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RICHARD H. WIEKING  
U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
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9 UNITED STATES DISTRICT COURT  
10 NORTHERN DISTRICT OF CALIFORNIA

CW

11  
12 SECURITIES AND EXCHANGE COMMISSION

CW 08 Case No. 3517

13 Plaintiff,

14 vs.

COMPLAINT FOR VIOLATIONS  
OF THE FEDERAL SECURITIES  
LAWS

15 ROBERT C. BROWN, JR. AND TREBOR COMPANY  
16 (AKA TREBOR INVESTMENT COMPANY, TREBOR  
SEMINARS, TREBOR GROUP AND TREBOR GROUP  
17 FUND),

18 Defendants,

19 and

20 DUANE EDDINGS, CDC GLOBAL, INC. AND WISE  
INVESTORS SIMPLY EXCEL, LLC,

21 Relief Defendants.  
22

23  
24 Plaintiff Securities and Exchange Commission ("Commission") alleges:

25 SUMMARY OF THE ACTION

26 1. Since at least 2000, Robert C. Brown, Jr. and his sole proprietorship, Trebor  
27 Company, also known as Trebor Investment Company, Trebor Seminars, Trebor Group and Trebor  
28 Group Fund (collectively, Trebor Company"), misappropriated more than \$20 million from hundreds

1 of investors who believed Brown would invest their money in the stock market. Based on his  
2 purportedly proven ability to invest successfully, Brown guaranteed returns as high as 100% in as  
3 little as eight months. The vast majority of the money Brown raised, however, was never invested in  
4 the stock market. Instead, Brown deposited investors' money into accounts that he treated like  
5 personal piggy banks, using the money to pay for luxurious personal expenses such as upkeep on his  
6 Ferrari, limousine services, and expensive shopping trips with his girlfriend. Brown also transferred  
7 hundreds of thousands of dollars to his family members.

8 2. Brown and Trebor Company violated numerous provisions of the federal securities  
9 laws, including the antifraud statutes, by misappropriating investor assets, making materially false  
10 and misleading statements in connection with the purchase or sale of securities and perpetrating a  
11 fraud on his investors. The Commission seeks to enjoin Brown and Trebor Company from further  
12 violations of the securities laws, disgorgement from them of ill-gotten gains, and payment of civil  
13 money penalties, as well as preliminary and emergency relief to protect investors. The Commission  
14 further seeks disgorgement of all investor funds disbursed to relief defendants Duane Eddings, CDC  
15 Global, Inc. and Wise Investors Simply Excel, LLC, and an order freezing their assets.

16 **JURISDICTION**

17 3. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the  
18 Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d) and 78u(e), and Sections  
19 209 and 214 of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-9 and 80b-  
20 14. This Court has jurisdiction over this action pursuant to Sections 21(d)(3), 21(e), and 27 of the  
21 Exchange Act, 15 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa, and Sections 209 and 214 of the Advisers  
22 Act, 15 U.S.C. §§ 80b-9 and 80b-14. Defendants, directly or indirectly, have made use of the means  
23 and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions,  
24 practices, and courses of business alleged in this complaint.

25 4. Venue in this District is proper pursuant to Section 27 of the Exchange Act, 15 U.S.C.  
26 § 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, because a substantial portion of the  
27 conduct alleged in this complaint occurred within the Northern District of California and defendants  
28 Brown and Trebor Company reside in the District.

**DEFENDANTS**

1  
2 5. Defendant Robert C. Brown, Jr., age 55, resides in Hillsborough, California. Brown  
3 acts as an investment adviser by, among other things, receiving financial compensation for investing,  
4 or purporting to invest, other peoples' money in stocks and options. Brown is not registered with the  
5 Securities and Exchange Commission. He has never been licensed to sell securities.

6 6. Defendant Trebor Company (Robert spelled backward) is a sole proprietorship owned  
7 by Brown and is the name he has used for his "investment group." Referring to Trebor Company,  
8 Brown has also used the names Trebor Investment Company, Trebor Seminars, Trebor Group and  
9 Trebor Group Fund (collectively, "Trebor Company"). Brown has operated Trebor Company from  
10 Vallejo, California, and, more recently, Hillsborough, California.

11 **RELIEF DEFENDANTS**

12 7. Duane Eddings, age 48, is named as a defendant in this action solely for the purpose of  
13 ensuring complete relief. At all relevant times, Eddings was a member of Wise Investors Simply  
14 Excel, LLC and president of CDC Global, Inc., and was the registered agent for service of process for  
15 both entities. Eddings was also the authorized signatory for bank accounts held by Wise Investors  
16 Simply Excel, LLC and CDC Global, Inc.

17 8. Wise Investors Simply Excel, LLC ("WISE") is named as a defendant in this action  
18 solely for the purpose of ensuring complete relief. WISE is a California limited liability company  
19 based in Vallejo, California.

