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10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12
13 **SECURITIES AND EXCHANGE**
COMMISSION,

14 Plaintiff,

15 vs.

16 **SAMUEL BRASLAU, RAND J.**
17 **CHORTKOFF, and STUART E.**
RAWITT,

18 Defendants.

Case No.:

COMPLAINT

19
20
21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **JURISDICTION AND VENUE**

23 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
24 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b),
25 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Securities
26 Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78(u)(d)(1), 78u(d)(3)(A), 78u(e)
27 & 78aa(a). Defendants have, directly or indirectly, made use of the means or
28 instrumentalities of interstate commerce, of the mails, or of the facilities of a national

1 securities exchange in connection with the transactions, acts, practices and courses of
2 business alleged in this complaint.

3 2. Venue is proper in this district pursuant to Section 22(a) of the Securities
4 Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa(a),
5 because certain of the transactions, acts, practices and courses of conduct constituting
6 violations of the federal securities laws occurred within this district.

7 SUMMARY

8 3. This matter concerns a fraudulent offering of securities for a movie that was
9 not made and, given the extent to which investor proceeds were earmarked for
10 undisclosed purposes unrelated to the actual making of a movie, probably never could
11 have been made.

12 4. The fraudulent scheme was overseen by defendant Samuel Braslau, who
13 controlled two companies – Mutual Entertainment, LLC and its successor through
14 merger, Film Shoot, LLC – which offered and sold securities in the form of membership
15 units for the purported purpose of financing a movie to be called *Marcel*, later re-named
16 *The Smuggler*.

17 5. From April 2011 through August 2013, Braslau, through Mutual
18 Entertainment and Film Shoot, raised more than \$1.8 million from more than 60 investors
19 nationwide through a boiler room operated by Defendant Rand Chortkoff.

20 6. The unregistered salespeople hired and supervised by Chortkoff – most
21 notably, recidivist defendant Stuart Rawitt – sold investors the dream of a glamorous,
22 multi-million dollar movie production starring A-list celebrities sure to generate
23 exorbitant returns through numerous revenue streams.

24 7. In reality, almost every investor dollar was diverted to the Defendants and
25 their cohorts, either as sales commissions or purported “consulting” fees, or otherwise
26 spent on the facilitation of the offering.

27 8. As a result of the Defendants’ actionable conduct, what remains of investor
28 funds constitutes less money than it would take to produce a public service

1 announcement, let alone a full-length motion picture capable of securing a theatrical
2 release.

3 9. In offering and selling these securities to investors, Defendants Braslau and
4 Chortkoff, acting with scienter, engaged in a scheme to defraud and did defraud their
5 investors. In connection with the purchase or sale of these securities, Defendants Braslau
6 and Rawitt, acting with scienter, made material misrepresentations as to the intended uses
7 of investors' funds and the commercial prospects for and profitability of their investment.
8 By this conduct, the Defendants violated the antifraud provisions of Section 17(a) of the
9 Securities Act, 15 U.S.C. § 77q, and Section 10(b) of the Exchange Act, 15 U.S.C. §
10 78j(b), and Rule 10b-5 thereunder.

11 10. By selling these securities through a network of sales agents and receiving
12 and paying compensation therefrom, Defendants Chortkoff and Rawitt acted as brokers
13 and dealers. However, neither is registered with the SEC as either a broker or a dealer
14 and thus each has violated the broker-dealer registration requirements of Section 15(a) of
15 the Exchange Act, 15 U.S.C. § 78(o).

16 11. Rawitt is subject to an October 27, 2010 Order instituted by the SEC which
17 bars him from association with any broker or dealer. By his actions, Rawitt violated
18 Section 15(b)(6)(B)(i) of the Exchange Act, which prohibits any person for whom a bar
19 order is in effect from associating with a broker or dealer in contravention of said order
20 without the consent of the SEC.

21 12. The SEC seeks permanent injunctions prohibiting each of the Defendants
22 from future such violations, disgorgement of Defendants' ill-gotten gains with
23 prejudgment interest thereon, and the imposition of civil penalties.

24 **THE DEFENDANTS**

25 13. **Samuel Braslau** resides in Los Angeles, California. Braslau is and at all
26 relevant times herein was a member of the State Bar of California (Bar No. 200843).
27 Braslau served as counsel and registered agent for both Mutual Entertainment and Film
28 Shoot and exercised *de facto* control of both entities and their finances. He is the sole

1 managing member of The Smuggler The Movie, LLC.

