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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION

Plaintiff,

- against -

AMERICA'S HEDGE FUND, L.P.,
WORLDWIDE PARTNERS LLC, and
CHRISTIAN KURETSKI,

Defendants,

- and -

KATHLEEN KURETSKI,
PETER KURETSKI and
CK HOLDINGS INCORPORATED

Relief Defendants.

04 Civ. _____ ()

COMPLAINT

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants America's Hedge Fund, L.P. ("AHF" or the "Fund"), Worldwide Partners LLC ("Worldwide") and Christian Kuretski ("Kuretski") (collectively, the "Defendants"), and CK Holdings Incorporated ("CK Holdings"), Kathleen Kuretski ("K. Kuretski") and Peter Kuretski

("P. Kuretski") (collectively, the "Relief Defendants"), alleges as follows:

SUMMARY

1. The Commission brings this emergency enforcement action to halt an ongoing fraudulent offer and sale of securities in unregistered transactions by AHF and Worldwide, acting through their principal, Kuretski, and a group of sales representatives. From at least September 2001 to the present, the Defendants have raised approximately \$1.6 million from approximately 60 investors by offering and selling investments in AHF, Worldwide and the penny stocks. In connection with the offers and sales of these investments, the Defendants made material misrepresentations and omissions to investors concerning, among other things, (i) the nature of the investments, (ii) the use of investor proceeds, (iii) the expected returns from the investments, (iv) the liquidity of the investments, and (v) the risks of the investments. Investors in the Fund were told they were investing in a "basket of various stocks" with risk-free annual returns of at least 12% and as high as 40%. They were further told that they could withdraw funds from their investment and that their principal investment was guaranteed. The penny stock investors were told that they could expect returns as high as 200% over very short periods of time, as soon as restrictions on the stock were lifted.

2. The Defendants have also concealed substantial losses from investors in the Fund, Worldwide and the various penny stocks by, among other things, making material misrepresentations about the value of investors' accounts. Bank records demonstrate that Kuretski has misappropriated a substantial portion of investor proceeds for his own personal benefit, including for cash withdrawals and his own separate business ventures. K. Kuretski, Kuretski's mother, P. Kuretski, Kuretski's father, and CK Holdings, a company personally

owned and controlled by Kuretski, have received proceeds of the fraud. The fraud is ongoing. In the last three months, the Defendants have continually refused to distribute investors' funds and have continued to misrepresent the value and safety of their investments.

VIOLATIONS

3. By virtue of the conduct alleged herein:
 - a. The Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a).
 - b. The Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business that constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.
 - c. Defendant Kuretski, directly or indirectly, while not registered with the Commission as a broker, has made use of the mails or means and instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities, in violation of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).
 - d. Defendants Kuretski and Worldwide, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Sections 206(1) and 206(2) of the

Investment Advisers Act of 1940 (the "Advisers Act"), 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

4. Unless the Defendants are preliminarily and permanently restrained and enjoined, they will continue to engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

5. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), Section 21(d)(1) of the Exchange Act, 15 U.S.C. § 78u(d)(1), and Section 209 of the Advisers Act, 15 U.S.C. § 80b-9, seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices and courses of business alleged herein.

6. The Commission also seeks, as immediate relief, a temporary restraining order against the Defendants, asset freezes against the Defendants and certain assets of the Relief Defendants, verified accountings from the Defendants and Relief Defendants, an order barring Kuretski from participating in penny stock offerings, expedited discovery, and an order prohibiting the Defendants and Relief Defendants from destroying or altering documents.

7. Finally, the Commission seeks a judgment ordering the Defendants and Relief Defendants to disgorge ill gotten gains with prejudgment interest thereon, and ordering the Defendants to pay civil money penalties pursuant to Section 20(c) of the Securities Act, 15 U.S.C. § 77t(c), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). The Commission also seeks a judgment ordering Kuretski and Worldwide to pay civil money penalties pursuant to Section 209 of the Advisers Act, 15 U.S.C. § 80b-9.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14.

9. Venue is proper in the Eastern District of New York pursuant to 28 U.S.C. § 1391. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. A substantial part of the events and omissions giving rise to the Commission's claims occurred in the Eastern District of New York, including telephone calls from Kuretski and his sales associates soliciting investments based on misrepresentations, receipt of investor funds, and misappropriating investor funds for personal use from bank accounts maintained at a bank on Staten Island. Further, all of the Defendants and Relief Defendants are domiciled in the Eastern District of New York.

THE DEFENDANTS

10. **AHF** is a limited partnership that was organized by Kuretski in New York State on October 16, 2001. According to its offering memorandum, AHF's principal place of business is 125 Demopolis Avenue, Staten Island, New York. AHF was "organized to invest in the equities and debt securities markets" and has the "objective [] to produce above average capital appreciation by actively investing [in] a portfolio of equity and debt related instruments." On January 7, 2002, AHF filed an exemption from registration on Form D with the Commission.

11. **Worldwide** is a limited liability company organized by Kuretski in New York on September 12, 2001. Worldwide's principal place of business is 125 Demopolis Avenue, Staten

Island, New York. Worldwide is the general partner of AHF and according to its offering memorandum, was formed to manage the activities of AHF. As Managing Member, Kuretski manages the operations of Worldwide. Worldwide issued an Offering Memorandum dated October 5, 2001. On February 22, 2002, Worldwide filed an exemption from registration on Form D with the Commission.

12. **Kuretski**, age 31, resides at 134 Covington Circle in Staten Island, New York. From time to time, he uses his parents' residence address, 125 Demopolis Avenue, Staten Island, New York, for business purposes. Since September 2001, Kuretski has served as the Managing Member of Worldwide, which, in turn, is the General Partner of AHF. In his role as Managing Member of Worldwide, he manages the investment activities of both AHF and Worldwide. From 1994 to 2003, Kuretski worked as a registered representative with ten different broker-dealers. Kuretski was most recently registered with Phillip Louis Trading, Inc. until February 10, 2003.

13. **CK Holdings** is a corporation incorporated by Kuretski in the State of New York on February 1, 2002. CK Holdings' principal place of business is 125 Demopolis Avenue, Staten Island, New York.

14. **K. Kuretski**, age 55, resides at 125 Demopolis Avenue, Staten Island, New York. She is Kuretski's mother.

15. **P. Kuretski**, age 56, resides at 125 Demopolis Avenue, Staten Island, New York. He is Kuretski's father.

OTHER RELEVANT ENTITIES

16. **US Medsys Corporation** ("US Medsys") is a corporation incorporated under the

laws of the State of Colorado on May 1, 1995 under the name Prime Rate Income & Dividend Enterprises ("PIDV"). Its principal offices are located in Denver, Colorado. PIDV changed its name to US Medsys Corp., in April 2004. US Medsys' securities are registered pursuant to Section 12(g) of the Exchange Act and its securities trade on the OTC Bulletin board. At all relevant times, US Medsys was a penny stock.

17. **Dover Petroleum Corporation** ("Dover") is a corporation incorporated under the laws of the State of Nevada on July 9, 1998. Dover's principal offices are located in Richmond Hill, Ontario, Canada. According to its 10-K, the company claims its business is the development of oil and gas leases in Wyoming and Egypt. Dover's securities are registered pursuant to Section 12(g) of the Exchange Act and its securities trade through the Pink Sheets. At all relevant times, Dover was a penny stock. US Medsys and Dover may be referred to herein collectively as the "penny stocks."

FACTS

A. Kuretski's Role

18. Kuretski, as Managing Member of Worldwide, is involved in every aspect of Worldwide and AHF's operations. Kuretski personally solicited investments from investors. Kuretski recruited the sales representatives to solicit investments in AHF, Worldwide and the penny stocks on his behalf, regardless of whether the sales representatives were registered with broker-dealers or authorized to sell those investments. Kuretski paid these sales representatives commissions for leads.

19. Kuretski was not registered with any broker-dealer for the majority of the time he was soliciting investments in AHF, Worldwide and the penny stocks. For the brief period when

he was registered, his solicitations were conducted outside of the scope of his work for the broker-dealer.

B. Misrepresentations In The Offering Materials

20. Kuretski used two private placement memoranda, which were sometimes distributed by Kuretski and his associates to investors in AHF. One private placement memorandum was entitled "America's Hedge Fund, LLP" and dated October 31, 2001; the other was entitled "Worldwide Partners LLC" and dated October 5, 2001 (collectively, the "Offering Memoranda"). Although the Offering Memoranda clearly were designed to be used together, Kuretski and his sales representatives rarely, if ever, provided both Offering Memoranda to potential investors. Both Offering Memoranda represented that the AHF offering was pursuant to exemptions from the registration requirements. The Offering Memoranda falsely represented, among other things, (1) the nature of AHF's business, (2) how investor proceeds would be used, (3) how Kuretski and his associates would be compensated; (4) what information would be provided to investors, and (5) how investors could withdraw their funds from AHF.

21. The Offering Memoranda describe AHF as "organized to invest in the equities and debt securities markets." The Offering Memoranda further describe AHF's business objective as "to produce above average capital appreciation by actively investing [in] a portfolio of equity and debt related instruments" and state that "the General Partner employs an opportunistic strategy, allowing the combination of numerous sophisticated investment strategies in pursuit of optimal portfolio performance." For the management and administration of AHF, the Offering Memoranda represent that Worldwide would receive an annual management fee of 3% of AHF's assets. In addition, Worldwide, as the General Partner of AHF would receive a percentage of the profits, and that percentage of profits

can only be paid after a monthly 1% return to investors. With respect to information provided to investors, the Offering Memoranda represent that each investor will receive, among other things: "(i) annual financial statements, [and] (ii) monthly summaries of [AHF's] performance...." The Offering Memoranda give investors the right to review any materials relating to AHF at any time. The Offering Memoranda also provide that investors can withdraw funds at the end of each calendar quarter, after their investment has been in AHF for one year.

