

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NORTH CAROLINA  
RALEIGH DIVISION

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SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff, : Civil Action No.

v. :

CEP HOLDINGS, INC., D/B/A :  
COLONENDPARENTHESIS.NET, TREVOR :  
REED, CLAYTON KIMBRELL and :  
COLON END PARENTHESIS TRUST, LLC, :

Defendants. :

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**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

Plaintiff, Securities and Exchange Commission ("Commission") files this  
Complaint for Injunctive and Other Relief and alleges that:

**OVERVIEW**

1. This case involves a fraudulent and unregistered offering of securities  
sold via the Internet by defendants Trevor Reed ("Reed") and Clayton Kimbrell  
("Kimbrell") through an entity they owned and controlled, defendant CEP

Holdings, Inc. d/b/a [www.colonendparenthesis.net](http://www.colonendparenthesis.net). (“CEP” or the “Company”).

Since approximately November 2005, Reed and Kimbrell, through CEP, have sold approximately \$12 million worth of securities (referred to as “memberships”) to approximately 5,000 investors. No registration statement was filed with the Commission in connection with these securities.

2. At the direction of Reed and Kimbrell, investor funds were initially placed in one or more bank accounts owned by defendant Colon End Parenthesis Trust, LLC (“CEP Trust”), a Kentucky Limited Liability Company also owned and controlled by Reed and Kimbrell.

3. Reed and Kimbrell solicited prospective CEP investors to purchase a CEP membership, with a minimum initial investment of \$20. In return for the purchase, Reed and Kimbrell promised to pay investors a daily return of 2%, payable every 30 days (with a rollover option), for a period of either 180 or 360 days (over 700% a year).

4. To invest in CEP, investors fund an account at CEP Trust, and then use that account on the CEP website to pay for their CEP membership. No further effort is required on the part of investors.

5. Reed, Kimbrell and CEP falsely claim to use the funds to invest in safe, “brick and mortar” type businesses such as travel agencies and real estate. In

fact, at the direction of Reed, the funds are invested in other online schemes, including auto-surf programs.

6. Neither CEP nor CEP Trust have reliable records for the funds moving in and out of CEP and CEP Trust. Moreover, CEP has no reliable record of its investments. Reed and Kimbrell omit to disclose to CEP investors that CEP has no record of its investments and that neither CEP nor CEP Trust have reliable financial records.

7. Moreover, Reed and Kimbrell, through CEP, made numerous other misrepresentations and omissions of material facts concerning (1) the safety and rate of return of the investment; (2) the nature and merits of the investment; (3) CEP's compliance with Commission regulations; and (4) the size and scope of CEP's overall membership program.

8. By virtue of their conduct, defendants Reed, Kimbrell and CEP have engaged in, and unless restrained and enjoined by this Court, will continue to engage in, acts and practices which constitute and will constitute 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)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder. [17 C.F.R. § 240.10b-5].

9. As a result of its conduct, defendant CEP Trust has engaged in, and unless restrained and enjoined by this Court, will continue to engage in, acts and practices which aid and abet 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].

### **JURISDICTION AND VENUE**

10. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§'s 77t and 77v] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§'s 78u(d) and 78u(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 civil penalties and for other equitable relief.

11. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§'s 78u(d), 78u(e), and 78aa].

12. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

13. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and Exchange Act occurred in the Eastern District of North Carolina. Defendant Reed resides in the Eastern District of North Carolina.

14. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

#### **DEFENDANTS**

15. **CEP Holdings, Inc.** d/b/a [www.colonendparenthesis.net](http://www.colonendparenthesis.net). (“CEP” or the “Company”) is a Belize corporation owned by Reed and Kimbrell and doing business primarily from Reed’s North Carolina home. CEP’s investment program is offered solely via its Internet website [www.colonendparenthesis.net](http://www.colonendparenthesis.net). CEP has never been registered with the Commission in any capacity and has never registered any offering of securities under the Securities Act or any class of securities under the Exchange Act.