2 14. **Rand J. Chortkoff** resides in Encino, California. Chortkoff is the sole
3 owner of Fine Melody, Inc. and Delta Groove Music, Inc. In 2008, Chortkoff was the
4 subject of a cease-and-desist order issued by the California Department of Corporations
5 for his role in the unregistered offer and sale of securities of Big Sky Motion Pictures,
6 LLC and Spring Break '83 Production, LLC. Chortkoff is not registered with the SEC in
7 any capacity.

8 15. **Stuart E. Rawitt** resides in Marina del Rey, California. Rawitt does
9 business as Half A Cake Entertainment, Inc., which received commissions of up to 27%
10 of the proceeds invested by those whom Rawitt solicited. On July 15, 2010, Rawitt
11 entered into a consent judgment permanently barring him from violating Sections 5(a)
12 and 5(c) of the Securities Act and Section 15(a) of the Exchange Act. *See SEC v.*
13 *Rockwell Energy of Texas, LLC, et al.*, Case No. 4:09-cv-4080 (S.D. Texas). On October
14 27, 2010, the SEC instituted public administrative proceedings against Rawitt and
15 accepted his settlement offer whereby he agreed to a bar from future association with any
16 broker or dealer. *See In the Matter of Stuart E. Rawitt*, Admin. Proc. 3-14099 (Oct. 27,
17 2010). Rawitt is not registered with the SEC in any capacity.

18 **AFFILIATED ENTITIES**

19 16. **Mutual Entertainment, LLC** was a California limited liability company
20 formed on December 16, 2010 and headquartered in Beverly Hills, California. A third
21 party is identified as its managing member on its public filings but actual control was
22 exercised by Braslau. Mutual Entertainment filed a Form D with the SEC on June 23,
23 2011, claiming an exemption from the securities registration requirements under Rule
24 506. Mutual Entertainment merged with Film Shoot, LLC in March 2012 and ceased
25 operations shortly thereafter.

26 17. **Film Shoot, LLC** is a California limited liability company formed on
27 February 22, 2012 and headquartered in Beverly Hills, California. A third party is
28 identified as its managing member on its public filings but actual control was exercised

1 by Braslau. Film Shoot filed a Form D with the SEC on May 7, 2012 and an amendment
2 thereto on September 24, 2012, claiming an exemption from the securities registration
3 requirements under Rule 506 in each instance. Film Shoot merged with Mutual
4 Entertainment in March 2012. It no longer appears to be active.

5 18. **The Smuggler The Movie, LLC** is a California limited liability company
6 formed on July 9, 2012 and headquartered in Beverly Hills, California.

7 **THE FRAUDULENT SCHEME**

8 **A. The Defendants Sold Securities for the Purported Purpose of Making a Movie**

9 19. In late 2010, Braslau and Chortkoff held a series of meetings in which they
10 discussed how to go about raising several million dollars with which to finance the
11 making of a motion picture.

12 20. In December 2010, Braslau formed Mutual Entertainment, LLC, a limited
13 liability company that would offer and sell membership units to investors, and purport to
14 use the proceeds therefrom to make a motion picture.

15 21. Although an unemployed actor was named the ostensible managing member
16 of Mutual Entertainment, Braslau exercised *de facto* control over Mutual Entertainment,
17 its finances, and its operations.

18 22. Braslau either instructed that the agreements entered into by Mutual
19 Entertainment be signed, or reproduced its ostensible managing member's signature on
20 them in order to effectuate those agreements on behalf of Mutual Entertainment.
21 Although Braslau shared signature authority on Mutual Entertainment's bank accounts
22 with its registered managing member, the unemployed actor, Braslau transacted all of the
23 activity in Mutual Entertainment's bank accounts and did not provide its putative
24 managing member with records thereof.

25 23. In January 2011, Mutual Entertainment entered into a written agreement
26 with a film director to purchase the rights to an unpublished story titled *Marcel* for "a
27 payment of Twenty Five Thousand Dollars (\$25,000) or one percent (1%) of the final
28 going in budget whichever amount is greater." In May 2012, Film Shoot paid \$25,000 to

1 Jasmine Pictures pursuant to this agreement.

2 24. That same month, Mutual Entertainment entered into a term letter agreement
3 with the same film director to direct “a proposed martial arts action motion picture
4 project, budgeted at \$3.5 million, to be produced by [film producer] and financed by
5 Mutual Entertainment” – i.e., the film version of *Marcel*. To date, the film director’s
6 directorial services have not been required and he has not been paid pursuant to this
7 agreement.

