

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

CLERK'S OFFICE  
JAN 17 2005  
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S. Clark  
Dorothy Clark

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

SCOTT B. HOLLENBECK, TIMOTHY L.  
BRADSHAW, STEVEN K. GILLEY,

Defendants.

CIVIL ACTION FILE  
NO. \_\_\_\_\_

1 05 - CV 1272

**Complaint For Injunctive And Other Relief**

The plaintiff, Securities and Exchange Commission ("Commission" or the "Plaintiff"), files this complaint and alleges the following:

**Summary**

1. From November 2001 through at least August 31, 2004, Mobile Billboards of America, Inc. ("Mobile Billboards") sold more than \$60.5 million of billboard frames to approximately 700 investors. Investors simultaneously leased the billboards back to Outdoor Media Industries, Inc. (Outdoor Media"). Investors

were told that Outdoor Media would purportedly pay the lease payments approximating 13.49% per year to investors. Mobile Billboards agreed to buy back the billboards after seven years at the full purchase price, purportedly guaranteed by Reserve Guaranty (“Reserve Guaranty”). The investment contracts were sold through a network of independent, commissioned sales agents, including defendants Scott B. Hollenbeck, Timothy L. Bradshaw and Steven K. Gilley, who were paid commissions of between 15% and 27% of the price of the investment.<sup>1</sup>

2. The investment program was a Ponzi scheme because the collective business did not generate sufficient revenue to make monthly lease payments to investors and, instead, relied on new investor money to make lease payments. The sales materials made false claims about the number of billboards that were operational and the value of other assets.

3. Hollenbeck, Bradshaw and Gilley knew or recklessly ignored information indicating that the Mobile Billboards program was a Ponzi scheme.

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<sup>1</sup> The Commission sued Mobile Billboards, related companies and individuals in this Court on September 21, 2004. SEC v. Mobile Billboards of America, Inc., International Payphone Company doing business as Outdoor Media Industries, Inc., Reserve Guaranty Trust, Michael A. Lomas and Michael L. Young, Civil Action File No. 1:04-cv-2763, September 21, 2004. The Footnote continued on next page

Moreover, they added misrepresentations of their own, including claims that the investment was secured or guaranteed.

4. Defendants Hollenbeck, Bradshaw and Gilley were the three highest volume sales agents, selling approximately \$11 million, \$5.3 million and \$4.7 million, respectively, of the Mobile Billboards investments. Bradshaw and Gilley operated groups of sub-agents, to whom they paid a portion of their overall commissions. Based upon commission payments, Bradshaw's and Gilley's sub-agents appear to have sold as much as another \$16 million of the investments.

5. By virtue of their conduct, Hollenbeck, Bradshaw and Gilley have engaged and, unless enjoined, will continue to engage, in violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act")[ 15 U.S.C. 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act")[15 U.S.C. 78j(b)], and Rule 10b-5 promulgated thereunder, [17 C.F.R. 240.10b-5], and Section 15(a) of the Exchange Act [15 U.S.C. 78o(a)].

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defendants consented to the entry of permanent injunctions, an asset freeze, and the appointment of a receiver at the time the case was filed.

### **Jurisdiction And Venue**

6. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. 77t(b)-(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. 78u(d)-(e)], to enjoin the defendants from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for disgorgement of ill-gotten gains, civil penalties and other relief.

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. 78u(d), 78u(e) and 78aa].

8. The defendants, directly and indirectly, have made use of the mails, the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

9. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. 78aa],

because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and Exchange Act have occurred within the Northern District of Georgia. Specifically, defendant Bradshaw employed sub-agents who perpetuated the fraudulent scheme in the Northern District of Georgia.

### **The Defendants**

10. **Scott B. Hollenbeck (“Hollenbeck”)**, age 49, is a resident of Kernersville, North Carolina. He has never been registered with the Commission as a broker or dealer.

11. **Timothy L. Bradshaw (“Bradshaw”)**, 45 years of age, resides in Greensboro, North Carolina. He has never been registered with the Commission as a broker or dealer.

12. **Steven K. Gilley (“Gilley”)**, age 49, is a resident of Reidsville, North Carolina. He has never been registered with the Commission as a broker or dealer.