16. **Trevor Reed**, age 25, is a resident of Wake Forest, North Carolina. He is the founder and co-owner of CEP.

17. **Clayton Kimbrell**, age 23, is a resident of Indianapolis, Indiana. He is the co-owner and operator of CEP.

18. **Colon End Parenthesis Trust, LLC** (“CEP Trust”) is a Kentucky Limited Liability Company with its principal place of business in Bowling Green, Kentucky. CEP Trust is owned and operated by Reed and Kimbrell. CEP Trust operates as a depository of funds from CEP investors.

### **The Fraudulent Scheme**

19. Since approximately November 2005, Reed and Kimbrell, acting through CEP, have fraudulently offered and sold approximately \$12 million worth of securities in unregistered transactions in the form of investment contracts to approximately 5,000 investors throughout the United States and worldwide. Since February 2006, defendants Reed and Kimbrell have used CEP Trust as an Internet payment processor for CEP’s investment program.

20. Through CEP’s Internet website, [www.colonendparenthesis.net](http://www.colonendparenthesis.net), CEP, Reed and Kimbrell solicited investors to become members in CEP’s investment program. On the homepage of this site, CEP claimed that investors could make the “% of an auto-surf without surfing.” CEP also claimed to provide investors “with a safer way to invest online by diversifying your investments in multiple venues”

including “travel agencies, condominiums, real estate, the trading of goods and currencies, and health products.”

21. Contrary to these claims, Reed and Kimbrell invested most of the money CEP raised in other online investment programs, but failed to maintain records of how CEP funds were invested.

22. In order to invest in CEP, investors were required to open and fund an account at CEP Trust, which was also owned and controlled by Reed and Kimbrell. Once an account was opened at CEP Trust, an investor could use that account information on the CEP website to transfer money to CEP to fund his investment.

### **The Investment Nature of the CEP Investment Program**

23. The purchase of a CEP membership constitutes an investment contract because the receipt of payment from CEP is dependent upon a member’s funding his or her account, and not on his or her provision of services.

24. CEP is a passive system. Members are only required to place funds into the program. Management undertakes all activities to invest these funds.

25. The amount of returns that CEP pays to its members are dependent solely upon how much money they put into the program, not on the amount of service they render to CEP.

26. The funds purportedly used to pay the members result solely from the efforts of the Defendants, and not from the efforts of the members.

### **Misrepresentations and Omissions**

27. CEP's website represented that there are over 16,000 members. In fact Reed and Kimbrell knew, or were severely reckless in not knowing, that CEP had approximately 5,000 members.

28. In CEP related forum postings, defendant Reed misrepresented the actual and potential returns CEP's investments could earn. For example, in a posting in February 2007, Reed stated that, "On average, CEP is making almost double what it pays out daily." In another posting in April 2007, Reed claimed that he had found an investment that will make "at least ten times the profit" CEP currently earns on its investments. Neither Reed, Kimbrell nor anyone at CEP maintained records sufficient to support CEP's actual earnings, or records showing with what entities CEP had invested.

29. On CEP's website, maintained by Kimbrell, and in related forum postings, Reed represented that CEP's program is a low to no risk venture and that it invests in "bricks and mortar" type businesses, including travel agencies, condos, and real estate. In reality, CEP invests members' funds in high-risk, online, high yield investment programs and auto-surfs programs. Kimbrell controlled CEP

Trust's bank account and knew, or was severely reckless in not knowing, that CEP was not a low risk venture and that it invested in various on-line, high yield investments.

30. Defendant Reed falsely claimed, both in an online forum accessible via CEP's website, as well as on other online forums, that CEP was in compliance with SEC regulations. In an Internet post dated March 4, 2007, Reed stated,

We've got everything covered. I can assure you. We know the laws and regulations of what we do. No worries. We would not ever use the word investment if we could not do so safely. . . .We follow all of (the SEC) guidelines, as we agree to them. . . .Again, we have done our homework and have everything taken care of.