8 25. In February 2011, Mutual Entertainment entered into a written agreement
9 with Film Vergnuegen, Inc. for the services of a named film producer of “a martial arts
10 motion picture drama presently entitled *Marcel* to be directed by [film director].” This
11 putative producer has been paid a total of \$75,000 by Mutual Entertainment, Film Shoot
12 and The Smuggler The Movie LLC pursuant to this and successor agreements. To date,
13 his services as a producer have not been required.

14 26. Both the film director and film producer are movie industry professionals
15 with a number of credits on their resumes. But the only apparent purpose they served
16 was to add a veneer of commercial legitimacy to the Defendants’ fundraising endeavors.

17 27. In April 2011, Mutual Entertainment commenced to offer and sell up to \$7.5
18 million of its securities in the form of membership units, at a cost of \$1 per unit, with a
19 minimum investment amount of \$25,000. However, Mutual Entertainment reserved, and
20 exercised, the right to accept investments of less than \$25,000.

21 28. Mutual Entertainment’s fundraising efforts were undertaken by Mutual
22 Entertainment Ventures, Inc. (“MEV”) and by Chortkoff, the sole owner of Fine Melody,
23 Inc. MEV and Chortkoff hired “surveyors,” or “fronters,” to cold call prospective
24 investors from lead lists that MEV and Chortkoff purchased from lead list brokers.

25 29. Braslau and Chortkoff prepared a script that the fronters used in their
26 telephone solicitation of potential investors. Per the script, the fronters said that they
27 were “conducting marketing surveys for film and entertainment companies that are
28 looking at current investor trends.” The script directed the fronters to ask the person

1 called whether he or she was a qualified and accredited investor and, if so, whether he or
2 she wanted to “opt in” to hearing more about an “opportunity available to get in with a
3 production company seeking qualified investors.”

4 30. Those who “opted in” to hearing more were told that Mutual Entertainment
5 was looking for people to invest in “the kind of project that only comes around once in a
6 great while” that was to be directed by the film director referred to above and produced
7 by the producer referred to above.

8 31. The fronters emphasized the commercial successes of previous movies
9 directed by the film director or produced by the producer. The fronters provided a
10 website address which featured the movie’s “proposed” A-list cast of actors and
11 actresses, and concluded by asking whether the person called was interested in hearing
12 more about the investment opportunity from a “Production Executive.”

13 32. If a self-accredited potential investor was interested in hearing more, the
14 fronter provided his or her information to Chortkoff, and Chortkoff provided the
15 information to a “production executive,” or a “closer.”

16 33. Initially, the fronters’ calls were made from an office that MEV maintained
17 in northern California, while the closers worked from an office run by Chortkoff in Van
18 Nuys, California that was leased by Mutual Entertainment. By about August 2011, both
19 the fronters and the closers worked together in the Van Nuys office. Fronters continued
20 to route the information for self-accredited and interested potential investors to closers
21 through the medium of Chortkoff.

22 34. Chortkoff oversaw the mailing of written offering materials to prospective
23 investors. In addition to a private placement memorandum (“PPM”), a subscription
24 agreement and an operating agreement, he provided prospective investors with a glossy
25 brochure for *Marcel* that he and Braslau created and that featured, among other things,
26 biographical sketches of the producer and film director, a “proposed A-list cast” featuring
27 a dozen well-known actors and actresses and the box office receipts for several of their
28 more successful movies, budget and revenue figures for other movies made by the

1 producer and the film director, and budget and revenue figures for other “blockbuster”
2 films deemed “comparable” to *Marcel*.

3 35. The express and implicit comparisons between the budget and revenue
4 figures for the movies cited in the brochure and the prospects for *Marcel* are tenuous at
5 best. They concern movies that were actually *made* and *released*. *Marcel* was neither
6 made nor released, and never stood a real chance of being so.

7 36. Similarly, none of the “proposed” cast members for *Marcel* were even
8 *contacted* about being in the movie.

9 37. MEV ceased its affiliation with Mutual Entertainment at the end of February
10 2012.

11 38. MEV was replaced by American Marketing & Survey Co. (“AMSC”),
12 another entity with a powerless managing member, the operations and finances of which
13 were in fact controlled by Braslau.

14 39. AMSC employed frontiers, hired and supervised by Chortkoff, who cold-
15 called prospective investors from the Van Nuys office, using lead lists purchased by
16 Chortkoff and the sales script created by Braslau and Chortkoff

17 40. In March 2012, Mutual Entertainment entered into a merger agreement with
18 Film Shoot, which assumed “any and all liabilities, obligations and assets of Mutual
19 Entertainment” pursuant thereto. At roughly the same time, the working title of the
20 movie was changed from *Marcel* to *The Smuggler*.