## **Facts**

### **The Fraudulent Mobile Billboards Flex Frame Investment Program**

13. From at least November 2001 through the present, Mobile Billboards, through the efforts of its sales agents, including the defendants, sold more than \$60.5 million of billboard investments to approximately 700 investors throughout the United States.

14. Defendants sold units for \$20,000 each.

15. The investment was structured so that an investor purchased a billboard frame from Mobile Billboards and simultaneously entered into a leaseback agreement with Outdoor Media under which the investor received monthly lease payments equivalent to 13.49% annually. Outdoor Media purportedly leased the billboard frames, which mounted on the sides of trucks, for advertising purposes.

16. Mobile Billboards also entered into a buy-back agreement with the investors providing that Mobile Billboards would repurchase the investment for the full sales price after seven years.

17. To support the availability of funds for the buyback, Reserve Guaranty, a trust controlled by the officers of Mobile Billboards, issued to the investor a “Trust Secured Certificate” that purportedly gave the investor a claim to the assets of the trust up to the value of his purchase.

18. No registration statement was filed with the Commission in connection with the investments.

19. As part of the scheme, defendants presented potential investors with an offering circular (“disclosure document”) purportedly designed to comply with the “business opportunity” regulations of the Federal Trade Commission and various states.

20. This disclosure document contained, among other things, a brief description of the company, various form agreements, and audited financial information of Mobile Billboards. The disclosure document also described the structure of the Mobile Billboards investment.

21. The disclosure document offered investors two alternatives for the use of the billboards. One alternative provided that investors could operate the mobile billboard business themselves. The second alternative, chosen by 100% of

the investors, provided that Outdoor Media would lease the frame from the investor, make regular monthly lease payments equivalent to 13.49% per year and manage the business by securing advertisers and leasing truck space for the leased billboard frame. Under that alternative, investors had no active role in managing the investment.

22. Investors were told that Mobile Billboards' agreement to buy-back the billboard at the end of seven years was guaranteed by Reserve Guaranty, an entity controlled by the officers of Mobile Billboards.

23. The defendants misrepresented to investors that Mobile Billboards paid \$5,000 of the initial purchase price to Reserve Guaranty at the inception of the lease to create a sinking fund to support the buy-back.

24. In consideration for the purported \$5,000 payment, Reserve Guaranty issued to the investor a "Trust Secured Certificate" which entitled the investor to "an undivided beneficial interest in the assets of Reserve Guaranty with a liquidation amount of up to [\$20,000 times the number of billboards] purchased."

25. Reserve Guaranty's trust assets were purportedly invested to generate profits to fund the buy-back.



### **Misrepresentations in Disclosure Documents**

26. Outdoor Media's income statement for 2003, which was not provided to investors, showed \$979,256 of billboard advertising revenue, of which \$290,015 went to Outdoor Media and \$684,250 was paid to Reserve Guaranty. However, Outdoor Media paid \$3,213,522 in investor lease payments during 2003.

27. The billboards did not generate enough revenue to make the payments required by the leaseback agreements. In fact, the investment program operated as a Ponzi scheme. Mobile Billboards and Outdoor Media depended on funds from new investors to meet their lease payment obligations to earlier investors. These facts were not disclosed to investors.

28. The Mobile Billboards offering circular falsely claimed that no investor had ever cancelled the investment.

29. The disclosure document, which defendants presented to potential investors, also misrepresented the number of billboards that Outdoor Media had operational. The Mobile Billboards' offering circular in use by mid 2004, claimed that there were 3,039 "operating mobile billboard Business Opportunities" as of

March 31, 2004. In fact, Mobile Billboards had fewer than 200 billboards operating.

30. The disclosure document misrepresented to investors that Mobile Billboards made a \$5,000 payment to Reserve Guaranty for every billboard sold.

31. In fact, Mobile Billboards contributed billboard frames and payphones to Reserve Guaranty in lieu of cash payments and overstated the values of the assets contributed. For example, Mobile Billboards valued the billboards it had purportedly contributed to Reserve Guaranty at \$1,500 each, although Mobile Billboards paid between \$238 and \$278 for each frame and did not contribute as many billboards as it claimed.

