

to defrauded investors of Paramount Capital Management, Inc. ("Eligible Claimants"). This Amended Distribution Plan provides for a pro rata distribution to all Eligible Claimants.

B. BACKGROUND

2. On November 18, 1997, Plaintiff Securities and Exchange Commission filed its complaint and a motion for a temporary restraining order seeking a permanent injunction, an asset freeze, an accounting, disgorgement of ill-gotten gains, and other relief against William C. Bolton ("Bolton") and Paramount (collectively referred to as "Defendants") alleging, among other things, that the Defendants raised over \$30,000 from at least five investors by making material misrepresentations in a fraudulent offering of Micronet Corp. ("Micronet") stock. The complaint alleged that such material misrepresentations by the Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78o(a)], and Rule 10b-5 promulgated thereunder [17 C.F.R. 240.10b-5].

3. On November 18, 1997, this Court granted the Commission's application for a temporary restraining order and an order freezing certain assets of the Defendants. On December 3, 1997, this Court granted the Commission's motion for a preliminary injunction and entered an order freezing certain assets of the Defendants.

4. On September 14, 2000, due to defendant Paramount's failure to appear or otherwise respond to the Commission's Complaint, this Court entered a default judgment against defendant Paramount ordering it to disgorge a total of \$56,298.81, representing ill-gotten gains derived from the fraudulent conduct alleged in the Commission's Complaint in the amount of \$44,650, plus prejudgment interest thereon in the amount of \$11,648.81. In the Declaration of Eva Marie Kolb, dated August 21, 2000 (the "Kolb Declaration"), that was submitted in support

of the Commission's Application for Entry of Judgment by Default, the Commission identified cancelled checks totaling \$50,150, representing funds that the Defendants fraudulently obtained from the 10 investors listed in ¶ 12 below.

5. On October 26, 2000, the Court entered a final judgment by consent against defendant Bolton, but based on Bolton's sworn representations regarding his financial condition at the time, the Court waived all disgorgement and prejudgment interest owed by Bolton.

6. On September 1, 2005, upon motion by the Commission, the Court entered an order directing the transfer of frozen funds at Ameritrade, Inc. ("Ameritrade") into the Court's registry to be placed into an interest bearing account with the Court Registry Investment System ("CRIS"). On September 15, 2005 Ameritrade forwarded funds to the CRIS account in the amount of \$24,782.36.

7. On November 23, 2005, the New York State Office of the State Comptroller's Office of Unclaimed Funds transferred \$4,806.29 to the CRIS account. The funds were originally held in HSBC account number 52706281 in the name of Defendant Paramount Capital Management. The judgment debtor has made no additional payments. If it does so, the Commission will notify the Court.

8. The Commission now respectfully submits this Amended Distribution Plan for distributing the funds deposited in the CRIS account, less any taxes due, the Court's Registry investment fee, and any other expenses of administering the Disgorgement Fund and implementing the Amended Distribution Plan.

C. DEFINITIONS

As used in this Amended Distribution Plan, the following definitions shall apply:

9. "Disgorgement Fund" means the amount of money paid into the registry of this Court, which consists of the \$29,588.65 deposited into the CRIS, plus accrued interest thereon. If additional payments are received from the judgment debtor, those payments will also be included in the Disgorgement Fund.

10. "Eligible Claimants" means the 10 investors who purchased Micronet stock, as listed in ¶ 13 below, previously identified by the Commission in the Kolb Declaration.

11. Each Eligible Claimant's "Actual Loss" means the total amount invested by each Eligible Claimant. The "Total Actual Loss" shall mean the sum of the Actual Losses of all 10 Eligible Claimants, which totals \$50,150.

12. Each Eligible Claimant's "Loss Ratio" means the ratio of each Eligible Claimant's Actual Loss to the Total Actual Loss, expressed as a percentage.