21 41. Film Shoot’s offering of securities for the production of *The Smuggler* was a
22 seamless continuation of Mutual Entertainment’s offering for *Marcel*: the units held by
23 investors in Mutual Entertainment were converted into units in Film Shoot, the Mutual
24 Entertainment PPM was simply retitled wholesale the Film Shoot PPM, the glossy
25 *Marcel* brochure was recast as the glossy *The Smuggler* brochure, and the story the movie
26 purportedly would tell (a down-on-his-heels French martial arts master who obtains
27 redemption through his protection of an orphan and his cracking of heads in Nazi-
28 occupied Paris) remained the same.

1 42. Although an unemployed musician was appointed the ostensible managing
2 member of Film Shoot, Braslau exercised *de facto* control over Film Shoot, its finances,
3 and its operations.

4 43. Braslau either instructed that the agreements be entered into by Film Shoot,
5 or reproduced the ostensible managing member's signature on them in order to effectuate
6 the desired agreements. Although Braslau shared signature authority on Film Shoot's
7 bank accounts with the ostensible managing member, Braslau transacted all of the
8 activity in Film Shoot's bank accounts and did not provide the managing member with
9 records thereof.

10 **B. The Private Placement Memorandum Contained Fraudulent**
11 **Misrepresentations and Omissions**

12 44. The PPM, drafted by Braslau and disseminated by Chortkoff, either
13 affirmatively misrepresents or fails to disclose material facts concerning the offerings,
14 including the rates of commissions paid to salespeople, the extent of the legal fees paid to
15 Braslau, the nature or existence of other fee agreements, and the fatal impact that these
16 financial obligations would have on their ability to make a movie with offering proceeds.
17 Braslau and Chortkoff knew, or were reckless in not knowing, that the PPM made these
18 misrepresentations or omitted material facts concerning the offerings.

19 45. According to the PPMs, 5% of the offering proceeds would be used for
20 "Organizational Expenses" and 20% of the offering proceeds would be used for
21 "Marketing and Consultation."

22 46. According to the PPMs, depending on how many units were sold in the
23 offering, 1.5%-1.33% of the offering proceeds would be used for "Legal Expenses
24 (Securities and Production Legal)," 63.5%-64.3% of the offering proceeds would be used
25 for "Production Expenses," and 9.33%-10% of the offering proceeds would be paid as a
26 distribution fee called a "Distribution Minimum Guarantee."
27
28

1 47. The only express reference to sales commissions contained in the PPM
2 states:

3 In the event the Company enters into selling agreements with selected
4 Broker/Dealers, the Company may pay to the Broker/Dealers a commission
5 of up to ten percent (10%) and a non-accountable expense allowance of three
6 percent (3%) of the gross subscription proceeds made from the sale of Units
7 by the Broker/Dealers.

8 48. The Defendants raised at least \$1,817,958 from at least 60 investors
9 nationwide using the PPMs referenced above.

10 49. The Defendants used the offering proceeds in a manner wholly inconsistent
11 to what was disclosed to investors in the PPM. The \$1,817,958 raised during the offering
12 was used as follows:

Recipient	Usage	Amount	Percentage
MEV	Fundraising	\$337,825 ¹	18.58%
AMSC	Fundraising	\$112,628	6.19%
Chortkoff	Fundraising	\$141,225 ²	7.76%
Rawitt	Fundraising	\$152,918 ³	8.41%
Closers other than Rawitt	Fundraising	\$38,599	2.12%
Braslau	Legal expenses	\$337,956 ⁴	18.59%
Mark Holdom, Inc.	Distribution/consulting costs	\$206,000	11.33%
Producer/Film Director	Production costs	\$143,000	7.86%
Other	Misc.	\$347,807	19.13%

13 50. Braslau knew, or was reckless in not knowing, that the offering proceeds
14 were used as set forth in the chart above, and not as had been disclosed to investors in the
15 PPM that he drafted. For example, Braslau entered into various agreements obligating
16 these expenditures without disclosing those agreements or the resulting financial
17 obligations to investors. He also created internal spreadsheets detailing the distribution
18 of the offering proceeds, which were consistent with the actual use of the proceeds
19 outlined above and which clearly showed that these proceeds were not being used in the
20

21 _____
22 ¹ Includes payments made to salespeople, including Chortkoff and Rawitt.