32. Thus, Mobile Billboards overvalued its contributions to the purported sinking fund by approximately 80 percent.

### **Specific Misconduct by the Defendants**

33. Hollenbeck, Bradshaw and Gilley sold the Mobile Billboards program largely to older and retired investors as a passive investment that would increase the income the investor was receiving on money held in certificates of deposit, bonds or retirement accounts.

34. The three salesman each persuaded investors to liquidate mutual funds and other secure investments to invest in the Mobile Billboards program and to transfer the investors' existing individual retirement accounts to a self-directed IRA provider supplied by Mobile Billboards.

35. All three defendants provided investors with the forms necessary to establish self-directed IRAs to hold Mobile Billboards investments.

36. Gilley's commissions ranged from 15% to 27%. Hollenbeck's commissions ranged from 20% to 22%. Bradshaw earned 22%. Bradshaw and Gilley were categorized as "master sales agents" because each employed sub-agents on whose sales they received commission overrides. For example, Gilley paid his sub-agents an 18% commission, and kept the balance of the up to 27% commission for himself.

37. The sales commissions paid to Hollenbeck, Bradshaw and Gilley were not disclosed to investors, by the salesmen or otherwise.

38. Bradshaw employed five or more independent sales agents who sold the investment to individuals located within the Northern District of Georgia.

39. The sales brochure that Hollenbeck, Bradshaw, Gilley showed potential investors represented that Mobile Billboards was safe and potentially profitable.

40. Defendants Hollenbeck, Bradshaw and Gilley knew, or were extremely reckless in not knowing, that the investment program functioned as a Ponzi scheme.

41. In October 2002, Mobile Billboards sent a letter to all sales agents that, among other things, explained how the \$20,000 purchase price of the billboard frame would be allocated. The letter stated that \$3,000 of the \$20,000 was allocated to Outdoor Media, and that \$2,700 of that amount “represents the first year’s lease payments to your client.” The letter also stated that “[t]he corporate strategy regarding actual advertising revenue was to basically build in a reserve for a 12-month lead-in time until advertising would come on-stream.”

42. At a minimum, the letter put the defendants on notice that the customers were funding the entire first year of their lease payments, and that the company would not generate returns for a year.

43. Hollenbeck, Bradshaw and Gilley did not disclose this information to investors. Instead, they presented the Mobile Billboards program as a safe, secure investment.

44. Hollenbeck, Bradshaw and Gilley conducted no independent investigation into Mobile Billboards' operations beyond what they were told by the company.

45. Hollenbeck never read the Mobile Billboards' disclosure document but only skimmed portions of it.

46. Among other things, Hollenbeck, Bradshaw and Gilley each failed to obtain financial statements to determine the amount of advertising revenue that was being generated to support the monthly financial obligation to investors, and failed to communicate with Reserve Guaranty, to verify that Mobile Billboards was depositing funds to the trust to support the redemption guarantee.

47. In addition to their reckless failure to verify information provided by Mobile Billboards, they each added deliberate misrepresentations of their own, as detailed below.

### **Defendant Hollenbeck**

48. Hollenbeck sold approximately \$11 million of Mobile Billboards investments and received more than \$2 million in commissions.

49. He solicited investors from his former customers, in churches and through referrals from his investors.

50. Hollenbeck devised a method to provide his investors with an even greater sense of security than was offered by the Reserve Guaranty Trust Secured Certificate. He forged a surety bond that he provided to investors. The surety bond falsely stated that the individual investor was insured against loss up to the value of the Mobile Billboards investment purchased by each investor.

### **Defendant Bradshaw**

51. Bradshaw purchased advertising in local newspapers to market the Mobile Billboards investments, in which he emphasized the ability to earn 13.49% return.

52. Bradshaw also solicited investors through the Internet, offering “investment opportunities.”

53. Bradshaw continued to sell Mobile Billboards investments in North Carolina after April 2, 2004, when he was personally served with a cease-and-desist order in connection with his Mobile Billboard sales. The cease-and-desist order alleged that Bradshaw and others sold unregistered securities in the state of North Carolina in the form of Mobile Billboard investments and that they “omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading...”