22. The representations set forth in Para. 21 above are false. Although investor funds were sometimes used to purchase securities, Kuretski used investor funds for his own benefit, putting much of the money into (i) his own business ventures, including his restaurant and a tanning salon business, (ii) the payment of personal expenses, including credit card payments and car payments and curtains for his home, and (iii) the payment of commissions and salary to himself and his associates beyond what was disclosed in the Offering Memoranda. Although the Offering Memoranda portray a sophisticated investment strategy, to the extent Kuretski actually invested investors funds, his trading was not sophisticated, and instead he purchased an assortment of unrelated investments. Although the AHF Offering Memorandum made absolutely no provision for payments to Kuretski directly, Kuretski paid himself and his associates excessive amounts unrelated to the management or administration of AHF. Although investors were promised monthly summaries and annual financial statements, investors rarely received monthly statements and none received annual financial statements, forcing them to rely on Kuretski's oral misrepresentations as the only source of information about the value of their accounts. Finally, investors, after having their money in AHF for over a year, repeatedly asked to withdraw their money, but were generally denied withdrawals or repeatedly promised checks that never arrived.

23. The Defendants knew or were reckless in not knowing that these representations were

false. Kuretski managed AHF and Worldwide's investments and bank accounts and, therefore, knew or was in a position to know that investor funds were being used in a manner inconsistent with the representations set forth in the Offering Memoranda.

C. Misrepresentations About The Use Of Investor Funds

24. Kuretski and his sales representatives told investors that their funds would be used by the Fund to make investments in a basket of various securities and that the Fund engaged in "riskless arbitrage" trading. They told investors that "riskless arbitrage" was essentially buying and selling large amounts of a particular stock simultaneously on different markets around the world when there is a price difference across those markets. They claimed that the Fund used a special trader, who monitored the international markets for arbitrage opportunities, and assured investors that the trading was "riskless" because the buying and selling occurred at the same time, and if there was no difference in price, the transaction would not be undertaken.

25. The representations set forth above were false. Although the Fund maintained trading accounts at various brokerages, a significant amount of investor funds were never invested in securities or trading at all. Instead, Kuretski immediately diverted investor funds to the Worldwide and CK Holdings bank accounts, which he alone controlled. Kuretski then used those accounts for cash and personal expenses. To the extent investor funds were invested, the funds were not used for "riskless" arbitrage trading.

26. Kuretski and his sales representatives also offered and sold shares of US Medsys and Dover to investors who were already invested in the Fund. Unbeknownst to several investors, they purchased their individual shares from the assets of the Fund, in which investors held an interest, and their payments were not credited to the Fund's accounts. Moreover, in at least four

instances, Kuretski and his sales representatives instructed investors to make their checks out to an entirely unrelated company named "Visionary Medical Consultants." At least two of those investors received their shares from Worldwide even though their checks were made payable to Visionary Medical Consultants. In some instances, Kuretski provided fewer shares of stock than the investor actually paid for.

27. Kuretski knew or was reckless in not knowing that investors were essentially purchasing shares of stock from funds that these investors already owned. He managed AHF and Worldwide's investments and bank accounts and, therefore, knew or was in a position to know that investor funds were being used in a manner inconsistent with his representations about how their funds would be invested. Likewise, Kuretski knew or was in a position to know that the US Medsys and Dover shares he sold to investors were, in effect, their own assets and that he was not delivering the shares promised.

D. Baseless Price And Profit Predictions

28. Kuretski and his sales representatives guaranteed some AHF investors an annual 12% return, and promised even higher returns to others. One investor was told that annual returns in the 20 to 40 percent range were a "sure thing." Kuretski told another investor that AHF generated "returns greater than regular stocks" and that the Fund had "exceptional profits." One of Kuretski's associates told another investor that she would receive an immediate 30% return by investing in the Fund, and that her principal investment would be preserved for a year. And, one of Kuretski's associates told yet another investor that the Fund had an "astronomical" payback and promised 15% monthly returns. In many instances, Kuretski and his sales representatives assured investors that Kuretski would not take a fee until the Fund had achieved a 12% return. Kuretski and

his representatives, however, had no reasonable basis for making these guarantees and projections. In fact, Kuretski and his representatives knew that the Fund, organized in September 2001, had no proven track record, with no past performance of trading or earnings.

29. Kuretski and his sales representatives also made an assortment of baseless representations about US Medsys and Dover stock, including representations that the stocks would increase in price within specific time periods. For instance, they told investors that (i) US Medsys was planning an IPO shortly, and that the stock would both go up in price and be freely tradable after that point; (ii) Dover would be listed on NASDAQ within sixty days and guaranteed that the price would go up to \$4 per share when it was trading below \$2 per share; (iii) if the price of US Medsys stock went down in value, the investor would be given more shares to ensure that he did not lose money; and (iv) US Medsys would go from \$1 to \$3 per share within two weeks. Kuretski and his representatives, however, had no reasonable basis for making these guarantees and projections.

30. The Defendants knew or were reckless in not knowing that these representations were false. Kuretski managed AHF and Worldwide's investments and bank accounts and, therefore, knew or was in a position to know that there was no reasonable basis for his exaggerated performance predictions, particularly in view of the fact that he did not even place a significant portion of investor funds in legitimate investments. Likewise, Kuretski knew or was in a position to know that he had no reasonable basis for his representations concerning US Medsys and Dover.

E. Misrepresentations About Liquidating Funds And Selling Shares

31. Kuretski and his sales representatives told investors different things about when they could have access to the money they were investing, ranging from availability whenever the

investor needed the funds, to availability on 30 or 90 days notice, to availability after a year. The Fund's Offering Memorandum represents that investors could withdraw funds twelve months after their initial capital contribution, provided that they request the withdrawal at the end of a calendar quarter and on sixty days written notice to the general partner. Contrary to these representations and despite numerous requests, certain investors have been unable to liquidate their investments or obtain distributions despite numerous attempts.

32. Kuretski has given investors a number of excuses for why they are unable to withdraw their funds. He told at least one investor, falsely, that a brokerage firm where AHF maintained an account froze AHF's assets after it discovered that Kuretski's sales representatives had been selling interests in AHF away from the firm. Kuretski has also told investors, falsely, that the Fund's assets are tied up in restricted stocks and unavailable until the restrictions expired. Some investors were guaranteed their money back if they waited for the restrictions to end. In early 2004, Kuretski assured investors in US Medsys that the restrictions on their stock would be lifted, and they would be able to sell their shares in June 2004. But, when the investors tried to sell their shares in June 2004, Kuretski told them that the restriction had been extended to November 2004.

33. The Defendants knew or were reckless in not knowing that these representations were false. Kuretski managed AHF and Worldwide's investments and bank accounts and, therefore, knew or was in a position to know that his excuses were not true and that, as a result of his misappropriation of investor funds, he would not be able to return investors funds as promised.

F. The Fraudulent Lulling Of Investors

34. To perpetuate their fraudulent scheme, Kuretski and his sales representatives adopted a number of strategies to discourage withdrawals and lull AHF investors into believing that their investments were safe and secure. Kuretski rarely sent investors account statements. As a result, investors were forced to rely on Kuretski's oral misrepresentations about the value of their accounts. In addition, Kuretski and his representatives have told investors the same fabrications set forth above concerning the liquidity of their investments to encourage them to maintain their investments in the Fund. In one instance, Kuretski attempted to settle an investor's demands for the return of her \$300,000 investment by offering her 100,000 shares of US Medsys stock, claiming that the stock price would go up from \$1 to \$3 per share by November 2004. Kuretski continues to lull investors with promises of the imminent return of their funds.

35. The Defendants knew or were reckless in not knowing that these representations were false. Kuretski managed AHF and Worldwide's investments and bank accounts and, therefore, knew or was in a position to know that his representations concerning the value of their accounts were not true and that, as a result of his misappropriation of investor funds, they would not be able to return investor funds as promised.

G. Misappropriation And Dissipation Of Investors' Funds

36. Kuretski has misappropriated and dissipated investors' funds through withdrawals for cash, personal expenses and for use in connection with Kuretski's other, unrelated business ventures. Between September 2001 and the present, Kuretski raised at least \$1,557,895 from investors, and has misappropriated at least \$1,528,552 of that amount.

37. Kuretski accomplished this aggressive misappropriation both by directly

withdrawing funds from AHF and Worldwide's bank and brokerage accounts for his personal use and by transferring funds into accounts in CK Holdings' name and, then, using the funds for cash, personal expenses and to fund wholly unrelated business ventures. Kuretski also used investor funds to purchase his residence and two luxury automobiles -- a Porsche sports car and a Lexus SUV.

38. Kuretski has transferred investor funds to, or for the benefit of, Relief Defendants P. Kuretski and K. Kuretski. Kuretski used investor funds to purchase the residence at 134 Covington Circle, Staten Island, New York, which is held in the name of K. Kuretski, and to pay for substantial renovations and improvements to that property.

39. In May and August 2004, Kuretski transferred investor funds to his father, writing three checks to P. Kuretski for a total of \$89,000 from the CK Holdings account.

II. Recent Conduct And Ongoing Risk To The Public

40. Kuretski has engaged in a pervasive and ongoing fraud and continues to make fraudulent representations to investors. For instance, Kuretski recently told an investor not to worry about his US Medsys investment, that he would receive a certificate shortly and that the stock would go up in value in November 2004 when the trading restriction is lifted. In August 2004, Kuretski told another investor that he would receive 3,200 shares of US Medsys, but Kuretski directed the transfer agent to issue only 2,000 shares to the investor. When questioned about the discrepancy, Kuretski promised to obtain the 1,200 missing shares for the investor and told the investor that he would receive the stock certificate shortly. The investor has yet to receive the certificate. In addition, in August 2004, Kuretski offered an investor's attorney 100,000 shares of US Medsys to settle the investor's potential claim, telling the attorney that the

shares would go up in value to \$3 per share when it became freely tradable in November 2004.