23 ² Chortkoff received an additional \$19,029 from MEV.

24 ³ Rawitt received an additional \$101,081 from MEV, and \$6,062 from AMSC.

25 ⁴ Braslau received an additional \$2,500 from ASMC.

1 manner represented to investors and that there would be insufficient funds to make a
2 movie.

3 51. Chortkoff knew, or was reckless in not knowing, that the offering proceeds
4 were used as set forth in the chart above, and not as had been disclosed to investors in the
5 PPM that he circulated to investors. For example, Chortkoff hired the sales agents
6 responsible for obtaining additional investments, and knew what they were being
7 compensated in amounts that were not disclosed to investors.

8 52. Investor proceeds were spent as detailed above pursuant to a number of
9 agreements that Braslau, the *de facto* head of Mutual Entertainment and Film Shoot,
10 entered into with various entities in the course of the securities offerings.

11 53. In January 2011, Braslau drafted a written Service Agreement with MEV,
12 entitling MEV to “a fee of Twenty Five Percent (25%) allocation of the monies raised
13 through the PPO as consideration for its services,” as well as a written agreement with
14 MEV’s principal, entitling him to “Five Percent (5%) of all funds raised through the
15 equity placement.” Both agreements were either signed by the managing member of
16 Mutual Entertainment at Braslau’s instruction or the managing member’s signature was
17 reproduced by Braslau.

18 54. Notwithstanding the terms of the written agreements with MEV and its
19 principal, Mutual Entertainment routinely paid MEV a sales commission equal to 40% of
20 investor proceeds, or 10% more than was called for by the two agreements combined.

21 55. MEV paid its frontiers an hourly wage but paid its closers a sales commission
22 based on the amount invested.

23 56. Chortkoff hired the closers and negotiated the sales commissions they were
24 entitled to from MEV.

25 57. Chortkoff hired Rawitt and negotiated the terms of Rawitt’s employment by
26 MEV: a commission of 27% of the amount invested by any person that Rawitt closed by
27 himself, and 10 to 15% of the amount invested by any person that Rawitt closed with the
28 assistance of others. MEV paid Rawitt his sales commission from the 40% sales

1 commission that Mutual Entertainment paid to MEV.

2 58. AMSC was less costly than MEV, receiving a sales commission of only
3 about 25% of the offering proceeds. But whereas closers, including Rawitt, had
4 previously been compensated by MEV from the 40% sales commission it received from
5 Mutual Entertainment, Film Shoot directly compensated its closers.

6 59. In January 2011, Mutual Entertainment entered into a written agreement
7 with Fine Melody, Inc. (“Fine Melody”) “for the services of Rand Chortkoff as an
8 Executive Producer in the development, financing and production” of *Marcel*, and a
9 written agreement with Delta Groove Music, Inc. (“Delta Groove”) “for the services of
10 Rand Chortkoff as music supervisor” of *Marcel*. The agreements entitle Fine Melody
11 and Delta Groove to “5% of all funds raised through the equity placement”, respectively.

12 60. The agreements were drafted by Braslau and signed by the managing
13 member of Mutual Entertainment at Braslau’s instruction or the managing member’s
14 signature was reproduced by Braslau.

15 61. Chortkoff did not render any of the services enumerated in the agreement
16 with Delta Groove because there is no movie requiring such services. The only services
17 Chortkoff rendered pursuant to these agreements were in connection with the raising of
18 funds through the private placement – primarily, his supervision of the frontiers and
19 closers operating from Van Nuys.

20 62. Notwithstanding the terms of the agreements, Mutual Entertainment (and
21 later Film Shoot) routinely paid Fine Melody a sales commission of 8% of the amount
22 invested by persons solicited by the frontiers and closers whom Chortkoff hired and
23 supervised.

24 63. In January 2011, Mutual Entertainment entered into a Legal Services
25 Agreement with Braslau that entitled him to “an initial retainer fee of One Hundred
26 Thousand Dollars (\$100,000) . . . from the funds raised through the PPM, plus Three
27 Percent (3%) of the funds raised through the PPM.”
28

1 64. The Legal Services Agreement was drafted by Braslau and either signed by
2 the managing member of Mutual Entertainment at Braslau's instruction or the managing
3 member's signature was replicated by Braslau.

4 65. Per the stated terms of the Legal Services Agreement, Braslau was entitled
5 to \$154,000, or \$127,000 more than was disclosed in the PPM.

