of Section 15(a)(1) of the Exchange Act.

7 39. Defendant Prime was not registered with the Commission as
8 a broker or dealer during the relevant time period.

9 40. By reason of the foregoing, Defendant Prime violated, and
10 unless enjoined will continue to violate, Section 15(a)(1) of the
11 Exchange Act.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, the Commission respectfully prays that this Court:

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

16 2. Issue a Temporary Restraining Order and preliminary and
17 permanent injunctions against each of the Defendants for violations
18 of Sections 5(a), 5(c), and 17(a) of the Securities Act and
19 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

20 3. Issue a Temporary Restraining Order and preliminary and
21 permanent injunctions against Defendant Prime for violations of
22 Section 15(a)(1) of the Exchange Act.

23 4. Order each of the Defendants to pay civil penalties
24 pursuant to Section 20(d)(1) of the Securities Act [15 U.S.C.
25 § 77t(d)(1)] and Section 21(d)(3)(A) of the Exchange Act [15 U.S.C.
26 § 78u(d)(3)(A)].

27 *

28 *

1 5. Order each of the Defendants to disgorge all money they
2 received, whether directly or indirectly, as a result of their
3 illegal conduct, and to pay prejudgment interest thereon.

4 6. Grant such further relief as this Court may determine to
5 be just, equitable, and necessary, including, but not limited to,
6 orders freezing assets in the possession, custody, or control of the
7 Defendants, granting expedited discovery, and requiring an accounting
8 from the Defendants concerning the use of investor funds.

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

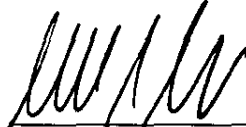
14

15 DATED: October 5, 1998

Respectfully submitted,

16

17



18

William E. White

19

Diana K. Tani

20

Kathleen K. Bisaccia

21

Michael R. Wilner

22

David M. Rosen

23

Attorneys for Plaintiff

24

Securities and Exchange Commission

25

26

27

28