41. Moreover, Kuretski continues to dissipate investor funds, withdrawing cash from the AHF, Worldwide and CK Holdings accounts. In addition, the trading restrictions on more than 1 million shares of US Medsys stock that Kuretski controls will be lifted on November 12, 2004, and Kuretski has indicated to investors that he intends to liquidate those shares. Unless action is taken immediately, investors may lose the benefit of any remaining funds in the bank and securities accounts and the value of these securities.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act
(All Defendants)

42. Paragraphs 1 through 41 are realleged and incorporated by reference as if fully set forth herein.

43. From at least September 2001 through the present, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud.

44. From at least September 2001 through the present, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have obtained and are obtaining money and property by means of untrue statements of material fact or 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 have engaged and are engaging in transactions, practices or courses of business which operate as a fraud and deceit upon their

investors.

45. The Defendants knew or were reckless in not knowing that the representations set forth herein were false and misleading.

46. By reason of the activities described herein, the Defendants have violated and are violating Section 17(a) of the Securities Act, 15 U.S.C. §77q(a).

SECOND CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(All Defendants)

47. Paragraphs 1 through 46 are realleged and incorporated by reference as if fully set forth herein.

48. From at least September 2001 through the present, the Defendants, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have omitted and are omitting 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 have engaged and are engaging in acts, practices and courses of business which operate as a fraud and deceit upon investors.

49. The Defendants knew or were reckless in not knowing that the representations set forth herein were false and misleading.

50. By reason of the activities described herein, the Defendants have violated and are violating 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.

THIRD CLAIM FOR RELIEF

**Violations of Sections 5(a) and 5(c) of the Securities Act
(All Defendants)**

51. Paragraphs 1 through 50 are realleged and incorporated by reference as if fully set forth herein.

52. From at least September 2001 through the present, the Defendants, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of any prospectus or otherwise when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available.

53. By reason of the activities described herein, the Defendants have violated and are violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§77e(a) and 77e(c).

FOURTH CLAIM FOR RELIEF

**Violation of Section 15(a) of the Exchange Act
(Kuretski)**

54. Paragraphs 1 through 53 are realleged and incorporated by reference as if fully set forth herein.

55. From at least September 2001 through the present, Defendant Kuretski, directly or indirectly, while not registered with the Commission as a broker, has made use of the mails or means and instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities.

56. Defendant Kuretski committed these acts while engaged in the business of effecting transactions in securities for the account of others.

57. By reason of the activities described herein, Defendant Kuretski has violated and

is violating Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

FIFTH CLAIM FOR RELIEF
Violations of Sections 206(1) and 206(2) of the Advisers Act
(Worldwide and Kuretski)

58. Paragraphs 1 through 57 are realleged and incorporated by reference as if fully set forth herein.

59. From at least September 2001 through the present, Defendant Worldwide, as an investment adviser, and Defendant Kuretski, as an associated person of an investment adviser, directly and indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails, have employed and are employing devices, schemes and artifices to defraud AHF and Worldwide investors, and have engaged and are engaging in transactions, practices and courses of business which operated as a fraud and deceit upon these investors.

60. The Defendants knew or were reckless in not knowing that the representations set forth herein were false and misleading.

61. By reason of the activities described herein, Defendants Worldwide and Kuretski have violated and are violating Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining the Defendants, their agents, servants, employees and attorneys and all persons in

active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future 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), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5.

II.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Defendant Kuretski, his agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

III.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Defendants Worldwide and Kuretski, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

IV.

An Order directing the Defendants and Relief Defendant CK Holdings, their agents, banks, debtors, bailees, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with the Defendants and Relief Defendant CK Holdings who receive actual notice of said Order by personal service, facsimile, or otherwise, and each of them, to hold and retain within their control, and otherwise prevent any withdrawal, transfer, pledge,

encumbrance, assignment, dissipation, concealment, or other disposal of any of the Defendants' and Relief Defendant CK Holding's assets, funds or other properties of any kind wherever situated, and assets over which said Defendants and Relief Defendant CK Holdings have control by signatory authority or otherwise.

V.

An Order restraining and enjoining Relief Defendant K.Kuretski, her agents, banks, debtors, bailees, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with her, and any other persons or entities, including but not limited to persons or entities who hold a security interest in the property identified below, who receive actual notice of said Order by personal service, facsimile, or otherwise, and each of them, from taking any action to transfer, pledge, seize, sell, foreclose, encumber, assign, dissipate, conceal or otherwise taking any action whatsoever that would impact or impair the value of the residence located at 134 Covington Circle, Staten Island, New York.

VI.

An Order directing Relief Defendant P. Kuretski, his agents, banks, debtors, bailees, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with him who receive actual notice of said Order by personal service, facsimile, or otherwise, and each of them, to hold and retain within their control, and otherwise prevent any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment, or other disposal of any assets or funds in any bank account of, held by, or under the control of P. Kuretski, whether held in his name or for his direct or indirect beneficial interest wherever situated.

VII.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Kuretski from participating in any future penny stock offering, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6).

VIII.

An Order directing each of the Defendants and Relief Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees to, a verified written accounting, signed by each Defendant and Relief Defendant under penalty of perjury, setting forth:

- (1) All assets, liabilities and property currently held directly or indirectly by or for the benefit of such Defendant or Relief Defendant, including but not limited to bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount;
- (2) All money, property, assets, and other income received by such Defendant or Relief Defendant, or for their direct or indirect benefit, in or at any time from September 1, 2001 to the date of the accounting, describing the source, amount, disposition and current location of each of the items listed;
- (3) All assets, funds, securities, real or personal property of customers of such Defendant or Relief Defendant, transferred to or for the benefit of such Defendant or Relief Defendant in or at any time from September 1, 2001 to the date of the

accounting, and the disposition by such Defendant or Relief Defendant of such assets, funds, securities, real or personal property;

- (4) All money, property, assets and other income transferred from such Defendant or Relief Defendant, including transfers to any bank account, brokerage account or other account, or to any individual, or entity, in or at any time from September 1, 2001 to the date of the accounting; and
- (6) The names and last known addresses of all bailees, debtors, and other persons and entities which are currently holding the assets, funds or property of such Defendant or Relief Defendant.

IX.

An Order permitting expedited discovery.

X.

An Order enjoining and restraining each of the Defendants and Relief Defendants, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

XI.

A Final Judgment ordering each of the Defendants and Relief Defendants to disgorge their ill-gotten gains, plus prejudgment interest, and such other and further amount as the Court may find appropriate.

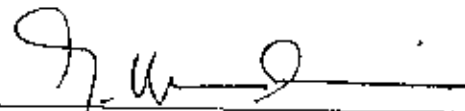
XII.

A Final Judgment ordering each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77u(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and ordering Worldwide and Kuretski to pay civil money penalties pursuant to Section 209 of the Advisers Act, 15 U.S.C. § 80b-9.

XIII.

Such other and further relief as to this Court deems just and proper.

Dated: New York, New York
October 29, 2004

By: 
G. William Currier (GWC-8618)
Helene T. Glotzer (HG-8531)
Stephanie D. Shuler (SS-4283)
Gwen A. Licardo (GL-3648)

Securities and Exchange Commission
233 Broadway
New York, New York 10279
Telephone (646) 428-1500

Attorneys for Plaintiff

Of Counsel:
Bruce Karpati

JS 44 (Rev. 3/99)

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 law, except as provided 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 Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

United States 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)

Mark K. Schonfeld
Securities and Exchange Commission
Northeast Regional Office
233 Broadway
New York, NY 10279

Tel. (646) 428-1650

DEFENDANTS

CV 04-4640

* U.S. District Court
Richmond County

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

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

Attorneys (If Known)

Patrick V. Parrotta
77 Targee Street
Staten Island, New York 10304
Tel. (718) 558-9800 (attorney for Def. Christian Kurelski)

GERSHON

LEVY, M.J.

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)

- Citizen of This State ☐ 1 ☐ 1 Incorporated or Principal Place of Business in This State ☐ 4 ☐ 4
- Citizen of Another State ☐ 2 ☐ 2 Incorporated and Principal of Business in Another State ☐ 5 ☐ 5
- Citizen or Subject of a Foreign Country ☐ 3 ☐ 3 Foreign Nation ☐ 6 ☐ 6

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"/> 310 Airplane	<input type="checkbox"/> 610 Agriculture	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 490 State Reapportionment
<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 620 Other Food & Drug	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 410 Arbitration
<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 320 Assault, Tbeat & Slander	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<input type="checkbox"/> 424 Copyrights	<input type="checkbox"/> 430 Banks and Banking
<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 330 Federal Employers' Liability	<input type="checkbox"/> 630 Liquor Laws	<input type="checkbox"/> 425 Patent	<input type="checkbox"/> 450 Commerce/ICC Rates/etc.
<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 640 R.R. & Truck	<input type="checkbox"/> 426 Trademark	<input type="checkbox"/> 460 Deposition
<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 650 Airline Regs.	<input type="checkbox"/> 427 Labor/Mgmt. Reporting & Disclosure Act	<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations
<input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 660 Occupational Safety/Health	<input type="checkbox"/> 428 Labor/Mgmt. Relations	<input checked="" type="checkbox"/> 480 Securities/Commodities/Exchange
<input type="checkbox"/> 153 Recovery of Overpayment of Veterans' Benefits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 429 Other Labor Litigation	<input type="checkbox"/> 491 Agricultural Acts
<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 430 Railway Labor Act	<input type="checkbox"/> 492 Economic Stabilization Act
<input type="checkbox"/> 190 Other Contract		<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 431 Other Labor Litigation	<input type="checkbox"/> 493 Environmental Matters
<input type="checkbox"/> 195 Contract Product Liability		<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act	<input type="checkbox"/> 432 Other Labor Litigation	<input type="checkbox"/> 494 Emergency Allocation Act
		<input type="checkbox"/> 740 Railway Labor Act	<input type="checkbox"/> 433 Other Labor Litigation	<input type="checkbox"/> 495 Freedom of Information Act
		<input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 434 Other Labor Litigation	<input type="checkbox"/> 496 Appeal of Fee Determination
			<input type="checkbox"/> 435 Other Labor Litigation	<input type="checkbox"/> 497 Under Equal Access to Justice
				<input type="checkbox"/> 498 Constitutionality of State Statutes
				<input type="checkbox"/> 499 Other Statutory Actions

V. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write brief statement of cause. Do not cite jurisdictional statutes unless diversity.)