6 66. In December 2010, Mutual Entertainment had entered into a Loan and
7 Security Agreement with Braslau whereby Braslau agreed to advance up to \$50,000 to
8 Mutual Entertainment "for working capital."

9 67. The Loan and Security Agreement was drafted by Braslau and either signed
10 by the managing member of Mutual Entertainment at Braslau's instruction or the
11 managing member's signature was replicated by Braslau.

12 68. The Loan and Security Agreement entitles Braslau to repayment of the
13 amount advanced from offering proceeds, as well as payment of a Fee equal to 50% of
14 the amount advanced from offering proceeds.

15 69. Per the stated terms of the Loan and Security Agreement, Braslau was
16 entitled to repayment of \$75,000 if he advanced the full \$50,000 contemplated by the
17 Loan and Security agreement.

18 70. The PPM does not disclose the existence of the Loan and Security
19 Agreement or its terms of repayment.

20 71. Notwithstanding the express terms of the undisclosed Legal Services
21 Agreement and the undisclosed Loan and Security Agreement – pursuant to which
22 Braslau would be entitled to a total of \$229,000, assuming he had advanced Mutual
23 Entertainment \$50,000 and was repaid in full – Braslau personally received more than
24 \$340,000 in investor funds.

25 72. In January 2011, Mutual Entertainment entered into an Exclusive Sales
26 Agency Agreement with Mark Holdom Inc. as "sole and exclusive sales agent for the
27 distribution and exploitation of any and all distribution rights of every nature and kind."
28

1 73. Pursuant to the Sales Agency Agreement, Mark Holdom Inc. is entitled to a
2 minimum guarantee of \$750,000 (10% of the full offering amount), as well as a
3 percentage of the film's gross receipts. This is at least \$50,000 more than is disclosed in
4 the PPM (which states, at one point, that Mark Holdom Inc. is entitled to \$700,000) and
5 perhaps as much as \$570,000 more than is disclosed in the PPM (which states, at another
6 point, and as noted in paragraph 46, *infra*, that the "Distribution Minimum Guarantee" is
7 10% of the offering proceeds).

8 74. The Sales Agency Agreement was drafted by Braslau and either signed by
9 the managing member of Mutual Entertainment at Braslau's instruction or Braslau
10 replicated the managing member's signature.

11 75. Because there is not even a final screenplay with actors and actresses
12 attached – let alone a finished film – there is nothing for Mark Holdom Inc. to distribute.

13 76. At all relevant times herein, Braslau was a minority owner of Mark Holdom
14 Inc. and controlled its bank account, a fact which is not disclosed to investors in the PPM.

15 77. Most of the monies paid to Mark Holdom Inc. were in increments equal to
16 10% of a particular investor's investment principal.

17 78. The Smuggler The Movie appears to have taken over for Film Shoot. Over
18 the course of several months in mid-2013, Film Shoot transferred \$76,050 to The
19 Smuggler The Movie.

20 79. As of August 31, 2013, Film Shoot's bank account contained \$253.

21 80. As of September 30, 2013, The Smuggler The Movie's bank account
22 contained \$1,988.

23 81. The total – \$2,241 – is all that remains from the offering proceeds raised
24 from investors. This paltry amount is not near sufficient to make the movie that
25 Defendants represented to investors would be made.

26 82. The Defendants knew that their purported objective of making a motion
27 picture with monies raised from their securities offering was doomed to failure. The
28 outcome was made inevitable by the various agreements described herein which left the

1 Defendants without the means to do so.

2 83. As a result of these agreements, Braslau and Chortkoff knew, or were
3 reckless in not knowing, that Mutual Entertainment could not and would not be able to
4 finance the movie it had promised to investors.

5 84. Braslau and Chortkoff also knew, or were reckless in not knowing, that these
6 agreements, their terms, and the financial position created by these agreements had not
7 been disclosed to investors.

8 **C. Rawitt Made Material Misrepresentations to Investors**

9 85. In the course of soliciting investors, both via telephone and in person, Rawitt
10 made a number of material misrepresentations, including the following:

11 86. On one or more occasions, Rawitt told an investor that the actors Donald
12 Sutherland and Sean Bean were going to be in the movie. They were not.

13 87. On one or more occasions, Rawitt told an investor that Film Shoot was just
14 \$1.5 million short of reaching its \$7.5 million goal.

15 88. On one or more occasions, Rawitt told an investor that the film would begin
16 shooting in the Summer of 2013. It did not.

17 89. On one or more occasions, Rawitt told an investor that overseas distribution
18 rights to *Marcel* had been sold. Such rights had not been sold.