20 9. CDC Global, Inc. ("CDC") is named as a defendant in this action solely for the  
21 purpose of ensuring complete relief. CDC is a California limited liability company based in Oakland,  
22 California.

23 **FACTUAL ALLEGATIONS**

24 **A. Brown Falsely Promised Investors Extraordinary No-Risk Returns.**

25 10. Starting in at least 2000 and continuing through the present, Brown solicited money  
26 from hundreds of investors, telling them he was an expert investor who would invest their money in  
27 the "stock market," "stock," or "options."  
28

1 11. Brown told his investor clients that their investments were “guaranteed” and falsely  
2 downplayed the potential risks of investing in stocks and options so that investors believed their  
3 investments with him were extremely safe. Brown told investors that his method of trading stocks  
4 and options ensured that he could make money in both up and down markets. He also claimed that  
5 he had never lost money in the stock market. Brown even told investors that if their investments did  
6 not make as much money in the market as he promised, he would pay the difference out of his own  
7 pocket.

8 12. A large number of Brown’s investors had no prior experience in investing in  
9 securities. Moreover, many of these investors did not have sufficient assets to adequately assume the  
10 risks of investing in securities. For example, one investor, who had never invested in securities, was  
11 a retiree living on a fixed income. She took out two home equity loans for a total of \$200,000 and  
12 invested the money with Brown and Trebor Company. After receiving some purported profit  
13 payments, Brown stopped making any payments to her. This investor repeatedly asked for her  
14 money and Brown and Trebor Company frequently assured her that she would be paid. Despite these  
15 promises, Brown never paid her any further returns on her investment. As a result, the bank  
16 foreclosed on her two houses.

17 13. Another investor was a phone company lineman who had no other investments (aside  
18 from his 410(k) retirement account) and who was eager to make extra money in order to provide  
19 primary care for his two children as well as for three nieces and nephews. At Brown’s suggestion,  
20 this investor withdrew \$10,000 from his 401(k) retirement account. He also borrowed an additional  
21 \$50,000 by taking out an equity line of credit on his home. He invested the money with Brown. As a  
22 result of Brown’s failure to pay this investor the promised returns on his investment, the investor had  
23 to file for bankruptcy.

24 14. Brown offered investors two main types of Trebor Company investment “programs,”  
25 each one promising phenomenal, guaranteed returns. Brown documented the investments in written  
26 contracts. First, starting in 2000, Brown offered a “Quarterly” program, which had variable returns  
27 on a quarterly basis, minus unspecified fees. By 2004, Brown had changed the variable program to a  
28

1 “24-Month High Yield” investment that promised returns of 63-90% per year, with profits to be paid  
2 every four months. Some of these contracts stated that Brown would take a 10% fee.

3 15. Beginning in 2002, Brown offered “double” agreements where Brown promised to  
4 double investor money in 13 or 14 months, with profits to be paid in a lump sum at the end of the  
5 term. In 2005, Brown offered a new 24-Month “double” agreement whereby he promised that he  
6 would match investors’ money with a dollar for dollar “gift” of his own money, thereby instantly  
7 doubling their account balance and future returns. In 2006, Brown offered yet another “double”  
8 agreement that promised he would double investor money in only eight months. Some investors  
9 understood that Brown would take as fees any returns he earned above the promised returns.

10 16. From October 2007 to January 2008, Brown told investors in e-mail that he was  
11 expecting new “accredited lenders” to provide him money that he would be able to use to trade stocks  
12 in an attempt to earn profits to pay back investors. In January 2008, Brown claimed to have already  
13 received a loan from new lenders that was “generating profits.” During this time period, Brown was  
14 trading stocks online in brokerage accounts held in the names of others.

15 17. In June 2008, Brown told a new investor that he would earn the investor 30% to 40%  
16 returns per month by investing the investor’s money in stocks.

17 18. At the time Brown promised the phenomenal returns described above, he knew, or was  
18 reckless in not knowing, that he had no means to achieve those returns because (as described below)  
19 he was using investor money as a personal slush fund instead of investing it in securities. In addition,  
20 Brown gave a large amount of investor money to friends and family members, and to other favored  
21 investors as purported “returns” on their investments. Finally, Brown had no track record of  
22 achieving returns from securities investments remotely close to the returns he promised investors.

23 **B. Investors Gave Brown More than \$20 million to Invest, But Brown Never Invested Most**  
24 **of the Investor Money.**

25 19. From 2000 to at least 2007, Brown raised in excess of \$20 million from investors  
26 through his Trebor Company investment programs. Investors deposited their money into multiple  
27 accounts Brown used, including his personal accounts, a Trebor Company account, and an account  
28 held in the name of WISE.

