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U. S. DISTRICT COURT FILED DEC 18 1997 S. D. OF N. Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff,	97 CIV. 9806
v.	
LEONARD ALEXANDER RUGE, RICHARD WOLFF, MAC BEAGELMAN, MICHAEL SCOTT SYMONS, RICHARD BALBER, STEPHEN EVERS, EUGENE FLAKSMAN, MARK FURMAN, ALEX GRINSHPON, DANIEL KOLCHKOV, JEFF SANDERS, ALEX SOLON, MARK ZABORSKY, and JEFFERY STONE, Defendants.	**COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Leonard Alexander Ruge ("Ruge"), Richard Wolff ("Wolff"), Mac Beagelman ("Beagelman"), Michael Scott Symons ("Symons"), Richard Balber ("Balber"), Stephen

Evers ("Evers"), Eugene Flaksman ("Flaksman"), Mark Furman ("Furman"), Alex Grinshpon ("Grinshpon"), Daniel Kolchkov ("Kolchkov"), Jeff Sanders ("Sanders"), Alex Solon ("Solon"), Mark Zaborsky ("Zaborsky"), and Jeffery Stone ("Stone") (collectively, the "Defendants"), alleges as follows:

SUMMARY

1. From June 1995 through February 1996, the Defendants engaged in a fraudulent scheme to manipulate the public trading market for securities issued by International Investment Group, Ltd. ("IIGR") through Wolff's and Ruge's payments of undisclosed bribes to Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone, who sold IIGR stock to retail investors. Defendant Beagelman, who was the Chairman of IIGR, provided blocks of IIGR shares to Wolf, Ruge, and Stone, at a substantial discount from the prevailing market price so that Wolf, Ruge, and Stone could sell those shares to the brokers who received the bribes for retail activity. The Defendants realized approximately $500,000 in illegal profits from the fraudulent scheme.

JURISDICTION AND VENUE

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), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

3. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

DEFENDANTS

4. **Ruge**, 40, is a Canadian citizen who works as a stock promoter. On October 10, 1996, Ruge was arrested by the FBI and charged with conspiracy to commit securities fraud. In July 1997, a superseding indictment was obtained, charging Ruge with: (a) two counts of conspiracy to commit wire fraud and commercial bribery; (b) two counts of wire fraud; and (c) one count of interstate travel in aid of commercial bribery, in connection with the IIGR fraud. United States v. Ruge, 96 Cr. 1068.

5. **Wolff**, 42, lives in Florida, and has worked for several years in the securities industry. He was a registered representative from 1984 to 1993, and then traded stock wholesale during 1994, after which he became a stock promoter.

6. **Beagelman**, 78, was IIGR's president and chairman of the board from around 1978 to 1996. Beagelman now works at Visual Telephone, Inc., in South Hackensack, New Jersey, a company in a similar line of business as IIGR, whose president is Joel Beagelman, Beagelman's nephew.

7. **Symons**, 49, lives in Boca Raton, Florida, and has been a registered representative since 1978. During all relevant times, Symons was associated with Capital Growth Management, Inc., formerly known as Investech Capital Corporation ("Investech"), a registered broker-dealer in Atlanta, Georgia. While associated with Investech, Symons operated an office in Boca Raton, Florida under the name Symons Financial Group ("Symons Financial"). Symons has an extensive disciplinary history, including allegations of recommending unsuitable securities, executing unauthorized trades, churning, making material misrepresentations, and forgery. On September 30, 1997, Symons was indicted on

charges of conspiracy to commit securities fraud, wire fraud, and commercial bribery, in connection with the IIGR fraud. United States v. Symons, 97 Cr. 1033.

8. **Balber**, 47, lives in Hollywood, Florida, and has been a registered representative since 1986. From July 1993 to December 1995, Balber was associated with Meyers Pollock & Robbins, Inc. ("MPR"), a registered broker-dealer, and became associated with Investech from December 1995 to April 1996. Balber was registered with several other broker-dealers prior to working at Investech. While registered with Investech, Balber worked at Symons Financial.