19 90. On one or more occasions, Rawitt told an investor that he would realize
20 revenues from action figures and other products tied to the movie. No such licensing
21 rights have been sold.

22 91. On one or more occasions, Rawitt gave an investor the belief that Mutual
23 Entertainment was a successful film company whose track record encompassed the
24 *Harold and Kumar* movies produced by Carsten Lorenz.

25 92. On one or more occasions, Rawitt told an investor that in the “worst case
26 scenario” he would have his principal returned, but would more likely see a return on
27 investment of about 300%. Such a projection was basesless.

28 93. On one or more occasions, Rawitt told an investor that the actors Jean-

1 Claude Van Damme and Tim Roth had committed to doing the movie. They had not.

2 94. On one or more occasions, Rawitt told an investor that he might see a return
3 of 8 to 10 times the amount he invested. This projection was baseless.

4 95. On one or more occasions, Rawitt made similar representations that adhered
5 to one or more of the following themes:

- 6 • the casting of well-known actors and actresses, none of whom were actually
7 approached, let alone hired;
- 8 • the likelihood of seeing an exponential return on one's investment;
- 9 • the existence of distribution deals with major studios;
- 10 • the insinuation that Mutual Entertainment or Film Shoot was a party to the
11 prior successes of the film director and producer;
- 12 • the imminence of a production date, a theatrical release date, and a revenue-
13 generation date -- dates that came and went without any such action taken;
- 14 • the existence of revenue-generating product placement deals and product
15 spin-offs;
- 16 • the scarcity of remaining available investment slots and the need to purchase
17 them before they were gone (in an offering that had raised less than \$2
18 million of its \$7.5 million objective); and
- 19 • the tax advantages of investing (a full write-off of the amount invested in the
20 year the investment was made or in the year in which production began).

21 96. All of these representations made by Rawitt were false and misleading.

22 97. Rawitt knew that no movie had been made.

23 98. Rawitt knew, or was reckless in not knowing, that the other representations
24 he made, as set forth above, were false.

25 99. Rawitt did not disclose to investors that he received a commission of 27%
26 from investor funds. He knew, or was reckless in not knowing, that his commission
27 amount exceeded the amounts disclosed to investors for sales agents in the PPM.
28

1 **D. Chortkoff and Rawitt Were Not Associated with a Registered Broker or**
2 **Dealer**

3 100. In the course of the offer and sale of the Mutual Entertainment and Film
4 Shoot securities offerings, both Chortkoff and Rawitt received transaction based
5 compensation in the form of commissions.

6 101. Neither Chortkoff nor Rawitt are registered brokers or dealers, nor are either
7 associated with a registered broker or dealer.

8 102. At the time he sold securities, Rawitt was subject to an October 27, 2010
9 SEC Order prohibiting him from associating with a broker or dealer.

10 103. The SEC has not given its consent to allow Rawitt to associate with a broker
11 dealer.

12 **FIRST CLAIM FOR RELIEF**

13 **Fraud in the Offer or Sale of Securities**

14 **Violations of Section 17(a) of the Securities Act**

15 **(against all Defendants)**

16 104. The SEC realleges and incorporates by reference paragraphs 1 through 103
17 above.

18 105. Defendants, by engaging in the conduct described above, directly or
19 indirectly, in the offer or sale of securities by the use of means or instruments of
20 transportation or communication in interstate commerce or by use of the mails

21 (a) with scienter, employed devices, schemes, or artifices to defraud;

22 (b) obtained money or property by means of untrue statements of a
23 material fact or by omitting to state a material fact necessary in order to make the
24 statements made, in light of the circumstances under which they were made, not
25 misleading; or

26 (c) engaged in transactions, practices, or courses of business which
27 operated or would operate as a fraud or deceit upon the purchaser.

28 106. By engaging in the conduct described above, Defendants have violated, and

1 unless restrained and enjoined will continue to violate, Section 17(a) of the Securities
2 Act, 15 U.S.C. § 77q(a).

3 **SECOND CLAIM FOR RELIEF**

4 **Fraud in Connection with the Purchase or Sale of Securities**
5 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
6 **(against all Defendants)**

7 107. The SEC realleges and incorporates by reference paragraphs 1 through 103
8 above.

9 108. Defendants, by engaging in the conduct described above, directly or
10 indirectly, in connection with the purchase or sale of a security, by the use of means or
11 instrumentalities or interstate commerce, of the mails, or of the facilities of a national
12 securities exchange, with scienter:

13 (a) employed devices, schemes, or artifices to defraud;

14 (b) made untrue statements of a material fact or omitted to state a material
15 fact necessary in order to make the statements made, in the light of the circumstances
16 under which they were made, not misleading; or

17 (c) engaged in acts, practices or courses of business which operated or
18 would operate as a fraud or deceit upon other persons.