See Attachment A.

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION DEMAND UNDER F.R.C.P. 23

CHECK YES only if demanded in complaint:

JURY DEMAND: ☐ Yes ☒ No

VIII. RELATED CASE(S) IF ANY (See instructions):

JUDGE

DOCKET NUMBER

DATE October 28, 2004

FOR OFFICE USE ONLY

RECEIPT #

AMOUNT

APPLYING BY

JUDGE

MAG. JUDGE

4640

ARBITRATION CERTIFICATION

I, Gwen A. Licardo, counsel for Securities and Exchange Commission
do hereby certify pursuant to the Local Arbitration Rule 83.10 that to the best of
my knowledge and belief the damages recoverable in the above captioned civil action exceed the
sum of \$150,000 exclusive of interest and costs.
☒ Relief other than monetary damages is sought.

DISCLOSURE STATEMENT - FEDERAL RULES CIVIL PROCEDURE 7.1

Identify any parent corporation and any publicly held corporation that owns 10% or more of its
stocks:

None

Did the cause arise in Nassau or Suffolk County? No ☒

If answered yes, please indicate which county. _____

County of residence of plaintiff(s) (1) United States Plaintiff
(2) _____
(3) _____

County of residence of defendant(s) (1) Richmond (4) Richmond
(2) Richmond (5) Richmond
(3) Richmond (6) Richmond

I am currently admitted in the Eastern District of New York and currently a member in
good standing of the bar of this court.

Yes ☒ No _____

Are you currently the subject of any disciplinary action(s) in this or any other state or
federal court?

Yes _____ (If yes, please explain) No ☒

Please provide your E-MAIL Address and bar code below. Your bar code consists of the initials
of your first and last name and the first four digits of your social security number or any other
four digit number registered by the attorney with the Clerk of Court.

(This information must be provided pursuant to local rule 11.1(b) of the civil rules).

ATTORNEY BAR CODE: GL-3648

E-MAIL Address: licardoga@sec.gov

I consent to the use of electronic filing procedures adopted by the Court in Administrative Order
No. 97-12, "In re Electronic Filing Procedures (EFP)", and consent to the electronic service of all
papers.

Signature: Gwen Licardo

CIVIL COVER SHEET ATTACHMENT A

DEFENDANTS:

1. America's Hedge Fund, L.P.
2. Worldwide Partners, LLC
3. Christian Kuretski

RELIEF DEFENDANTS:

4. CK Holdings Incorporated
5. Kathleen Kuretski
6. Peter Kuretski

ATTORNEYS (IF KNOWN):

Patrick V. Parrotta
77 Targee Street
Staten Island, NY 10304
Tel. (718) 556-9800
Counsel for Christian Kuretski

CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE):

Defendants America's Hedge Fund, L.P., Worldwide Partners, LLC and Christian Kuretski have violated and are violating 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)), Sections 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") (15 U.S.C. § 78j(b)) and Exchange Act Rule 10b-5 (17 C.F.R. § 240.10b-5). Defendant Christian Kuretski has violated and is violating Section 15(a) of the Exchange Act (15 U.S.C. § 78o(a)). Defendants Christian Kuretski and Worldwide Partners LLC have violated and are violating Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (15 U.S.C. §§ 80b-6(1) and 80b-6(2)).

The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act (15 U.S.C. § 77t(b)), Section 21(d)(1) of the Exchange Act (15 U.S.C. § 78u(d)(1)) and Section 209 of the Advisers Act (15 U.S.C. § 80b-9) to permanently enjoin the Defendants from future violations of the federal securities laws and obtain other relief.

DEFENDANTS' ADDRESSES AND COUNTIES

1. America's Hedge Fund, L.P.
125 Demopolis Avenue
Staten Island, New York 10312
Richmond County
2. Worldwide Partners, LLC
125 Demopolis Avenue
Staten Island, New York 10312
Richmond County
3. Christian Kuretski
134 Covington Circle
Staten Island, New York 10312
Richmond County
4. Kathleen Kuretski
125 Demopolis Avenue
Staten Island, New York 10312
Richmond County
5. Peter Kuretski
125 Demopolis Avenue
Staten Island, New York 10312
Richmond County
6. CK Holdings Incorporated
125 Demopolis Avenue
Staten Island, New York 10312
Richmond County

MARK K. SCHONFELD (MS-2798)
REGIONAL DIRECTOR

Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
Northeast Regional Office
233 Broadway
New York, NY 10279
Tel. (646) 428-1650



UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

-----X
SECURITIES AND EXCHANGE COMMISSION

Plaintiff,

- against -

AMERICA'S HEDGE FUND, L.P.,
WORLDWIDE PARTNERS LLC, and
CHRISTIAN KURETSKI,

Defendants,

- and -

CK HOLDINGS INCORPORATED,
KATHLEEN KURETSKI, and
PETER KURETSKI,

Relief Defendants.

04 Civ. _____ ()

-----X
DECLARATION OF TERRENCE P. BOHAN

I, Terrence P. Bohan, pursuant to 28 U.S.C. 1746, declare as follows:

1. I am over 18 years of age and am employed as a Staff Accountant at the Northeast Regional Office of the Securities and Exchange Commission ("Commission"). I have been employed at the Commission for nine years. My duties are to conduct examinations of registered and unregistered broker-dealers to ensure their compliance with the federal securities laws. In

September 2004, I was assigned to assist in an examination in connection with this action. I make this Declaration in support of the Commission's Application for a Temporary Restraining Order, Preliminary Injunction, And Other Relief involving defendants America's Hedge Fund, L.P. ("AHF" or the "Fund"); Worldwide Partners, LLC ("Worldwide"); and Christian Kuretski ("Kuretski") (collectively, the "Defendants"), as well as CK Holdings Incorporated ("CK Holdings"); Kathleen Kuretski ("K. Kuretski"); and Peter Kuretski ("P. Kuretski") as relief defendants (collectively, the "Relief Defendants").

2. As alleged in the Commission's Complaint, this action concerns fraudulent securities offerings by AHF, Worldwide and Kuretski, as principal of AHF and Worldwide, and the misappropriation of investors' funds by Kuretski with and through the Relief Defendants. As a result of my examination, I have preliminarily determined the facts set forth herein. The Commission's Complaint is being filed herewith along with this declaration.

3. I make this Declaration based upon personal knowledge, information and belief. The sources of my information and the bases of my belief are documents obtained and reviewed by the Commission staff (annexed as Exhibit Volumes I and II, submitted together with this Declaration), interviews of eleven investors in AHF and Worldwide, conducted by myself and other Commission staff, information provided to me by other members of the Commission staff, and information provided to the Commission by the FBI. The statements of others set forth herein are described in substance and in part, and not verbatim. To the extent that there are assertions herein concerning dates and numbers, they are approximate, based upon information and evidence gathered to date. Because the Commission submits this Declaration for the limited purpose of supporting its Application for a Temporary Restraining Order, Preliminary

Injunction, And Other Relief, I have not set forth each and every fact that I know about the investigation.

4. During the staff's investigation, which is ongoing, I have (i) conducted interviews of eleven Fund investors; (ii) reviewed offering documents for AHF and Worldwide; (iii) reviewed the bank account and brokerage records for AHF, Worldwide and CK Holdings; (iv) reviewed records of certain Fund investor complaints lodged with the National Association of Securities Dealers ("NASD") and the State of Michigan; (v) reviewed transfer agent records reflecting ownership of shares sold by Kuretski and his sales associates; and (vi) participated in an interview of a former sales representative who worked with Kuretski. In reviewing these documents, I have determined that since September 2001 to the present, the Defendants successfully solicited approximately \$1.6 million from close to 60 investors around the country. On behalf of AHF and Worldwide, Kuretski and his sales representatives, who worked for Kuretski, solicited investments that they represented to be no-risk and guaranteed profits. Kuretski and his sales representatives targeted unsophisticated investors, who had little or no investment experience, many of whom entrusted the Defendants with their retirement savings. They further pressured investors into buying shares by telling them that they had a limited time to invest before the opportunity would expire. Kuretski and the sales representatives solicited investors without being associated with any broker-dealer.

5. Kuretski and his sales representatives also solicited some AHF investors and others to purchase US Medsys Corp. ("US Medsys") and Dover Petroleum Corp. ("Dover") stock directly from them. Misrepresentations about these stocks included, among other things, that (i) US Medsys would be doing an IPO shortly; (ii) Dover would be listed on the NASDAQ within sixty days; (iii) trading restrictions on the stocks would be lifted immediately; and (iv) that the stock price was

guaranteed go up in value after the restrictions were lifted. In some cases, Kuretski sold AHF and Worldwide investors stock already issued to AHF and Worldwide, so that investors by investing in AHF effectively were purchasing the securities from funds that they already purportedly owned.