54. Bradshaw failed to disclose to the investors to whom he sold the investment after April 2, 2004 that he was subject to a North Carolina cease-and-desist order prohibiting his sales to them.

55. Bradshaw employed at least five independent sales agents in the State of Georgia to whom he paid commissions. Bradshaw’s Georgia sales agents sold more than \$1 million of the investments to individuals located within the Northern District of Georgia.

**Defendant Gilley**

56. Gilley was a master agent for Mobile Billboards and employed approximately 10 sub-agents who sold the investment.

57. Gilley personally sold approximately \$4.7 million of the Mobile Billboards investments and received approximately \$1.3 million of commissions.

58. Gilley advised potential investors falsely that the program was a guaranteed deal and that the investors could not lose money.

59. Gilley sent prospective investors a letter inviting them to attend a sales presentation. The letter falsely claimed that if the Mobile Billboards investment was held in an IRA account it would be “FDIC insured.”

60. Gilley received an August 31, 2002 e-mail from the chairman of the board of Mobile Billboards that discussed the allocation of the \$20,000 per investment and showed that Outdoor Media was paid \$2,700 of the investment to finance the investors’ monthly payments for the first year. Thereafter Gilley continued to sell the Mobile Billboards investments but did not disclose this to his investors.

**COUNT I — UNREGISTERED OFFERING OF SECURITIES**

**Violations of Sections 5(a) and 5(c) of the Securities Act  
[15 U.S.C. §§ 77e(a) and 77e(c)]**

61. Paragraphs 1 through 60 are restated and incorporated herein by reference.



62. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

63. From at least November 1, 2001 through the present, defendants Hollenbeck, Bradshaw and Gilley singly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and
- (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy securities, through the use or medium of any prospectus or otherwise, without a registration statement having been filed with the Commission as to such securities.

By reason of the foregoing, defendants Hollenbeck, Bradshaw and Gilley directly and indirectly, singly and in concert, have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**COUNT II – FRAUD**

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

64. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

65. From November 2001 through the present, defendants Hollenbeck, Bradshaw and Gilley, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

66. In engaging in such conduct, the Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

67. By reason of the foregoing, the defendants Hollenbeck, Bradshaw and Gilley directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**COUNT III--FRAUD**

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

68. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

69. From at least November 1, 2001 through the present, defendants Hollenbeck, Bradshaw and Gilley , in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

- c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

70. The defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

71. By reason of the foregoing, defendants Hollenbeck, Bradshaw and Gilley, directly and indirectly, violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

**COUNT IV — EFFECTING SECURITIES TRANSACTIONS FOR  
THE ACCOUNTS OF OTHERS WITHOUT BEING REGISTERED  
WITH THE COMMISSION AS A BROKER-DEALER**

**Violations of Section 15(a) of the Exchange Act  
[15 U.S.C. § 78o(a)]**

72. Paragraphs 1 through 60 are hereby restated and incorporated by reference.

73. From at least November 1, 2001 through the present, defendants Hollenbeck, Bradshaw and Gilley engaged in business as brokers, using the mails and the means and instrumentalities of interstate commerce, to effect transactions in, or to induce or attempt to induce the purchase or sale of securities, without registering with the Commission as brokers, as more particularly described above.

74. By reason of the transactions, acts, omissions, practices and courses of business set forth above, defendants Hollenbeck, Bradshaw and Gilley have each violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants named herein committed the violations alleged herein.

II.

Permanent injunctions enjoining the defendants Hollenbeck, Bradshaw and Gilley their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder.

III.

An order requiring accountings by the Defendants and ordering them to disgorge all ill-gotten gains or unjust enrichment, with prejudgment interest thereon, to effect the remedial purposes of the federal securities laws.

IV.

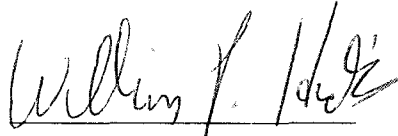
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against defendants Hollenbeck, Bradshaw and Gilley

V.

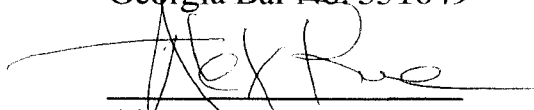
Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: May 12, 2005

Respectfully submitted,



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