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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

MOBILE BILLBOARDS OF AMERICA,
INC., INTERNATIONAL PAYPHONE
COMPANY, RESERVE GUARANTY
TRUST, MICHAEL A. LOMAS and
MICHAEL L. YOUNG,

Defendants.

CIVIL ACTION FILE

NO. ~~1:04-CV-2763~~

WBH

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 2001 through the present, Mobile Billboards of America, Inc. ("Mobile Billboards"), International Payphone Company, itself and doing business

FORMS RECEIVED
Consent to US Mag.
Pretrial Instructions
Jude D. NTC
[Signature]

as Outdoor Media Industries (“Outdoor Media”) and Reserve Guaranty Trust (“Reserve Guaranty”) sold approximately \$60.5 million of a mobile billboard investment to approximately 700 investors. Michael L. Lomas and Michael L. Young, the chairman of the board and president, respectively of Mobile Billboards, designed, directed and controlled the sale of the investment.

2. The scheme involves the sale and leaseback of mobile (mountable on trucks) billboards that Mobile Billboards sold for \$10,500, \$20,000 or multiples thereof. Outdoor Media, operating as a division of International Payphone, leases the billboards back from investors for seven years for monthly payments equivalent to 13.49% annually. Reserve Guaranty purportedly operates as a sinking fund and issues investors certificates that guarantee funding for Mobile Billboards’ commitment to buy back the billboard frames at full purchase price at the end of the seven-year lease.

3. The collective business did not generate sufficient advertising revenue to make monthly lease payments to investors and, instead, relied on new investor money to make those payments. Thus, the investment program operates as a Ponzi scheme.

4. Mobile Billboards' sales materials also made false claims grossly overstating the number of billboards that were operational and misrepresented the value of assets contributed to Reserve Guaranty.

5. The mobile billboard investments were sold through a network of independent sales agents. Mobile Billboards paid sales commissions of between 15% and 22%. None of the defendants is registered as a broker-dealer.

6. The mobile billboard investments that the defendants sell to investors are securities, but no registration statement has been filed in connection with any of these investments and no exemption is available.

7. By virtue of its conduct, Mobile Billboards, International Payphone and Reserve Guaranty 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].

8. By virtue of their conduct, defendants Lomas and Young have engaged and, unless enjoined, will continue to engage, in violations of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. 77e(a), 77e(c) and 77q(a)],

and Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. 240.10b-5]; and aiding and abetting violations of Section 15(a) of the Exchange Act [15 U.S.C. 78o(a)].

Jurisdiction And Venue

9. 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.

10. 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].

11. 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.

12. 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. Defendant International Payphone maintains its principal office in Norcross, Georgia. More than \$2 million of the Mobile Billboards investment has been sold to thirty-eight investors located in the Northern District of Georgia.

The Defendants

13. **Mobile Billboards of America, Inc.** is a Delaware corporation incorporated on January 22, 2001. Mobile Billboards maintains offices in Newbury, Ohio and Bridgeton, Missouri. Mobile Billboards is the subject of cease-and-desist orders in North Carolina and Pennsylvania.

14. **International Payphone Company** (itself and d/b/a **Outdoor Media**) is a Delaware corporation with its principal offices located in Norcross, Georgia. Outdoor Media is an inactive Delaware corporation that was merged into

International Payphone in February 2002 and now operates as a division of that company. International Payphone operates out of offices in Georgia, Missouri and Ohio.

15. **Reserve Guaranty Trust** is a Delaware statutory business trust formed in September 2000 and located in Washington, DC. The assets of the trust are held in custody by a custodial trustee. Young, as administrative trustee for Reserve Guaranty, directs and controls the activities of Reserve Guaranty.

16. **Michael A. Lomas** (“Lomas”) age 58, resides in Long Beach, California. Lomas is the Chairman of Mobile Billboards. Lomas is the sole beneficiary of First Century Trust (“First Century”), which owns 100% of the voting stock of Mobile Billboards and 44% of the stock of International Payphone.

17. **Michael L. Young** (“Young”), age 57, resides in Bridgeton, Missouri. Young is the president and a director of Mobile Billboards. He serves as an administrative trustee for Reserve Guaranty. Young owns 46% of the outstanding stock of International Payphone.