6. Kuretski hid losses that were occurring in AHF and Worldwide by, among other things, failing to send investors regular account statements and annual financial reports for the Fund. Kuretski misappropriated investors' funds through cash withdrawals, payment of extraordinary and unauthorized management fees to himself, payment of his own personal expenses, payment of commissions to sales representatives working on his behalf, and by transferring AHF investor funds into bank accounts for Worldwide and CK Holdings. Kuretski then used those accounts for personal expenses and payments unrelated to the Fund and Worldwide. Based on current evidence, it appears that the fraud is ongoing and there is significant risk that any remaining assets will be dissipated in the near future.

I.

RELEVANT PARTIES AND ENTITIES

A. Defendants

7. AHF is a limited partnership organized by Kuretski in New York State on October 16, 2001. A true and correct copy of AHF's Certificate of Limited Partnership and filing receipt with the New York State Department of State is annexed as Ex. 1. According to its Private Placement Memorandum ("Offering Memorandum"), dated October 31, 2001, its principal place of business is listed as 125 Demopolis Avenue, Staten Island, New York. A true and correct copy of the Fund's Offering Memorandum is annexed as Ex. 2. The Offering Memorandum states that AHF is a hedge fund with the objective of "produc[ing] above average capital appreciation by actively investing [in] a portfolio of equity and debt related instruments."

In addition to producing high returns, the Partnership has a secondary goal of “preservation of capital and will attempt to do so by raising cash when appropriate, utilizing options and/or short selling.” (Ex. 2 at 1.) Kuretski, as Managing Member of Worldwide Partners, LLC, controls AHF. On January 7, 2002, AHF filed a Notice of Sale via a Form D filing, indicating that it intended to rely upon an exemption from registration with the Commission, a true and correct copy of which is attached annexed hereto as Ex. 3. AHF is not registered with the Commission or any state as an investment adviser.

8. **Worldwide** is a limited liability company organized by Kuretski in New York on September 12, 2001. A true and correct copy of Worldwide’s Articles of Organization, filing receipt with the New York State Department of State, and a Worldwide corporate resolution filed by Kuretski with the Staten Island Bank and Trust are annexed as Ex. 4. Worldwide is the general partner of AHF and was formed to manage the activities of AHF. Kuretski is the Managing Member of Worldwide. Worldwide issued an Offering Memorandum dated October 5, 2001, a true and correct copy of which is annexed as Ex. 5. On February 22, 2002, Worldwide filed an exemption from registration on Form D with the Commission, a true and correct copy of which is annexed hereto as Ex. 6. Worldwide is not registered with the Commission or any state as an investment adviser.

9. **Kuretski**, age 31, resides in Staten Island, New York. The FBI has informed the Commission staff that Kuretski resides at 134 Covington Circle, Staten Island, New York, but also uses the address of his parents’ residence, 125 Demopolis Avenue, Staten Island, New York, for certain business purposes. Since September 2001, Kuretski has served as the Managing Member of Worldwide, which, in turn, is the General Partner of AHF. From 1994 to 2003, Kuretski worked as a registered representative with ten different broker-dealers, most recently

with Phillip Louis Trading, Inc. until February 10, 2003. Annexed as Ex. 7 is a true and correct copy of Kuretski's record, maintained by the Central Registration Depository of the National Association of Securities Dealers, which sets forth Kuretski's history of association with broker-dealers. Kuretski personally solicited investments from investors in AHF, Worldwide, US Medsys and Dover either without being registered with any broker-dealer or without authorization from the broker-dealer. On October 7, 2004, the CEO and President of Great Eastern Securities, Inc. ("Great Eastern"), the broker-dealer at which some of Kuretski's sales representatives were employed, informed an Examiner and Staff Accountant with the Commission that Great Eastern did not authorize or approve the sale of AHF or any other investments outside of the firm.

B. Relief Defendants

10. **CK Holdings Incorporated** is a corporation incorporated by Kuretski in the State of New York on February 1, 2002. A true and correct copy of CK Holdings' Articles of Incorporation, filing receipt with the New York State Department of State and a copy of a CK Holdings corporate resolution filed by Kuretski with the Staten Island Bank and Trust are annexed as Ex. 8. CK Holdings' principal place of business is 125 Demopolis Avenue, Staten Island, New York.

11. **K. Kuretski**, age 55, resides at 125 Demopolis Avenue, Staten Island, New York. She is Kuretski's mother.

12. **P. Kuretski**, age 56, resides at 125 Demopolis Avenue, Staten Island, New York. He is Kuretski's father.

C. Other Entities

13. **US Medsys** is a corporation incorporated under the laws of the State of Colorado on May 1, 1995 under the name Prime Rate Income & Dividend Enterprises ("PIDV"). Its principal offices are located in Denver, Colorado. PIDV changed its name to US Medsys in April 2004. US Medsys' securities are registered pursuant to Section 12(g) of the Exchange Act and its securities trade on the OTC Bulletin board. On its website, the company claims to be engaged in the development, marketing and distribution of medical devices and support services to medical markets. In November 2002, US Medsys acquired US Medical Systems, Inc. For most of the relevant time period, US Medsys stock sold at a price of less than \$5 per share and was never traded on an exchange or quoted on the NASDAQ. Furthermore, US Medsys had average revenue of less than \$6 million for the last three years.

14. **Dover** is a corporation incorporated under the laws of the State of Nevada on July 9, 1998. Dover's principal offices are located in Richmond Hill, Ontario, Canada. The company claims its business is the development of oil and gas leases in Wyoming and Egypt. Dover's securities are registered pursuant to Section 12(g) of the Exchange Act and its securities are listed on the Pink Sheets. Dover stock sold for less than \$5 per share and was never traded on an exchange or quoted on the NASDAQ. Furthermore, Dover had average revenue of less than \$6 million for the last three years.

II.

DEFENDANTS' FRAUDULENT SECURITIES OFFERINGS

A. Misrepresentations In The Offering Materials

15. Kuretski used two private placement memoranda for AHF and Worldwide (collectively, the "Offering Memoranda"), which were sometimes provided to potential

investors. Although the Offering Memoranda clearly were designed to be used together, Kuretski rarely, if ever, provided both Offering Memoranda to potential investors.

16. The Offering Memoranda describe AHF as “organized to invest in the equities and debt securities markets.” (Ex. 5 at 6) The Offering Memoranda further describe AHF’s business objective as “to produce above average capital appreciation by actively investing [in] a portfolio of equity and debt related instruments” and state that “the General Partner employs an opportunistic strategy, allowing the combination of numerous sophisticated investment strategies in pursuit of optimal portfolio performance.” (Ex. 2 at 1; Ex. 5 at 6.) For the management and administration of AHF, the Offering Memoranda describe an annual management fee of 3% of AHF’s assets payable to Worldwide. Beyond the management fee, Worldwide, as the General Partner of AHF, is limited to receiving a percentage of the profits, and that percentage of profits can only be paid after a monthly 1% return to investors. With respect to information provided to investors, according to the AHF Offering Memorandum, each investor would receive, among other things: “(i) annual financial statements, [and] (ii) monthly summaries of [AHF’s] performance....” (Ex. 2 at 4.) The AHF Offering Memorandum states that investors can withdraw their funds twelve months after their initial capital contribution, provided that they request the withdrawal at the end of a calendar quarter and on sixty days’ written notice to the general partner. (Ex. 2 at 23.) Both Offering Memoranda represented that the AHF offering was pursuant to exemptions from the registration requirements.

B. Misrepresentations Made To Specific Investors

17. During September and October 2004, the Commission staff and I conducted telephone interviews of eleven AHF investors. Five of those investor interviews are summarized below. In Sections C through E below, I also refer to other AHF investors I have interviewed

and provide additional information about specific types of misrepresentations, including Kuretski's misrepresentations concerning (i) the use of investor funds, (ii) baseless price and profit predictions, and (iii) fund returns, liquidating funds and selling shares.

18. Although Kuretski personally solicited investments from investors, he also recruited sales representatives to assist him in soliciting investors and to provide him with leads. Some of these sales representatives were registered with broker-dealers at the time, while others were not. Both investors and a former sales representative who worked with Kuretski have told me that a sales representative working with Kuretski often made the initial solicitation and the investor then would be referred to Kuretski for more specific information concerning the investment and to finalize the investment. Kuretski compensated his sales representatives through commissions on the leads they developed.

Investor R.B.

19. On September 28, 2004, the staff interviewed R.B. by telephone. In the fall of 2001, one of Kuretski's sales representatives solicited R.B., a retired chemical engineer, to invest with him and asked R.B. to fax all of his brokerage account statements to facilitate their discussions. The representative solicited R.B. to invest in Worldwide Partners, telling R.B. that Worldwide managed a hedge fund, and the investment would yield annual returns of 15% interest. R.B. agreed to loan Worldwide \$50,000, and was told that he would receive income from this loan via quarterly interest payments. This sales representative introduced R.B. to Kuretski as the manager of AHF. R.B. told the sales representative and Kuretski that he was a fairly conservative investor. Kuretski told R.B. that the Fund generated exceptional profits, greater than regular stocks. R.B. was told that AHF invested in many different securities. Kuretski also told R.B. that he was investing in an IRA account, although it appears no such IRA

account existed. In reliance upon these representations, R.B. invested \$100,000 in AHF. After investing, R.B. did not receive any account statements, and contacted the sales representative, who then faxed him a report detailing the Fund's performance. R.B. never received any quarterly distribution or interest payments. In October 2004, R.B. told the staff that in January 2002 he noticed several unauthorized trades and unauthorized transfers in his brokerage account. All totaled, R.B. invested over \$180,000, his entire retirement savings.

Investor F.B.