31. On its website, CEP claims that it has conducted "several months of research" on potential companies to invest in and therefore has a "pretty good eye on companies that are safe to invest with." In fact, Reed performed all research for CEP. His research was limited to chatting with various companies about their business models. In evaluating prospective investments, Reed considered whether an entity had "been around for several months" and whether he (Reed) was able "to communicate with the owner" of a potential investment. CEP failed to maintain any record of its investment research, and failed to maintain records of where investor money had been invested.

32. Kimbrell maintained CEP's website and through it facilitated investor access to CEP-related forums where Reed made his postings. Moreover, Kimbrell managed and controlled the CEP Trust bank account. Kimbrell was aware of the truth concerning CEP and knew, or was severely reckless in not knowing, that CEP had no record of its investments, and that CEP did not comply with SEC regulations.

**COUNT I—UNREGISTERED OFFER AND SALE OF SECURITIES**

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

33. Paragraphs 1 through 32 are hereby realleged and are incorporated herein by reference.

34. From at least as early as in or about February 2007 through the present, Defendants Reed, Kimbrell, and CEP, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

35. No registration statement has been filed with the Commission or has been in effect with respect to the offering alleged herein.

36. By engaging in the conduct described above, Defendants Reed, Kimbrell and CEP violated and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. Sections 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)]**

37. Paragraphs 1 through 32 are hereby realleged and are incorporated herein by reference.

38. From at least as early as in or about November 2005 through the present, defendants Reed, Kimbrell and CEP, 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.

39. Defendants Reed, Kimbrell and CEP knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

40. While engaging in the course of conduct described above, the defendants Reed, Kimbrell and CEP acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

41. By reason of the foregoing, the defendants Reed, Kimbrell and CEP, 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)]**

42. Paragraphs 1 through 32 are hereby realleged and are incorporated herein by reference.

43. From at least as early as in or about November 2005 through the present, defendants Reed, Kimbrell and CEP, 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.

44. By reason of the foregoing, the defendants Reed, Kimbrell and CEP, 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]**

45. Paragraphs 1 through 32 are hereby realleged and are incorporated herein by reference.

46. From at least as early as in or about November 2005 through the present, defendants Reed, Kimbrell and CEP, 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.

47. The defendants Reed, Kimbrell and CEP 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 Reed, Kimbrell and CEP acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

48. By reason of the foregoing, the defendants Reed, Kimbrell and CEP, 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**

#### **CEP Trust's Aiding and Abetting Reed, Kimbrell and CEP's 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]**

49. Paragraphs 1 through 32 above are realleged and incorporated by reference herein.

50. As set forth more fully above, Reed, Kimbrell and CEP, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of a national exchange, in connection with the purchase

or sale of CEP securities, have with knowledge or recklessly, (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, and course of business which operate or would operate as a fraud or deceit upon any person.

51. By reason of the foregoing, Reed, Kimbrell and CEP violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

52. Defendant CEP Trust, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. 78t(e)] knowingly provided substantial assistance to defendants Reed, Kimbrell and CEP in their violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

53. By reason of the foregoing, CEP Trust aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**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 Reed, Kimbrell and CEP, 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 Section 17(a) of the Securities Act [15 U.S.C. § 77e(a), 15 U.S.C. § 77e(c) and 15 U.S.C. § 77q(a)] and 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 defendant CEP Trust, its 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 aiding and abetting violations of 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.

#### **IV.**

An order requiring an accounting of the use of proceeds of the sales of the securities described in this Complaint and the disgorgement by the Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws and an order freezing the assets of the defendants and appointing a receiver for the Defendants CEP and CEP Trust.

#### **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 the Defendants.

**VI.**

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 July 9, 2007.

Respectfully submitted,

/S/ Alex Rue

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