13. The Eligible Claimants and their respective Actual Losses and Loss Ratios are as follows:

	<u>Investor Name</u>	<u>Actual Loss (USD)</u>	<u>Loss Ratio (%)</u>
1.	Paul Anderson	\$3,500	7%
2.	David Civello	\$550	1%
3.	Frederick Geiger	\$5,600	11%
4.	Leonard H. Halpert	\$5,500	11%
5.	Elmer D. Hershey	\$3,500	7%
6.	W. Leo Knell	\$3,500	7%
7.	J.W. Shamel	\$2,100	4%
8.	David Struwas	\$4,900	10%
9.	Michael Wisbrod	\$7,000	14%
10.	Alfred Yassky	\$14,000	28%
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	Total Actual Loss	\$50,150	100%

D. APPOINTMENT AND DUTIES OF ADMINISTRATOR

14. The Total Actual Loss in this case was \$50,150, but to date, the Commission has only been able to recover \$29,588.65. Due to the small size of the Disgorgement Fund, and the fact that not enough funds have been recovered to fully compensate all Eligible Claimants, the Commission proposes that Bruce Karpati, Assistant Regional Director in the Northeast Regional Office of the Commission, be appointed as Administrator of the Disgorgement Fund (“Administrator”) to ensure the maximum payout to Eligible Claimants. The Administrator shall receive no compensation for the services performed in administering the Disgorgement Fund,

other than his regular salary as an employee of the Commission. The Administrator will be deemed to be acting within the scope of his employment with the Commission in administering this Amended Distribution Plan.

15. The Administrator shall carry out the duties specified by this Amended Distribution Plan, including the following:

- (a) the use of reasonable efforts to locate Eligible Claimants and obtain Eligible Claimant's tax identification numbers or Social Security numbers;
- (b) the filing of any forms or reports required to be filed for the Disgorgement Fund under the Internal Revenue Code, including calculation of taxes due, if any, and any interest or penalties owing thereon as a result of the interest earned on the disgorged funds while the funds were in the registry of the Court (the "Tax Obligation");
- (c) satisfying any information reporting or withholding requirements imposed on distributions from the qualified Disgorgement Fund.

16. In carrying out his duties, the Administrator may be assisted by other Commission staff acting under his supervision.

17. The Administrator is excused from all legal requirements to post a bond or give an undertaking of any type in connection with his duties and obligations as Administrator under this Amended Distribution Plan.

18. The Administrator is entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for his own good faith compliance with any order, rule, law, judgment, or decree, including the orders of this Court. In no event shall he be liable to the defendants or any claimant for his good faith compliance with his duties and responsibilities under this Amended Distribution Plan relating to the Tax Obligation, nor shall he be liable to

anyone for any action taken or omitted relating to the Tax Obligation, except upon a finding by this Court that he willfully failed to comply with the terms of the Amended Distribution Plan.

E. DISTRIBUTION OF THE DISGORGEMENT FUND

19. Following the entry of a Court Order approving the Amended Distribution Plan, the Clerk of the Court (the "Clerk") shall notify the Administrator of the amount of interest accumulated by the Disgorgement Fund in the CRIS, net of any fees due to the CRIS.

20. Thereafter, the Disgorgement Fund shall pay its outstanding tax obligations, if any, the Court's Registry investment fee, and any other expenses of administering the Disgorgement Fund and implementing the Amended Distribution Plan. The Administrator shall then calculate the amount to be distributed to each Eligible Claimant by applying the Loss Ratio of each Eligible Claimant to the remaining funds in the Disgorgement Fund.

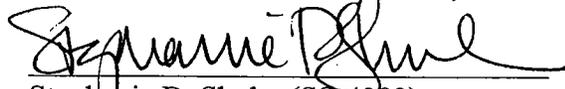
21. Upon approval of the Amended Distribution Plan by this Court, the Clerk shall be directed to distribute the Disgorgement Fund in accordance with this Amended Distribution Plan and write checks payable to each Eligible Claimant. The Clerk shall also be directed to file, where required by applicable regulation of the Internal Revenue Service, the Internal Revenue Service Code Forms 1099 reflecting the amount distributed to an Eligible Claimant pursuant to the Amended Distribution Plan. The Administrator shall forward to the Clerk all the necessary information including exact amounts to be distributed to each Eligible Claimant, current addresses of Eligible Claimants, and their Social Security numbers or taxpayer identification numbers.

22. After the payment of all distributions, any remaining money in the Disgorgement Fund, including any amounts returned to the Commission or any outstanding checks that have

not been presented for payment within six (6) months of the date of the check, shall be paid over to the United States Treasury.

Dated: New York, New York
September 22, 2006

RESPECTFULLY SUBMITTED,



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