20. On September 24 and October 1, 2004, the staff interviewed F.B., a self-employed printer distributor, by telephone. In 2002, another sales representative on behalf of Kuretski solicited F.B. to invest in AHF, telling him that AHF invested in Dover. After being introduced to Kuretski, Kuretski told F.B. that the Fund invested in Dover, US Medsys, "riskless arbitrage" and real estate. The sales representative told F.B. that "riskless arbitrage" was simultaneous trading between New York and India, allowing the Fund to make money on the difference in prices between the two markets. Kuretski told F.B. that he could withdraw his funds from AHF as long as he provided written notice thirty days prior to the withdrawal date, and sent F.B. a letter on Worldwide letterhead confirming that he would return F.B.'s investment in full if he was not satisfied. A true and correct copy of the letter is annexed as Ex. 9. In reliance upon these representations, F.B. invested \$63,911 and his wife invested \$10,000 into AHF. F.B. received statements periodically for the Fund. He has not received any profits or distributions from the Fund. In 2004, Kuretski told F.B. that AHF had purchased shares of US Medsys at a discount to the market price. In June 2004, F.B. sent Kuretski a check for \$5,000 for the purchase of US Medsys shares. Kuretski told F.B. that the stock was restricted until

November 12, 2004, at which time the restriction would be lifted and the share price would increase, thereby earning a profit.

Investor C.K.C.

21. On October 6, 2004, the Commission staff interviewed C.K.C. by telephone. C.K.C. told the Commission staff that in late 2001 he decided to invest in Worldwide and AHF after speaking with Kuretski and one of Kuretski's sales representatives at Grady & Hatch Securities Inc. ("Grady & Hatch"), a broker-dealer where C.K.C. had a brokerage account. Kuretski and his sales representative told C.K.C. that the Fund did arbitrage, purchasing stocks overseas and selling them in the United States at a profit, taking advantage of the time zone difference. They also told C.K.C. that the Fund invested in real estate, bank stocks and IPO deals. Kuretski told C.K.C. that the Fund would have a rate of return much higher than the market, more than 10% to 20% annually, and that C.K.C. would receive profit distributions each quarter. In reliance upon these representations, C.K.C. invested \$65,000 in Worldwide and \$100,000 in AHF.

22. C.K.C. never received any profit distribution. In early 2003, C.K.C. asked to withdraw his investment in Worldwide because he had never received any statement of his investment. Kuretski told C.K.C. that his funds were not available because Worldwide earned money from AHF's profits, and AHF was not profitable.

23. In late 2003, Kuretski solicited C.K.C. to invest in US Medsys and sent him a brochure. Kuretski told C.K.C. to write his check out to AHF. C.K.C. purchased 80,000 shares, but only received certificates for 45,000 shares. My review of the transfer agent records indicates that 45,000 shares were issued to C.K.C.. Kuretski told C.K.C. that the remaining shares were being held by US Medsys.

Investor R.G.

24. On October 1, 2004, the Commission staff interviewed R.G., a retired IBM employee, by telephone. In the summer of 2002, R.G. received a cold call from another sales representative. A few years earlier, Kuretski had mailed R.G. a prospectus for AHF, but R.G. had not given serious consideration to AHF at the time. The sales representative stated that the Fund purchased stocks in overseas markets and promised 15% returns per month. R.G. was told that he could withdraw his funds at any time. To show R.G. the Fund's high returns, the sales representative faxed him some investors' account statements for April 2002, with the investors' personal information redacted. A true and correct copy of the sales representative's fax to R.G. with the investors' account statements is annexed as Ex. 10.

25. I examined the purported AHF account statements that the sales representative faxed to R.G. Both statements purport to be for the same time period, April 2002, and they show two different rates of return for the Fund for the same time period: 69.09% and 43.07%. (Ex. 10)

26. The sales representative promised that if R.G. invested now, he would immediately begin to receive profits in the form of checks mailed to him. The sales representative promised that R.G. would receive more money than his original investment this way. In reliance upon these representations, R.G. invested \$30,000 in AHF. In late 2002, Kuretski confirmed R.G.'s investment and, when R.G. requested a withdrawal, sent him \$5,000. When R.G. called Kuretski a month or two later to request another withdrawal, Kuretski told him that the Fund was not currently liquid. R.G. sporadically received account statements for AHF. In early 2004, a different sales representative called R.G. by telephone and offered to sell him a stock called Prime Rate Income & Dividend ("PIDV") (which later became US Medsys) for \$1 per share, and told him that the stock would go up in value. This sales representative did not tell

R.G. that the stock was restricted. R.G. purchased \$5,000 of PIDV stock, and subsequently learned that the stock was restricted until November 2004.

Investor M.H.

27. The Commission staff interviewed M.H., a physician, by telephone on September 23, 2004. In the spring of 2002, M.H. spoke with various of Kuretski's sales representatives about AHF. They told her that AHF was a hedge fund that invested in a basket of securities, including Dover. According to M.H., her husband spoke to a sales representative, who guaranteed at least a 12% return on money invested in the Fund. M.H.'s husband invested \$10,000 in AHF. One of the sales representatives promised her that she would receive the Fund's previous month's 30% profits if she invested in the Fund. The sales representative also assured her that her principal would be conserved for one year, and he guaranteed that she would be able to get her original investment back after one year. In reliance upon these representations, in the summer of 2002 M.H. and her husband invested \$300,000 in AHF.

28. In early 2004, one of Kuretski's sales representatives offered M.H. shares of US Medsys for \$1 per share, telling her that the company was planning an IPO shortly, and that the stock would both increase in value and be freely tradable after that point. M.H. purchased \$50,000 in US Medsys stock. When M.H. attempted to sell the stock a few weeks later, she was told that the stock was still restricted. After she protested to an employee at National Securities (the sale representative's employer at the time), the employee referred M.H. to the investor relations contact person for US Medsys, who ultimately purchased her stock himself for \$50,000.

29. On September 23, 2004, the staff also interviewed M.H.'s lawyer, who is handling her potential claim against AHF and Kuretski. The lawyer told the staff that in a conversation during the summer of 2004, Kuretski acknowledged his responsibility for M.H.'s

investment in the Fund, and told him that the Fund had no money to pay her claim, but Kuretski appears to have offered to settle her claim by giving her 100,000 shares of US Medsys stock, claiming that the price would go from \$1 to \$3 per share by November 2004.

C. Misrepresentations Concerning The Use of Investor Funds

30. In a telephone interview on October 5, 2004, A.S. told the Commission staff that a Kuretski sales representative told him that the Fund invested in various stocks. In a telephone interview on October 5, 2004, J.L. told the Commission staff that Kuretski had represented to him that AHF would be invested in a basket of various securities. As noted above, investor F.B. told the Commission staff that Kuretski told him that the Fund engaged in "riskless arbitrage" trading. Kuretski told investors that "riskless arbitrage" involved buying and selling large amounts of a particular stock simultaneously on different markets around the world to take advantage of price differences. He said that the Fund used a special trader, who monitored the international markets for these arbitrage opportunities, and he assured investors that the trading was "riskless" because the buying and selling occurred at the same time, and if there was no difference in price, the transaction would not be undertaken. Although the brokerage account statements for the Fund indicate that Kuretski did some securities trading, a significant amount of investor funds were never invested in securities or trading at all, but were diverted to the Worldwide and CK Holdings bank accounts, which Kuretski used for cash and personal expenses. (See Section III, below.)

31. In some instances, Kuretski provided fewer shares of stock than investors actually paid for. Investor C.K.C. told the Commission staff that after Kuretski offered him US Medsys stock, C.K.C. paid Kuretski for 80,000 shares, but the transfer agent records show that only 45,000 shares were distributed to C.K.C. Kuretski has failed to supply the missing shares,

notwithstanding C.K.C.'s repeated demands. Similarly, investor F.B. told the Commission staff that although he had paid for 3,200 US Medsys shares, Kuretski only sent him a certificate for 2,000 shares.

D. Baseless Price and Profit Predictions

32. Kuretski guaranteed some AHF investors an annual 12% return, and promised even higher returns to others. He told some investors that he would not take a fee unless and until he achieved this 12% return. Investor A.S. told the Commission staff that Kuretski had assured him that annual returns in the 20 to 40 percent range were a "sure thing." Investor R.B. told the Commission staff that Kuretski told him that AHF generated "returns greater than regular stocks" and that the Fund had "exceptional profits." Investor M.H. told the Commission staff that one of Kuretski's sales representatives promised her an immediate 30% return if she invested in the Fund, and that her principal investment would be preserved for a year. Investor R.G. stated to the Commission staff that one of Kuretski's sales representatives told him the Fund had an "astronomical" payback, promised 15% monthly returns and promised that R.G. would immediately receive more money than his original investment. From my review of the records, including the bank and brokerage records, neither Kuretski nor his sales representatives had any reasonable or legitimate basis for making such guarantees and projections. In fact, Kuretski knew that the Fund, organized in September 2001, had no proven track record, with no past performance of trading or earnings.

33. Kuretski and his sales representatives also made baseless representations that US Medsys stock would increase in price within specific time periods. Investor M.H. told the Commission staff that a sales representative told her that US Medsys was planning an IPO shortly and promised that the price would increase from \$1 to \$3 per share within two weeks. In a

telephone interview on September 23, 2004, M.H.'s lawyer told the Commission staff that during the summer of 2004, Kuretski had attempted to settle M.H.'s demands for the return of her \$300,000 investment in AHF by offering her 100,000 shares of US Medsys stock. The lawyer told the staff that Kuretski had claimed that the price of US Medsys would increase from \$1 to \$3 per share by November 2004. On September 27, 2004, the Commission staff interviewed investor K.B. by telephone. K.B. told the Commission staff that another Kuretski sales representative told him that if the price of US Medsys stock decreased, the sales representative would give K.B. additional US Medsys shares to ensure that K.B. did not lose any money. K.B. also told the Commission staff that in or around late August or early September 2004, he drove to the Staten Island address for Worldwide and met Kuretski, who promised that when the three-month restriction on the US Medsys stock was lifted, the stock price would go up.