Facts

The Mobile Billboards Flex Frame Investment Program

18. From at least November 2001 through the present, the defendants sold more than \$60.5 million of billboard investments to approximately 700 investors throughout the United States.

19. 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.

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

21. To support the availability of funds for the buyback, Reserve Guaranty, a trust controlled by Young, issues to the investor a "Trust Secured Certificate."

22. The billboard frame that Mobile Billboards offers and sells investors attaches to the sides of a truck and includes a global positioning satellite ("GPS") tracking system. These billboard frames, which purportedly adjust to the size of the truck, are designed to hold advertising copy on a vinyl canvas that is stretched over the frame.

23. Mobile Billboards calls these billboards “flex frames” and sells a flex frame billboard package for two sides of a truck plus a GPS monitoring system for \$20,000. Mobile Billboards also offers and sells a flex frame for one side of a truck with a GPS system for \$10,500.

24. Mobile Billboards offers investors two alternatives for the use of the flex frames.

25. One alternative provides that investors operate the mobile billboard business themselves.

26. The second alternative, which has been chosen by 100% of the investors, provides that Outdoor Media will 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.

27. Mobile Billboards’ ability to buy-back the flex frame at the end of seven years is purportedly guaranteed by Reserve Guaranty, another entity that Lomas and Young created and control.

28. Mobile Billboards represents to investors that it pays \$5,000 of the initial \$20,000 purchase price (\$2,500 for a \$10,500 flex frame) to Reserve

Guaranty at the inception of the lease to create a sinking fund to support the buy-back.

29. In consideration for the \$5,000 payment, Reserve Guaranty issues to the investor a “Trust Secured Certificate” which entitles 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.”

30. According to the Mobile Billboards’ offering materials, “[i]n order to achieve the higher yields needed for redemption of the equipment, up to 90% of the assets of the Trust are invested in pay phones, mobile billboards or other non-standard trust investments, which is less diversified than standard trust investments, ...”

31. Reserve Guaranty was purportedly established as a statutory trust to protect the sinking fund from Mobile Billboards’ creditors.

32. Young serves as an administrative trustee for Reserve Guaranty and directs its affairs.

33. Mobile Billboards, Outdoor Media and Reserve Guaranty are controlled by Lomas and Young.

34. No registration statement has been filed with the Commission in connection with the investments.

Misrepresentations

35. The proposed defendants fail to disclose that Mobile Billboards and Outdoor Media depend on funds from new investors to meet their lease payment obligations to earlier investors and, thus, are operating the investment as a Ponzi scheme.

36. Outdoor Media's income statement for 2003, which is not provided to investors, shows \$979,256 of billboard advertising revenue, split \$290,015 to Outdoor Media and \$684,250 to Reserve Guaranty.

37. Outdoor Media paid \$3,213,522 in investor lease payments during 2003, an average of \$267,794 per month. The total revenue Outdoor Media reported for the year 2003 would pay only about three months' of lease payment to investors.

38. Outdoor Media made total lease payments to investors in the first seven months of 2004 in the amount of \$2,642,127. The average total monthly

lease payments for that period were \$377,477. Total advertising revenue for 2004 was \$536,366, less than required to pay two months' of lease payments.

39. Mobile Billboards also misrepresents the number of billboards that Outdoor Media has operational.

40. Mobile Billboards' most recent offering circular claimed that there were 3,039 "operating mobile billboard Business Opportunities" as of March 31, 2004.

41. Mobile Billboards also reported that the assets of Reserve Guaranty included 4,112 billboards as of December 31, 2003.

42. Mobile Billboards has fewer than 200 operating billboards.

43. Mobile Billboards' list of purported operating billboards identifies many trucking companies that either do not have frames mounted on their trucks, have not entered into contracts with Outdoor Media or have never heard of the company.

44. For example, F & I Trucking in the metropolitan New York area is identified as having 72 operating billboards. In fact, only four of F & I Trucking's trucks were used in an advertising campaign several years ago. The company has had no activity with Outdoor Media since that time.

45. Mobile Billboards claimed that two companies in the San Francisco area have a total of 444 operating billboards.

46. One of those companies, GSC Logistics, had discussions with Outdoor Media about placing frames on its 315 trucks in 2001, but never entered into a contract with Outdoor Media. No frames or advertising were ever placed on the company's trucks.