1           20.     Although Brown promised his investor clients that he would invest their money in the  
2 stock market, Brown never even opened a Trebor Company brokerage account. Instead, Brown  
3 helped himself to millions of dollars of investor money to pay for lavish personal expenses. For  
4 example, Brown frequently used limousine services for trysts with girlfriends or outings to  
5 professional football games and concerts. He also spent investor money on his Ferrari, on hotels, and  
6 on restaurants. Brown transferred a little over \$4.2 million of investor money to his personal  
7 brokerage account, but spent a significant portion of that money on personal expenses such as  
8 expensive clothes and hotels. He withdrew in cash alone from accounts he controlled more than \$3.5  
9 million in investor money.

10           21.     From 2001 to 2005, Brown also used client money that was supposed to have been  
11 invested in securities to pay several employees, including family members. For example, Brown paid  
12 his son a total of approximately \$70,000 in salary and a sister and another relative approximately  
13 \$35,000 each in salary. Brown's son "worked" for Trebor Company and Brown by learning to  
14 research stocks on a computer, though Brown did not use the research that his son performed.

15           22.     As in a classic Ponzi scheme, Brown transferred millions of dollars in investor money  
16 to earlier investors, primarily family and friends. Rather than paying out legitimate profits to his  
17 clients, in most cases, he transferred the money without ever having invested it. For example,  
18 investors regularly deposited money to an account held in the name of Trebor Company, and Brown  
19 often wrote checks to other investors out of the account without ever depositing the investor money  
20 into a brokerage account. In another example, in September 2005, Brown caused investors to deposit  
21 money directly to his son's account and then instructed his son to transfer the money to the accounts  
22 of other investors without ever depositing the money into any brokerage account.

23           23.     Brown knew, or was reckless in not knowing, that he was misappropriating client  
24 money by spending it on unauthorized, lavish personal expenses and by using money invested from  
25 newer investors to pay favored investors purported returns on their investments without ever actually  
26 investing their money.

27

28

1 **C. Brown Misrepresented to Investors What Had Happened to Their Money**

2 24. Brown never told his clients that he had spent their money on himself or transferred it  
3 to other clients. To the contrary, Brown told clients in writing that their investments were earning the  
4 returns he had promised. During 2001 to 2005, Brown directed an assistant to prepare and send  
5 investors account statements that falsely told them they were earning returns as high as 13.1%  
6 quarterly. Similarly, investors in the 24-Month High Yield program were sent statements falsely  
7 showing returns of up to 24% every 4 months. Investors in the "double" program were sent  
8 statements falsely showing that their account values had doubled in the time period Brown promised.  
9 Because Brown and Trebor Company had not actually invested most client money, these statements  
10 were false and misleading. In truth, the statements bore no relation to any actual investment  
11 performance.

12 25. As a result of the false account statements, investors "rolled over" their investments to  
13 other programs, or reinvested their supposed profits so that they would "double" again. At the time  
14 investors "reinvested" their "profits," Brown never told them he had misappropriated their original  
15 principal. Furthermore, as a result of the false account statements investors received, they continued  
16 to tell their friends and family about Brown's "successful" programs, which attracted even more  
17 investors to his scheme.

18 26. By 2005, Brown was unable to repay most of his clients, so he attempted to quell  
19 concern about the lack of payments by making further misleading statements to them. He promised  
20 several times in letters addressed to investors that checks would be sent out by a date certain, and  
21 then when the date passed without investors having received any money, he would make up an  
22 excuse and promise a new date. Brown continues to promise investors that their money is coming.  
23 In reality, Brown never invested most of the money and spent a substantial part of his clients' money  
24 on unauthorized personal expenses or used it to repay favored investors.

25 27. Brown concocted elaborate excuses about what had happened to his clients' money.  
26 In 2005, Brown told his investor clients in a letter that he would be "dissolving" Trebor Company  
27 due to the difficulties that he was encountering in getting their money "due to the Patriot Act." Later,  
28 in August 2006, he again wrote a letter to investors claiming the Patriot Act had made it "more than

1 impossible” to keep his promises. In the letter, Brown falsely stated “you must know that I have  
2 never lost any of your capital, nor will I now.” In fact, Brown had spent investor money on  
3 unauthorized personal expenses or used it to repay favored investors.

4 28. Brown told clients a variety of stories to explain the delay in getting their money back.  
5 For instance, Brown said that he had moved their money to an investment in gold, or that he was  
6 investing their money overseas through a group of ministers. He also told clients that he had bought  
7 an island, and later told them that he sold the island for millions of dollars.

8 29. Recently, Brown told his investor clients that he met with the Commission and that the  
9 Commission has “cleared” him of all wrongdoing. In fact, Brown appeared before the Commission  
10 staff for investigative testimony pursuant to a subpoena. During his testimony, Brown asserted his  
11 Fifth Amendment privilege and refused to answer any substantive questions.