34. Kuretski and his sales representatives also made unsupported representations about Dover. According to an investor complaint with the State of Michigan Office of Financial and Insurance Services, they told investor D.M. that Dover would be listed on the NASDAQ within sixty days and guaranteed that the price would go up to \$4 per share at a point when it was trading below \$2 per share. A true and correct copy of the complaint is annexed as Ex. 11.

**E. Misrepresentations About Fund Returns,
Liquidating Funds and Selling Shares**

35. The evidence that I have reviewed indicates that Kuretski concealed the fact that he was misappropriating investors' funds to pay personal and unrelated business expenses by discouraging withdrawals from the Fund and by lulling investors into believing that their investments were safe and secure. Kuretski deprived investors of information they needed to evaluate their investments by failing to send them account statements altogether or sending statements sporadically, and by failing to send them annual financial statements for the Fund. As a

result, the only source of information investors had concerning their investments was Kuretski's oral representations, which as detailed herein, often varied from investor to investor.

36. Further, although the AHF Offering Memorandum states that investors may withdraw their funds after a year (Ex. 2 at 23), the Commission staff interviewed several investors, who have tried repeatedly, but have been unable, to liquidate their AHF investments. Investor A.S. told the Commission staff that Kuretski made promises that he could receive his investment back on 30 or 90 days' notice. Investor R.B. told the Commission staff that in February 2002, he requested in writing that all of his funds be returned. Kuretski refused to sign for R.B.'s letter, and the letter was returned to R.B., unopened. Investor M.H. told the Commission staff that, in the spring of 2003, Kuretski told her she could not withdraw her investment because the Fund's assets were tied up in restricted stock.

37. Investor A.S. told the Commission staff that Kuretski had told him that he could not withdraw his investment from AHF because Great Eastern had frozen the Fund's assets after it discovered that Kuretski's sales representatives had been soliciting AHF away from the firm. On October 7, 2004, the CEO and president of Great Eastern told the Commission staff that although Great Eastern did attempt to freeze the account of AHF after discovering in January 2003 that certain employees had been working on Kuretski's behalf, the clearing firm, First Southwest, refused to honor Great Eastern's request to freeze AHF's account. Moreover, at the time Great Eastern terminated its relationships with Kuretski's sales representatives, the accounts at Great Eastern only contained approximately \$3,000 worth of liquid securities and restricted stock in the form of 600,000 shares of Dover, which was not liquid due to a trading restriction on the security.

38. Investors J.L. and R.G. told the Commission staff that, at the time they purchased their US Medsys stock in early 2004, Kuretski assured them that the restrictions on their US Medsys stock would be lifted in June 2004. But when they tried to sell their shares after June 2004, Kuretski told them that the restriction had been extended to November 12, 2004.

F. Kuretski Used Visionary Medical Consulting As A Conduit For Investors' Purchases of US Medsys Stock

39. Investors R.G., C.K.C. and M.H. told the Commission staff that when they purchased their US Medsys stock, Kuretski and/or his sales representatives instructed them to make their checks payable to Visionary Medical Consulting. Investor R.G. told the Commission staff that he sent the check to Kuretski's 125 Demopolis Avenue address, and later received the stock certificates in an envelope bearing 134 Covington Circle as a return address. C.K.C. told the Commission staff that Kuretski personally picked up his check, made out to Visionary Medical Consulting, at C.K.C.'s home in Brooklyn. Despite paying Visionary Medical Consulting, the transfer agent records indicate that investors R.G. and C.K.C. received their stock certificates as the result of a transfer of stock from the Worldwide stock certificate. Annexed hereto is Ex. 12, a true and correct copy of the instruction letter from Worldwide to Corporate Stock Transfer, the transfer agent, instructing the transfer of shares from Worldwide to various investors.

40. M.H., who also made her check payable to Visionary Medical Consulting, told the Commission staff that, after she had purchased the US Medsys stock, one of Kuretski's sales representatives told her, to her surprise, that she had purchased the stock from Kuretski. I have obtained from National Securities a copy of a letter, dated 3/31/04, from Kuretski to National Securities (at the time, the employer of the sales representative who sold M.H. the US Medsys stock). The letter states that Kuretski assumed responsibility for ensuring that M.H. would be

refunded her investment in US Medsys. A true and correct copy of Kuretski's letter, dated 3/31/04, is annexed as Ex. 13.

41. I have reviewed transfer agent records for US Medsys, which I obtained from Corporate Stock Transfer. Annexed as Ex. 14 is a spreadsheet that I prepared, based upon my review of the Corporate Stock Transfer records, showing the distribution of US Medsys shares by AHF, Worldwide and others. Those records indicate that several investors obtained their stock directly from the certificates held in the name of Worldwide Partners, the general partner of the Fund. The bank and brokerage records of Worldwide, however, do not reflect the receipt of the investors' funds which Worldwide should have received in payment for these shares. Instead, the investors' funds went to Visionary Medical Consulting. On 7/1/04, AHF transferred 120,000 shares of US Medsys to a company called "VSM Consulting." See Ex. 14. On the same date, VSM Consulting transferred 150,000 shares to AHF. The transfer agent records indicate that VSM Consulting is the same entity as "Visionary Medical Consulting."

42. In addition to the fact that Kuretski instructed investors to send their money to Visionary Medical Consulting, the transfer agent records also indicate that Kuretski has some relationship to Visionary Medical Consulting. Visionary Medical Consulting's letter of authorization for the 7/1/04 transfer of shares to AHF is signed by an individual named Robert Rustico. In this letter of authorization, Rustico informs the transfer agent that he can be contacted via a phone number that belongs to Kuretski. Annexed hereto as Ex. 35 is a true and correct copy of the authorization letter.

III.

THE DEFENDANTS MISAPPROPRIATED AND DISSIPATED INVESTORS' FUNDS

43. The Commission staff has obtained from the FBI copies of records produced voluntarily by Kuretski's accountant, Brian Zucker. The records produced by Zucker consist of spreadsheets listing investors and the details of their investments. The staff has also received bank and brokerage account statements, including account statements produced voluntarily by Kuretski. Layla Assante, an Examiner with the Commission, reviewed the brokerage and bank account records for AHF and Worldwide, as well as the bank records of CK Holdings, a personal bank account of Kuretski. Based on her review, Ms. Assante prepared a series of spreadsheets and summaries annexed hereto of the account transactions reflected in the records. I have reviewed all of the brokerage and bank account records obtained by the Commission staff, as well as Ms. Assante's spreadsheets referred to herein and annexed as Exhibits. Ms. Assante's spreadsheets accurately represent the information contained in the brokerage and bank account records. Annexed as Ex. 15 is a spreadsheet of investors, based upon the investor lists contained in the Zucker documents. Ex. 15 shows that Kuretski raised \$1,557,895 from investors. The bank and brokerage records that I have reviewed show that, to date, Kuretski has misappropriated approximately \$1,528,552 from investors. Annexed as Ex. 16 is a summary spreadsheet showing the totals and types of expenses that Kuretski paid for using the bank accounts. Annexed as Ex. 17 is a spreadsheet detailing the expense transactions contained in Ex. 16.

44. The bank and brokerage records indicate that, when investors sent their funds for investment, those funds were deposited in various brokerage, bank and escrow accounts of AHF and Worldwide. Although, the Commission staff does not have complete information with

respect to the bank and brokerage accounts, the staff has been able to trace to specific investors \$651,100 that was deposited into these accounts.

A. BROKERAGE ACCOUNTS

45. From at least November 2001 to the present, AHF, Worldwide and CK Holdings have maintained the following brokerage accounts:

Entity	Time Period	Broker-Dealer	Account Number
AHF	11/01 – 8/03	Grady & Hatch / Great Eastern Securities, Inc. ("Great Eastern")	12939500
	8/03 – 6/04	National Securities Corporation ("National Securities")	1122-2525
	6/04 – 9/04	Joseph Stevens & Co., Inc. ("Joseph Stevens")	4U1-162379
Worldwide	1/04 – 6/04	National Securities	2775-5285
	6/04 – 9/04	Joseph Stevens	4U1-162361
CK Holdings	9/03 – 9/04	National Securities	2131-5274
	3/04 – 7/04	Newbridge Securities Corp. ("Newbridge")	LC3-954898-E3
	6/04 – 9/04	Joseph Stevens	4U1-162387

The Commission staff received account statements for the above-listed accounts directly from First Southwest Company (clearing broker for Great Eastern), First Clearing (clearing broker for National Securities), Pershing, LLC (clearing broker for Joseph Stevens) and Wachovia Securities LLC (on behalf of Wexford Clearing Services, LLC, clearing broker for Newbridge). Kuretski had trading authority over all of the above-listed accounts and used either the 125 Demopolis Avenue or the 134 Covington Circle address for these brokerage accounts.

46. Annexed as Ex. 18 is a spreadsheet showing a comparison of monthly account balances, from November 2001 to the present, in the bank and brokerage accounts of AHF, Worldwide and CK Holdings. Ex. 18 shows that, of the approximately \$1.6 million of investors'

funds raised by Kuretski, as of 9/30/04 only \$148,229.60 remains in the brokerage accounts of AHF, Worldwide and CK Holdings, collectively.

B. BANK ACCOUNTS

47. Kuretski opened bank accounts at Staten Island Bank & Trust for AHF (account no. 1590002763), Worldwide (account no. 1590002739) and CK Holdings (account no. 1590003475). Kuretski, through his counsel, has granted the Commission staff permission to obtain copies of documents he has produced to the FBI, including the account statements for the bank accounts. I have reviewed the bank account statements produced by Kuretski and his accountant, Brian Zucker.