9. **Evers**, 45, lives in Boca Raton, Florida, and has been a registered representative since 1991. Evers was registered with MPR from July 1993 to December 1995, and with Investech from January 1996 to April 1996. Evers was registered with several other broker-dealers prior to working at Investech. While registered with Investech, Balber worked at Symons Financial.

10. **Flaksman**, 25, lives in Brooklyn, New York, and has been a registered representative since 1992. During all relevant times, Flaksman was registered with Investech and worked at Symons Financial.

11. **Furman**, 32, lives in Pompano Beach, Florida and has been a registered representative since 1988. Furman was registered with La Jolla Capital from September 1993 to July 1995. During July 1995, Furman also was registered with Investech. He then was registered at Euro-Atlantic Securities, Inc. from September to October 1995. While registered with Investech, Furman worked at Symons Financial.

12. **Grinshpon**, 30, lives in Pompano Beach, Florida, and has worked as a cold-

caller at several broker-dealers. During all relevant times, Grinshpon worked for Investech and worked at Symons Financial.

13. **Kolchkov**, 22, lives in Deerfield Beach, Florida, and has been a registered representative since 1995. Kolchkov was employed by Investech in September 1995, and became registered in October 1995, remaining at Investech until April 1996. While associated with Investech, Kolchkov worked at Symons Financial.

14. **Sanders**, 26, lives in Boca Raton, Florida, and has been a registered representative since 1995. During all relevant times, Sanders was registered with Investech and worked at Symons Financial.

15. **Solon**, 28, lives in Miami Beach, Florida, and has been a registered representative since 1991. Solon was registered with Investech from April to October, 1995 and worked at Symons Financial.

16. **Zaborsky**, 31, lives in Fort Lauderdale, Florida, and has been a registered representative since 1992. Zaborsky was registered with Investech from April 1995 to October 1995 and worked at Symons Financial.

17. **Stone**, 33, lives in Dallas, Texas and has been a registered representative since 1986. Stone was associated with TL Group from 1992 to 1996. While associated with TL Group, Stone operated an office under the name Stone Asset Management. Stone has an extensive disciplinary history, including allegations of churning, offering unsuitable securities, and executing unauthorized transactions. On September 30, 1997, Stone was indicted on charges of conspiracy to commit wire fraud and commercial bribery, in connection with the IIGR fraud. United States v. Stone, 97 Cr. 1034.

FACTS

Background

18. IIGR (later known as "InterMedia Net, Inc.") is a Delaware corporation which had its principal offices in New York, New York. IIGR was engaged in various businesses since its inception in 1974, the most recent of which was developing technology and marketing for video-conferencing equipment. In or around April 1995, Wolff was working at International Buying Power Corp. ("IBP"), a financial public relations firm in Boca Raton, Florida. At the suggestion of a business associate, Wolff contacted Beagelman at IIGR about doing business with IBP. Beagelman sent Wolff a package of documents on IIGR and, shortly thereafter, Wolff was given a demonstration of IIGR's product. IIGR then hired IBP to perform "public relations" work for IIGR, including helping IIGR find broker-dealers willing to retail IIGR's stock to their customers.

19. In June 1995, Wolff suggested to Beagelman that IIGR conduct a Regulation D offering of up to 1 million shares of its stock at a price of $1 per share, thereby ostensibly qualifying for a Rule 504 registration exemption. In exchange for Wolff's advice, Beagelman gave IBP approximately 15,000 shares of IIGR stock.

20. Also in June 1995, Wolff and Beagelman agreed that IIGR would sell 200,000 shares from the Rule 504 offering to IBP at $1 per share. Rather than pay for this stock up front, IBP would find broker-dealers to solicit orders for IIGR stock from their retail customers and Wolff would then direct the brokers to place their purchase orders with certain market-makers who, in turn, would fill the orders with the stock from the IBP account at Brink, Hudson & Lefever ("BHL"), a broker-dealer in Canada. Upon sale of the stock from

the IBP account, IBP would pay for the stock by wire transferring $1 per share to IIGR's account at Chase Manhattan Bank.