12 **D. WISE and CDC Received Investor Funds.**

13 30. WISE and CDC, which are controlled solely by Eddings, received and possess money  
14 or other assets through defendant Brown and Trebor Company’s fraudulent scheme, material  
15 misrepresentations and omissions, and have no legitimate claim to them.

16 31. From 2005 to 2007, investors deposited approximately \$8.5 million to an account held  
17 in the name of WISE. Eddings is the only signatory for the account. During this time, Eddings  
18 transferred more than \$240,000 from the WISE account to a CDC account, which he also controls.

19 32. In September 2005, Brown caused his son to use investor money to cause cashier’s  
20 checks to be written to CDC totaling more than \$135,000.

21 33. In 2005, Brown transferred \$10,000 to Eddings. Also in 2005, Brown caused his son  
22 to transfer \$41,250 of investor money to Eddings.

23 **FIRST CLAIM FOR RELIEF**

24 **(Violations of Section 10(b) of the Exchange Act  
25 and Rule 10b-5 Thereunder)**

26 34. The Commission hereby incorporates and realleges here paragraphs 1 through 33,  
27 above.



1 35. Defendants Brown and Trebor Company have, by engaging in the conduct set forth  
2 above, directly or indirectly, by use of means or instrumentalities of interstate commerce, or of the  
3 mails, or of a facility of a national security exchange, with scienter: (a) employed devices, schemes,  
4 or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts  
5 necessary in order to make the statements made, in light of the circumstances under which they were  
6 made, not misleading; and (c) engaged in acts, practices, or courses of business which operated or  
7 would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of  
8 securities.

9 36. By reason of the foregoing, defendants have directly or indirectly violated, and unless  
10 enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule  
11 10b-5, 17 C.F.R. § 240.10b-5.

12 **SECOND CLAIM FOR RELIEF**

13 **(Violations of Section 206(1) and 206(2) of the Advisers Act)**

14 37. The Commission hereby incorporates and realleges here paragraphs 1 through 33,  
15 above.

16 38. Defendants Brown and Trebor Company, by engaging in the conduct set forth above,  
17 directly or indirectly, through use of the mails or the means or instrumentalities of interstate  
18 commerce, and while engaged in the business of advising others for compensation as to the  
19 advisability of investing in, purchasing, or selling securities, with scienter, employed devices,  
20 schemes, or artifices to defraud.

21 39. By reason of the foregoing, defendants violated, and unless restrained and enjoined  
22 will continue to violate, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

23 40. Defendants Brown and Trebor Company, by engaging in the conduct set forth above,  
24 directly or indirectly, through use of the mails or the means or instrumentalities of interstate  
25 commerce, and while engaged in the business of advising others for compensation as to the  
26 advisability of investing in, purchasing, or selling securities, engaged in acts, practices, or courses of  
27 business which operated or would operate as a fraud or deceit upon clients or prospective clients.  
28

1 41. By reason of the foregoing, defendants violated, and unless restrained and enjoined  
2 will continue to violate, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

3 **PRAYER FOR RELIEF**

4 WHEREFORE, the Commission respectfully requests that the Court:

5 I.

6 Enjoin and restrain defendants Brown and Trebor Company, temporarily, preliminarily and  
7 permanently, from, directly or indirectly, engaging in conduct in violation of Section 10(b) of the  
8 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, or Sections  
9 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and (2); or from placing orders to buy  
10 or sell securities for the accounts of other persons, or from making deposits or withdrawals into or out  
11 of the brokerage or bank accounts of other persons, or from entering any transactions whatsoever in  
12 or for the brokerage or bank accounts of other persons.

13 II.

14 Enter an order temporarily freezing the assets of defendants Brown and Trebor Company and  
15 relief defendants Eddings, WISE and CDC.

16 III.

17 Order defendants Brown and Trebor Company to provide an accounting and to disgorge their  
18 ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

19 IV.

20 Order defendants Brown and Trebor Company to repatriate to the territory of the United  
21 States of America all assets and funds held by, or in the name of, or for the benefit of, defendants  
22 Brown and Trebor Company.

23 V.

24  
25 Order defendants Brown and Trebor Company to pay civil money penalties pursuant to  
26 Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), and Section 209(e) of the Advisers Act, 15  
27 U.S.C. § 80b-9(e).

28

VI.

Order relief defendants Eddings, WISE and CDC to disgorge their ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

VII.

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

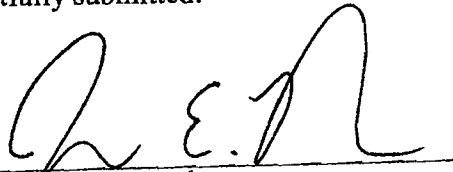
VIII.

Grant such other and further relief as this Court may deem just, equitable, and necessary.

Dated: July 23, 2008

Respectfully submitted:

By:



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