48. The AHF bank records show that Kuretski opened the account in November 2001, and that all activity in the account had ceased by September 2003. The account balance on that date was zero. During the time it was open, Kuretski deposited approximately \$1.459 million into the account. Annexed as Ex. 19 is a spreadsheet of all transactions in the AHF bank account. Annexed as Ex. 20 is a spreadsheet showing all deposits into the AHF account. The Commission staff has been able to trace \$412,100 of those funds to AHF investors. Ex. 20 lists the AHF deposits traceable to investors.

49. The Worldwide bank records show that Kuretski opened the account in November 2001. The records show that, as of 9/30/04, the account balance was \$23,662.63. From the account's inception to 9/30/04, Kuretski has deposited approximately \$595,879 into the account. Annexed as Ex. 21 is a spreadsheet of all transactions in the Worldwide bank account. Annexed as Ex. 22 is a spreadsheet showing all deposits into the AHF account. The Commission staff has been able to trace \$239,000 of those funds from investors. Ex. 22 lists the Worldwide deposits traceable to investors.

50. The CK Holdings bank records show that Kuretski opened the account in May 2002. The records show that, as of 8/30/04, the account balance was \$2,094.60. From the account's inception to 8/30/04, Kuretski has deposited into and withdrawn from the account approximately \$1.87 million. Annexed as Ex. 23 is a spreadsheet of all transactions in the CK Holdings bank account.

C. WORLDWIDE'S ESCROW ACCOUNT

51. The Commission staff has obtained directly from Continental Stock Transfer & Trust Company ("CST&T") a copy of an Escrow Agreement pursuant to which Kuretski, on or around October 4, 2001, opened an escrow account in the name of Worldwide with CST&T. A true and correct copy of the Escrow Agreement between Worldwide and CST&T is annexed as Ex. 24; a true and correct copy of excerpted account statements produced by CST&T is annexed as Ex. 25. CST&T also provided the Commission staff with a spreadsheet which they prepared summarizing the transfers into and out of the Worldwide escrow account. A true and correct copy of the CST&T spreadsheet is annexed as Ex. 26. The documents produced by CST&T show that investors deposited a total of \$230,000 into the escrow account, and that Kuretski transferred all of the investors' funds from the escrow account to Worldwide's bank account, except for \$1,000, which he used to pay CST&T's account fees.

D. KURETSKI MISAPPROPRIATED AND DISSIPATED INVESTORS' FUNDS THROUGH TRANSFERS TO BANK ACCOUNTS THAT HE CONTROLLED

1. Kuretski Used Investors' Funds To Pay For Personal And Unrelated Business Expenses

52. Ex. 16, referred to above, is a spreadsheet summarizing expenses by type that Kuretski paid for using the bank accounts. Ex. 16 shows that Kuretski paid approximately \$1.5 million in various expenses that were unrelated to the business of AHF. He withdrew \$376,128

in cash, wrote \$202,487 in checks to himself and withdrew approximately \$9,000 in ATM withdrawals. Kuretski also made \$225,575 in commission payments to certain individuals who, the Commission staff believes based upon other evidence we have reviewed, were involved in soliciting AHF, US Medsys and Dover stock on Kuretski's behalf. Kuretski used the bank accounts to pay \$31,874 in miscellaneous personal expenses, \$19,551 in travel and entertainment expenses, \$19,418 in utility bills and \$2,789 in insurance.

53. Annexed as Ex. 27 is a spreadsheet showing the total withdrawals by payee from the bank accounts of AHF, Worldwide and CK Holdings. Ex. 27 shows that Kuretski transferred \$256,000 of investors' funds from the AHF and Worldwide bank accounts to the CK Holdings bank account. Based upon the transactions in the CK Holdings bank account statements, which I have reviewed, it appears that Kuretski used this account to pay certain personal expenses, such as car payments, home renovations, ATM withdrawals and the operating expenses of a restaurant that he appears to have had an ownership interest in. Attached as Ex. 28 is a spreadsheet showing all withdrawals from the CK Holdings bank account. Kuretski withdrew \$280,069 in cash and, between May and August 2004, wrote three checks, totaling \$89,000, to his father, Peter Kuretski.

54. In July and September 2002, investor M.H. wired \$200,000 to AHF's bank account. See Ex. 19. In September 2002, Kuretski wired \$258,000 out of this account to an HSBC bank account in the name of Diotech Consulting Corp. According to an Auto-Track report, Diotech Consulting Corp. is controlled by an individual named Brett Diamond, and Diamond is listed as a resident of Kuretski's residence at 134 Covington Circle. A true and correct copy of the Auto-Track report is annexed as Ex. 29.

55. Worldwide has two automobiles registered at 125 Demopolis Avenue: a 2000 Lexus RX300 sports utility vehicle, registered on October 9, 2002 and a 1999 Porsche 911 sports car, registered on August 12, 2002. A true and correct copy of an Auto-Track report showing these two registrations is annexed as Ex. 30. Kuretski used \$30,863 from the bank accounts to pay for these two vehicles. Annexed as Ex. 31 is a spreadsheet itemizing all car-related expenses that the staff has identified in the bank records.

**2. Kuretski Used Investors' Funds To Pay
For A Residence At 134 Covington Circle**

56. In addition, it appears that in July 2002, Kuretski purchased his Staten Island home, located at 134 Covington Circle, using approximately \$100,000 in investors' funds, but recorded the deed in the name of his mother, K. Kuretski, in an apparent effort to secrete assets from defrauded investors. I have been informed by the FBI that P. Kuretski stated in an interview in August 2004 that Kuretski purchased a house at 134 Covington Circle, Staten Island, New York under his mother's name, K. Kuretski, because Kuretski is in the securities industry and wanted to protect his assets from investors' lawsuits. In addition, I have reviewed Richmond County deed records showing that on July 3, 2002, K. Kuretski purchased the house located at 134 Covington Circle from Dora Homes, Inc. for \$499,900. A true and correct copy of a Lexis printout of the property transfer record is annexed as Ex. 32. The property transfer record shows that the purchase price was paid with \$100,700 in cash and a mortgage in the name of K. Kuretski in the amount of \$399,200 with Washington Mutual Bank.

57. The AHF and CK Holdings bank records show that, between 5/21/02 and 7/3/02, Kuretski wrote four checks totaling \$195,000, drawn on the AHF bank account and made payable to CK Holdings. See Exs. 19 and 23. Kuretski deposited these checks into the CK

Holdings account. The CK Holdings bank records show that on 5/23/02 a \$75,000 check cleared the CK Holdings bank account. On 5/29/02, according to documents obtained from the seller of the house, Kuretski's girlfriend wrote a check for close to \$20,000 to the seller for "134 Covington extras." Annexed as Ex. 33 is a true and correct copy of the check. In addition, on 5/30/02, Kuretski wrote six checks out to cash from the CK Holdings bank records, totaling approximately \$25,000 and endorsed the checks to himself. At the closing on July 3, 2002, Kuretski and K. Kuretski presented a \$70,000 cashier's check for the purchase of the home. Annexed as Ex. 34 is a true and correct copy of a statement of closing for the house. Based upon P. Kuretski's statements about Kuretski's ownership of 134 Covington Circle and our review of the bank and other records, I believe that the above checks could be related to the cash down payment of \$100,700 that the deed transfer records show was paid at the closing on 7/2/02.

58. Moreover, several of the personal expenses that Kuretski charged to the AHF, Worldwide and CK Holdings bank accounts appear to relate to the renovation of his home. The bank records show that Kuretski spent approximately \$39,707 on expenses that appear to relate to home improvement. See Ex. 16.

IV.

EVIDENCE OF ONGOING FRAUD

59. The staff has evidence that Kuretski is embarking on misrepresentations and fraudulent offerings. For example, Kuretski recently told investor K.B. that he should not worry about his US Medsys investment, that he would receive certificates shortly and that US Medsys would go up in value in November 2004 when the trading restriction is lifted. In August 2004, investor F.B. believed he purchased 3,200 shares of US Medsys from Kuretski. However, on

September 7, 2004, Kuretski instructed the transfer agent to issue only 2,000 shares to F.B. On September 13, 2004, F.B. was issued the 2,000 shares. Around this same time, Kuretski promised investor F.B. that he would soon receive his stock certificates. To date, F.B. has not received those certificates. In August 2004, Kuretski also offered investor M.H.'s lawyer 100,000 shares of US Medsys that Kuretski said would go up in value to \$3 per share when it became freely tradable in November 2004.

60. The staff believes that Kuretski plans to liquidate any remaining holdings in the accounts of AHF, Worldwide, and other accounts he controls. Based on representations made to certain investors and information received from the FBI, I believe the trading restrictions on US Medsys stock will be lifted on November 12, 2004. According to transfer agent records, Kuretski and accounts associated with Kuretski currently control at least 1,229,900 shares of restricted US Medsys shares. From the transfer agent records and information provided by the FBI, I believe that others associated with Kuretski own an additional 1,070,000 shares of US Medsys. I believe Kuretski and his associates may sell these shares in the near future and use the proceeds for their own benefit.

61. As recently as October 2004, according to the FBI, P. Kuretski stated that Kuretski gave him checks to deposit into P. Kuretski's accounts until Kuretski asked for the funds back for a future investment. Kuretski further told P. Kuretski that Kuretski did not want to deposit the funds directly into his bank accounts because Kuretski did not want the funds coming from his business accounts.

62. Based on the bank and brokerage records I have reviewed, which include records through September 30, 2004, Kuretski continues to transfer funds out of his and the fund accounts.

Pursuant to 28 U.S.C. §1746, I, Terrence P. Bohan, declare under penalty of perjury that the foregoing is true and correct.

Executed on October 27, 2004
New York, New York



Terrence P. Bohan, Staff Accountant