19 109. By engaging in the conduct described above, Defendants have violated, and
20 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange
21 Act.

22 **THIRD CLAIM FOR RELIEF**

23 **Unregistered Broker-Dealer**
24 **Violations of Section 15(a) of the Exchange Act**
25 **(against Defendants Chortkoff and Rawitt)**

26 110. The SEC realleges and incorporates by reference paragraphs 1 through 103
27 above.

28 111. Defendants Chortkoff and Rawitt have, by engaging in the conduct set forth

1 above, made use of the mails and means or instrumentalities of interstate commerce to
2 effect transactions in, and induced and attempted to induce the purchase or sale of,
3 securities (other than exempted securities or commercial paper, bankers' acceptances, or
4 commercial bills) without being registered with the SEC in accordance with Section 15 of
5 the Exchange Act, § 78o, and without complying with any exemptions promulgated
6 pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

7 112. By reason of the foregoing, Defendants Chortkoff and Rawitt, directly and
8 indirectly, violated, and unless enjoined will continue to violate, Section 15(a)(1) of the
9 Exchange Act, 15 U.S.C. § 78o(a)(1).

10 **FOURTH CLAIM FOR RELIEF**

11 **Association With Broker-Dealer in Contravention of an SEC Bar Order**

12 **Violation of Section 15(b)(6)(B)(i) of the Exchange Act**

13 **(against Defendant Rawitt)**

14 113. The SEC realleges and incorporates by reference paragraphs 1 through 103
15 above.

16 114. Defendant Rawitt has, by engaging in the conduct set forth above, without
17 the consent of the SEC willfully become associated with a broker or dealer in
18 contravention of a prior order entered by the SEC against him pursuant to Section
19 15(b)(6)(A) of the Exchange Act, 15 U.S.C. § 78o(b)(6)(A), which specifically prohibits
20 him from doing so.

21 115. By reason of the foregoing, Defendant Rawitt, directly and indirectly,
22 violated, and unless enjoined will continue to violate, Section 15(b)(6)(B)(i) of the
23 Exchange Act, 15 U.S.C. § 78o(b)(6)(B)(i).

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the SEC respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that Defendants committed the
28 alleged violations.

1
2 **II.**

3 Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), temporarily,
4 preliminarily and permanently enjoining Defendants Samuel Braslau, Rand Chortkoff
5 and Stuart Rawitt, and their officers, agents, servants, employees, and attorneys, and
6 those persons in active concert or participation with any of them, who receive actual
7 notice of the order by personal service or otherwise, and each of them, from violating
8 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the
9 Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5; and
10 additionally enjoining Defendants Chortkoff and Rawitt and their officers, agents,
11 servants, employees, and attorneys, and those persons in active concert or participation
12 with any of them, who receive actual notice of the order by personal service or otherwise,
13 and each of them, from violating Section 15(a)(1) of the Exchange Act, 15 U.S.C. §
14 78o(a)(1); and further enjoining Defendant Rawitt and his officers, agents, servants,
15 employees, attorneys, and those persons in active concert or participation with any of
16 them, who receive actual notice of the order by personal service or otherwise, and each of
17 them, from violating Section 15(b)(6)(B)(i) of the Exchange Act, 15 U.S.C. §
18 78o(b)(6)(B)(i).

19 **III.**

20 Order Defendants Braslau, Chortkoff and Rawitt to disgorge all ill-gotten gains
21 from their illegal conduct, together with prejudgment interest thereon.

22 **IV.**

23 Order Defendants Braslau, Chortkoff and Rawitt to pay civil penalties under
24 Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the
25 Exchange Act, 15 U.S.C. § 78u(d)(3).

26 **V.**

27 Retain jurisdiction of this action in accordance with the principles of equity and the
28 Federal Rules of Civil Procedure in order to implement and carry out the terms of all

1 orders and decrees that may be entered, or to entertain any suitable application or motion
2 for additional relief within the jurisdiction of this Court.

3 **VI.**

4 Grant such other and further relief as this Court may determine to be just and
5 necessary.

6 DATED: February 20, 2014

Respectfully submitted,

7
8 /s/ Peter F. Del Greco
9 PETER F. DEL GRECO
Attorney for Plaintiff
Securities and Exchange Commission

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