Wolff Solicits Symons Financial To Retail IIGR Stock To Their Clients In Exchange For Bribes

21. In or around June 1995, Wolff met with Symons, Solon, and Zaborsky from Symons Financial to discuss IIGR. Symons, Solon, and Zaborsky indicated that they were looking for a deal where they could receive an "incentive" to sell stock to their customers. IBP, through Wolff, agreed to pay Symons, Solon, and Zaborsky a bribe equal to 40-50% of the purchases of IIGR stock made by Symons Financial's retail customers.

22. Shortly after this meeting, Symons, Solon, and Zaborsky started retailing IIGR stock to their customers. Wolff assisted these sales by directing trades to specific IIGR market-makers and these orders were filled from IBP's account at BHL. After the orders were filled, IBP remitted $1 per share to IIGR, as per IBP's agreement with Beagelman.

23. Within two weeks, Symons, Solon, and Zaborsky sold approximately 50,000 IIGR shares, at prices ranging between $2 and $2-5/8 per share, for approximately $120,000. However, IBP fired Wolff and refused to pay Symons, Solon and Zaborsky their bribe in connection with these transactions.

24. Beagelman caused the remaining shares that IIGR had issued to IBP that had not yet been sold to be cancelled. IIGR then reissued these shares to Wolff, who deposited the shares into an account at BHL. These shares were then used to fill orders placed by brokers for their customers in exchange for bribes from Wolff, as described below.

Wolff Arranges A New Agreement Between Himself And IIGR And Agrees To Pay Bribes To Brokers For Retailing IIGR Stock

25. Shortly thereafter, Wolff contacted Beagelman and explained that he was no longer working for IBP but was willing to take over paying bribes to brokers for retailing IIGR stock. Beagelman offered Wolff the same $1 per share agreement that existed with IBP.

26. On July 6, 1995, Wolff opened an account at BHL into which Beagelman transferred 50,000 shares of IIGR stock as part of the new $1 per share agreement with Wolff. Also on July 6, 1995, Beagelman paid Wolff $2,000 for expenses incurred in connection with this scheme.

27. After reaching this agreement with Beagelman, Wolff told Symons, Solon, Zaborsky, Flaksman, Furman, Sanders, Kolchkov and Grinshpon (collectively the "Symons Financial representatives") that he no longer worked for IBP, and offered to continue the IIGR deal without IBP, paying a 30 to 35% bribe on all retail sales of IIGR stock. The Symons Financial representatives accepted Wolff's offer and Wolff began working out of Symons Financial's offices.

28. The Symons Financial representatives thereafter solicited clients to purchase IIGR stock. Wolff paid bribes to them in exchange for their customers' purchases. Grinshpon retailed IIGR stock in exchange for bribes from Wolff despite the fact that Grinshpon was not registered.

29. Also around this time period, Wolff agreed to pay bribes to Balber and Evers for selling IIGR stock to their customers. Balber and Evers were then associated with MPR in Boca Raton, Florida. Balber and Evers sold approximately 6,800 shares of IIGR stock to their clients. Wolff paid Balber and Evers bribes equal to approximately 30% of their

customers' retail purchases. Wolff paid these bribes directly to Balber and Evers in cash.

30. In or around late August 1995, Wolff told Beagelman he needed more money to pay his brokers for selling IIGR. On September 1, 1995, IIGR wired $5,000 to Wolff's bank account in Florida. Beagelman then transferred 10,000 shares of IIGR to Wolff's account at BHL. This stock was then used to fill more orders placed by the Symons Financial representatives for their customers in exchange for bribes from Wolff.

31. During the period from June through August 1995, the Symons Financial representatives solicited purchases totaling approximately 100,000 shares of IIGR stock. Wolff sent $1 per share to IIGR, paid the representatives their bribes, and gave a portion of the balance to the market-makers. Wolff kept the remainder of the proceeds, which amounted to approximately 5 to 7% of the gross sales.

32. None of the brokers disclosed the bribes to the customers while recommending purchases of IIGR stock.

33. During May 1995, the daily closing price for IIGR stock ranged from $1-3/4 to $2 per share; during June 1995, the daily closing price for IIGR stock ranged from $1-7/8 to $2-7/32 per share; during July 1995, the daily closing price for IIGR stock ranged from $2-1/4 to $2-11/16 per share; during August 1995, the daily closing price for IIGR stock ranged from $2 to $2-3/4 per share.