47. Mobile Billboards represented that the other company, Durkee Drayage, has 129 trucks operating with billboards. In fact, Durkee has no Outdoor Media billboard frames on its trucks.

48. The billboard frames sold to investors consist of kits made up of eight-foot lengths of metal strips, the number depending on the size of the truck, and a bag of mounting screws.

49. The supplier that provides the billboard frame kits sold 2,833 of these kits to Mobile Billboards since the beginning of 2003.

50. Mobile Billboards has instructed the supplier to ship 185 of the frame kits. The balance of the frames that Mobile Billboards has purchased and paid for, 2,526 frame kits, remain in inventory awaiting shipping instructions from the defendants.

51. Mobile Billboards also claims falsely that the frame system it sells is patented.

52. Mobile Billboards also misrepresents to investors that it makes a \$5,000 payment to Reserve Guaranty for every billboard sold.

53. In fact, Mobile Billboards contributes billboard frames and payphones to Reserve Guaranty in lieu of cash payments and overstates the values of the assets contributed.

54. For example, Mobile Billboards values the billboards it has purportedly contributed to Reserve Guaranty at \$1,500 apiece, although Mobile Billboards pays between \$238 and \$278 for each frame.

55. Mobile Billboards also misrepresents the number of billboards contributed to Reserve Guaranty.

Unregistered Broker-Dealer

56. Lomas and Young direct an independent sales force of insurance salesmen and others who offer and sell the program, including the Reserve Guaranty trust certificate, to investors through direct mail advertising, newspaper advertisements and other means.

57. Mobile Billboards pays commissions ranging from 15% to 22%, but the offering circular it provides to investors does not disclose the payment of any commissions. None of the defendants are registered with the Commission as broker-dealers. At least some of the salesmen are not registered with the Commission as broker-dealers.

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)]**

58. Paragraphs 1 through 57 are restated and incorporated herein by reference.

59. 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.

60. From at least November 1, 2001 through the present, defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, 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 Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, 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)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]**

61. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

62. From October 2001 through the present, defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, 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.

63. 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.

64. By reason of the foregoing, the defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III—FRAUD

**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

65. Paragraphs 1 through 57 are hereby realleged and are incorporated herein by reference.

66. From at least November 1, 2001 through the present, defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- a) obtained money and property by means of untrue statements of material fact and omissions 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

- b) engaged in transactions, 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.

67. By reason of the foregoing, defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. 77q(a)(2) and 77q(a)(3)].

COUNT IV--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 57 are hereby realleged and are incorporated herein by reference.

69. From at least November 1, 2001 through the present, defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, 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 Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, directly and indirectly, have 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 V — 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 57 are hereby restated and incorporated by reference.

73. From at least November 1, 2001 through the present, defendants Lomas and Young aided and abetted independent sales agents engaged in business as brokers, using the mails and the means and instrumentalities of interstate commerce, to effect transactions in, or 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 Lomas and Young aided and abetted violations 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.

A temporary restraining order, preliminary and permanent injunctions enjoining the defendants Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young, 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, whether as principals or as aiders and abettors, from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. 77e(a), 77e(c) and 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. 78j(b), and Rule 10b-5 [17 C.F.R. 240.10b-5] promulgated thereunder.

III.

A temporary restraining order, preliminary and permanent injunctions enjoining the defendants Lomas and Young, 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, whether as principals or as aiders and abettors, from violating, directly or indirectly, Section 15(a) of the Exchange Act, 15 U.S.C. 78o(a).

IV.

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, and an order freezing the assets of the defendants and preserving documents, in order to preserve the status quo.

V.

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 Mobile Billboards, Outdoor Media, Reserve Guaranty, Lomas and Young.

VI.

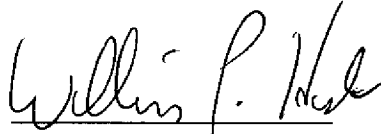
An Order appointing a Receiver for the assets of defendants Mobile Billboards, International Payphone Company, itself and doing business as Outdoor Media, and Reserve Guaranty.

VII.

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: September 21, 2004

Respectfully submitted,



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