

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

08-61452-CIV-ALTONAGA/BROWN

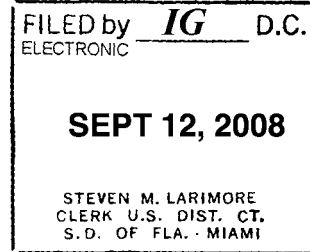
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

LARRY W. KERSCHENBAUM,

Defendant.



COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. This matter arises from Larry W. Kerschenbaum's violations of an administrative order barring him from participating in an offering of penny stock. The Commission entered the order against Kerschenbaum by default on June 23, 2004, after he was criminally convicted of conspiracy to commit securities fraud for agreeing to bribe securities brokers to artificially increase the price of a publicly traded stock.

2. Shortly after the conviction, Kerschenbaum accepted employment with Great Cities Media, Inc. ("Great Cities"), and throughout 2005 induced investors to purchase shares in Great Cities, a penny stock, in contravention of the bar. As a result, Kerschenbaum violated Section 15(b)(6)(B)(i) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78o(b)(6)(B)(i)] by failing to comply with an order issued in accordance with the Exchange Act. Unless the Court enjoins him, he is reasonably likely to continue to engage in similar conduct and violate the securities laws.

JURISDICTION AND VENUE

3. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

4. The Court has personal jurisdiction over Kerschenbaum and venue is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Great Cities had its offices in Fort Lauderdale, Florida, and Kerschenbaum solicited investors to buy securities in Great Cities in the Southern District of Florida.

DEFENDANT

5. Kerschenbaum, 49, is currently incarcerated at the Federal Prison Camp in Pensacola, Florida.

FACTS

6. In March 2004, the Commission instituted administrative proceedings seeking penny stock bars against Kerschenbaum and eight other individuals based on their felony convictions for securities fraud and related crimes. In the Matter of Michael Puorro, et al., Exchange Act Rel. No. 49360, 2004 SEC LEXIS 503 (Order Instituting Public Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, March 3, 2004) (the "OIP").

7. The OIP alleged that in May 2003, Kerschenbaum was charged in an information in U.S. v. Kerschenbaum, Case No. 03-20400-CR-Seitz (S.D. Fla. 2003), with conspiracy to commit securities fraud for agreeing to bribe brokers to artificially increase the price of a publicly traded stock. The OIP also alleged that in October 2003, Kerschenbaum pled guilty to the securities fraud charge and was sentenced to four years of probation.

8. In June 2004, an Administrative Law Judge (“ALJ”) entered an order by default against Kerschenbaum barring him from participating in an offering of penny stock pursuant to Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)]. Puorro et al., Exchange Act Rel. No. 49908, 2004 SEC LEXIS 1302 (Order Making Findings and Imposing Remedial Sanction by Default Against Larry W. Kerschenbaum, June 23, 2004) (the “Penny Stock Bar”). The ALJ entered the Penny Stock Bar after Kerschenbaum failed to respond to the allegations in the OIP, and based it on Kerschenbaum’s conviction for conspiring to commit securities fraud.

9. After his conviction and the issuance of the Penny Stock Bar, Kerschenbaum accepted employment with Great Cities, a Fort Lauderdale-based company purportedly in the business of producing high-definition television shows.

10. Great Cities paid Kerschenbaum at least \$70,000 in 2005, and paid at least another \$72,000 to a company in which his wife was the principal.

11. From at least January to December 2005, Great Cities conducted a private placement of its common stock. Great Cities offered its stock to investors at \$1.00 per share, which it touted as its “friends and family” price, through telephone calls, word-of-mouth, and letters to prospective investors.

12. This private offering raised at least \$3.75 million from more than 250 investors.

13. The stock Great Cities offered was a penny stock, as defined in Section 3(a)(51)(A) of the Exchange Act [15 U.S.C. § 78c(a)(51)(A)], and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1], because it was an equity security and, in 2005, Great Cities had less than \$5 million in net tangible assets and was not a substantial issuer. Additionally, the stock had a price of less than \$5 a share, was not listed on a national securities exchange or authorized for

quotation on NASDAQ, issued by a registered investment company, or otherwise exempt from the definition of a penny stock under the federal securities laws.

14. Section 15(b)(6)(C) of the Exchange Act [15 U.S.C. §78o(b)(6)(C)] defines a person participating in an offering of penny stock as “any person acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for the purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of a penny stock.”

15. Throughout 2005, Kerschenbaum solicited investors to buy the penny stock Great Cities offered in its private placement by writing letters to prospective investors, calling them on the telephone, and meeting with some in person.

16. In an attempt to persuade investors to buy Great Cities’ stock, Kerschenbaum told many of them the company would be going public, and that they would have an opportunity to sell their stock for much more than the price they bought it at once the company did so. He also told investors the company was selling its stock to European investors for \$4 to \$5 a share.

17. In addition, Kerschenbaum often failed to disclose his prior securities fraud conviction and penny stock bar when trying to persuade investors to buy Great Cities’ stock.

18. By inducing and attempting to induce investors to purchase the stock in Great Cities, Kerschenbaum participated in an offering of penny stock as defined in Section 15(b)(6)(C) of the Exchange Act [15 U.S.C. §78o(b)(6)(C)], and in contravention of the Penny Stock Bar.