Ruge Meets Beagelman And Takes Over The Promotion of IIGR For Wolff

34. In or around August 1995, Wolff introduced Beagelman to Ruge. During their initial meetings, Beagelman and Ruge discussed raising money for IIGR. Ruge indicated that he could help IIGR with the Rule 504 offering and with raising additional capital. Shortly thereafter, Beagelman entered into an agreement for Ruge to buy 200,000 shares of IIGR at $1 per share pursuant to the Rule 504 offering.

35. Ruge told Beagelman that he had an account at Merit Investment Corp. ("Merit") in Canada, and that Beagelman should open an account there as well in order to facilitate this deal. Beagelman opened one account in the name of IIGR, and another in the name of Visual Communications Network ("VCN"), an IIGR subsidiary.

36. On August 16, 1995, IIGR issued 100,000 shares and subsequently deposited those shares into IIGR's account at Merit. Also, on September 13, 1995, IIGR issued 100,000 additional shares and subsequently deposited those shares into its account at Merit.

37. On August 25, 1995, Beagelman authorized Merit, in connection with sales of IIGR stock from its account at Merit, to "transfer any funds in excess of $1.00 per share (U.S.) to Alex Ruge." Similarly, on August 29, 1995, Beagelman authorized Merit by letter to transfer any funds in excess of $1.00 per share "from the sale of IIGR" from the IIGR account to the account of Alex Ruge.

38. Also in August 1995, Ruge agreed to pay bribes of approximately 30% of retail sales to Stone for selling IIGR stock to his retail clients. Ruge introduced Stone to Beagelman as a person who could help raise capital for IIGR. Shortly thereafter, Stone began retailing IIGR stock to his clients in exchange for bribes from Ruge.

39. From August to December 1995, Stone sold approximately 200,000 shares to his clients at prices ranging from $2-1/4 to $5-5/8 per share, for which Ruge paid undisclosed bribes to Stone totalling approximately $150,000.

40. In September 1995, Ruge took control over the ongoing manipulation of IIGR's stock.

41. Shortly thereafter, Wolff, Ruge and Symons agreed that Ruge would receive the stock from IIGR into an account at Merit and that the Symons Financial representatives should send their orders to certain market-makers who would fill the orders with stock from the Merit account. Thereafter, the Symons Financial representatives continued to solicit their customers to purchase IIGR stock.

42. The retail purchase orders were placed with market-makers who filled them with stock from either the IIGR or VCN accounts at Merit. Merit then sent $1 per share to IIGR and the balance to Ruge.

43. To pay the bribes to the Symons Financial representatives, Ruge wired approximately $134,000 to Wolff's BHL account or Wolff's personal bank account in Florida and Wolff paid the bribes to the Symons Financial representatives.

44. During September 1995, the daily closing price for IIGR stock ranged from $2-15/32 to $3-23/32 per share; during October 1995, the daily closing price for IIGR stock ranged from $2-3/8 to $5-1/2 per share; during November 1995, the daily closing price for IIGR stock ranged from $1-3/4 to $3-1/16 per share; during November 1995, the daily closing price for IIGR stock ranged from $1-13/16 to $3-3/8 per share.

45. By the end of 1995, the Symons Financial representatives and Balber and

Evers had sold to their retail customers approximately 300,000 shares of IIGR, and received approximately $250,000 in bribes. In or around the end of December 1995, Beagelman cut Ruge out of the deal. Thereafter, neither Ruge nor Wolff paid any further bribes for retail sales of IIGR stock.

Ruge Approaches The Undercover FBI Agents And Offers And Pays Bribes In Exchange For Soliciting "Retail" Orders To Buy IIGR Stock

46. In November 1995, two FBI agents posing as brokers in connection with an undercover investigation into a segment of the securities industry (the "Agents") met with Ruge in New York. Ruge told the Agents that he controlled IIGR stock and was positioning IIGR to be traded on NASDAQ. Ruge offered to pay the Agents a 30% bribe for selling IIGR stock to the Agents' retail customers.

47. During the period from November 22 to December 7, 1995, the Agents purchased 9,000 shares of IIGR at a total cost of $24,625. On December 14, 1995, Ruge wired $7,780 to an offshore account designated by the Agents.

Stone Takes Over For Ruge

48. In approximately December 1995, Stone contacted Beagelman and said he was no longer working for Ruge because Ruge owed him money. Stone told Beagelman that Stone was responsible for the purchases of IIGR for which Ruge had taken credit and Stone wanted to deal directly with IIGR.

49. Stone and Beagelman then entered into a similar $1 per share agreement, with Stone paying for the shares as they were sold to retail customers. Beagelman then sent Stone 100,000 IIGR shares.

50. Stone thereafter caused approximately 60,000 of these shares to be sold to his

retail clients at prices ranging from $1-1/2 to $2-1/4 per share during January and February 1996. The remaining shares that Beagelman sent to Stone were cancelled.

51. After remitting $1 per share to IIGR, Stone received approximately $60,000 from the sales of IIGR stock to his clients.

52. Stone did not disclose to his customers that he was receiving bribes from Ruge, or that he was paying only $1 per share for the same IIGR stock the customers were buying for $1-1/2 to $5-5/8 per share.

53. During January 1996, the daily closing price for IIGR stock ranged from $1-1/2 to $2 per share; during February 1996, the daily closing price for IIGR stock ranged from $7/8 and $1-7/8 per share.

54. The fact that the broker defendants received cash bribes from Wolff and Ruge, over and above their standard commissions, for recommending and selling IIGR's securities was material.

CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5

55. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 54 by reference, as if fully set forth herein.

56. Defendants Ruge, Wolff, Beagelman, Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone, directly and indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of IIGR securities, knowingly or recklessly, have: (a) employed devices, schemes and artifices to defraud; (b) have obtained money or property by means of, or otherwise have made, untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which have or would have operated as a fraud or deceit upon purchasers of IIGR securities and upon other persons.

57. As part of and in furtherance of the violative conduct, and as more fully set forth above, Ruge, Wolff, Beagelman, Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone each knowingly or recklessly engaged in a scheme to defraud in which Ruge and Wolff bribed Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone to induce them to sell IIGR stock to retail customers throughout the United States without disclosing the bribes, or the arrangement to pay the bribes, to customers. In addition, as part of and in furtherance of the violative conduct, and as more fully set forth above, Ruge, Wolff and Beagelman negotiated the bribe agreements with Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone in which the scheme was described, bribes were offered or arrangements were made for bribes to be paid.

58. Defendants Ruge, Wolff and Beagelman knew or recklessly disregarded that neither the payment of the bribes to the brokers, nor the arrangement to pay them, was disclosed to the brokers' retail customers in connection with the purchase of IIGR stock.

59. Defendants Symons, Balber, Evers, Flaksman, Furman, Grinshpon, Kolchkov, Sanders, Solon, Zaborsky, and Stone knowingly failed to disclose to their retail customers the bribes they received in connection with the purchase of IIGR stock.

60. The information omitted from disclosure to the customers in connection with the purchase of IIGR stock was material.

61. By reason of the foregoing, the Defendants directly or indirectly, have violated, and unless enjoined are reasonably likely in the future to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

RELIEF REQUESTED

WHEREFORE, Plaintiff Securities and Exchange Commission respectfully requests that this Court:

I.

Enter a final judgment permanently restraining and enjoining the Defendants from, directly or indirectly, singly or in concert, violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

II.

Issue an order barring the Defendants from participating in the offer or sale of any "penny stock", as defined by Section 3 of the Exchange Act and the Commission's rules thereunder.

III.

Issue an order directing the Defendants to disgorge all funds and benefits they obtained as a result of the violations alleged herein, and to pay prejudgment interest thereon.

IV.

Grant such other and further relief as this Court may deem just and proper.

Dated: New York, New York
December 18, 1997

Respectfully submitted,

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