19. In January 2008, after a five day hearing, the Court in U.S. v. Kerschenbaum revoked Kerschenbaum’s probation, which had included a provision prohibiting him from, among other things, engaging “in any business that offers securities, investments, or business

opportunities to the public.” The Court found Kerschenbaum violated these terms by being part of a team that solicited investors in Great Cities from at least January to December 2005. Further, the Court revoked his probation and sentenced him to twenty-one months in prison beginning February 11, 2008.

CLAIMS FOR RELIEF

COUNT I

**Violation of Section 15(b)(6)(B)(i) of the Exchange Act
[15 U.S.C. § 78o(b)(6)(B)(i)]**

20. The Commission re-alleges and incorporates by reference paragraphs 1 through 19 above.

21. From at least January to December 2005, Kerschenbaum participated in an offering of penny stock by inducing and attempting to induce investors to purchase stock in Great Cities in contravention of the Penny Stock Bar.

22. By reason of the foregoing, Kerschenbaum violated Section 15(b)(6)(B)(i) of the Exchange Act [15 U.S.C. § 78o(b)(6)(B)(i)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests the Court enter a judgment that:

I.

Finds Kerschenbaum violated Section 15(b)(6)(B)(i) of the Exchange Act [15 U.S.C. § 78o(b)(6)(B)(i)] as alleged above;

II.

Permanently restrains and enjoins Kerschenbaum and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 15(b)(6)(B)(i) of the Exchange Act, [15 U.S.C. § 78o(b)(6)(B)(i)];

III.

Permanently bars Kerschenbaum from participation in any offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. All equity stocks are penny stock unless exempted pursuant to Section 3(a)(51)(A) of the Exchange Act, [15 U.S.C. § 78c(a)(51)(A)], and Rule 3a51-1 thereunder, [17. C.F.R. § 240.3a51-1];

IV.

Orders Kerschenbaum to disgorge the ill-gotten gains he realized, plus prejudgment interest thereon;

V.

Orders Kerschenbaum to pay an appropriate civil money penalty pursuant to Section 21(d) of the Exchange Act, [15 U.S.C. § 78u(d)(3)];

VI.

Retains jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

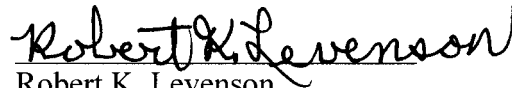
VII.

Orders such other relief as the Court deems just and proper.

Respectfully submitted,

September 11, 2008

By:



Robert K. Levenson

Regional Trial Counsel

Florida Bar No. 0089771

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Attorney for Plaintiff

Securities and Exchange Commission

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(305) 982-6300

(305) 536-4154 (facsimile)

JS 44 (Rev. 11/05)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.) **NOTICE: Attorneys MUST Indicate All Re-filed**

Page 8 of 16 D.C. ELECTRONIC
SEPT 12, 2008
 STEVEN M. LARIMORE
 CLERK U.S. DIST. CT.
 S. D. OF FLA. - MIAMI

I. (a) PLAINTIFFS
 Securities and Exchange Commission

(b) County of Residence of First Listed Plaintiff _____
 (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)
 Securities and Exchange Commission
 Robert K. Levenson, Esq. (305) 982-6341
 801 Brickell Ave., Suite 1800, Miami, FL 33131

DEFENDANTS
 Larry W. Kerschenbaum

County of Residence of First Listed Defendant Escambia (Federal Prison)
 (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT LAND INVOLVED.

Attorneys (If Known)

(d) Check County Where Action Arose: MIAMI-DADE MONROE BROWARD PALM BEACH MARTIN ST. LUCIE INDIAN RIVER OKEECHOBEE HIGHLANDS

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

1 U.S. Government Plaintiff 3 Federal Question (U.S. Government Not a Party)

2 U.S. Government Defendant 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

(For Diversity Cases Only)

Citizen of This State PTF 1 DEF 1 Incorporated or Principal Place of Business In This State PTF 4 DEF 4

Citizen of Another State 2 2 Incorporated and Principal Place of Business In Another State 5 5

Foreign National 6 6

FTL 08CV 61452 - Altonaga/Brown

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities' Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	

V. ORIGIN (Place an "X" in One Box Only)

1 Original Proceeding 2 Removed from State Court 3 Re-filed- (see VI below) 4 Reinstated or Reopened 5 Transferred from another district (specify) 6 Multidistrict Litigation 7 Appeal to District Judge from Magistrate Judgment

VI. RELATED/RE-FILED CASE(S). (See instructions second page):

a) Re-filed Case YES NO b) Related Cases YES NO

JUDGE _____ DOCKET NUMBER 03-20400-CR-SEITZ

VII. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing and Write a Brief Statement of Cause (Do not cite jurisdictional statutes unless diversity):

15 U.S.C. § 78o(b)(6)(B)(i). Violation of the federal securities laws.

LENGTH OF TRIAL via 5 days estimated (for both sides to try entire case)

VIII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 **DEMANDS** Perm. Inj., disgorgement, penalty CHECK YES only if demanded in complaint: **JURY DEMAND:** Yes No

ABOVE INFORMATION IS TRUE & CORRECT TO THE BEST OF MY KNOWLEDGE

SIGNATURE OF ATTORNEY OF RECORD: *Robert K. Levenson* DATE: 9-11-08

FOR OFFICE USE ONLY

AMOUNT _____ RECEIPT # _____ IFP _____