

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE COMMISSION,)
Plaintiff,)
v.)
UNIQUE FINANCIAL CONCEPTS, INC.,)
FREDERICK N. HOLLANDER,)
ERNEST J. PATTI and)
NICHOLAS D. DeANGELIS,)
Defendants.)

)

CASE NO.
98-7147
CIV-HIGHSMITH
MAGISTRATE JUDGE
TURNOFF

VERIFIED COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges for its Complaint the following:

SUMMARY

1. This case involves an ongoing scheme to defraud investors in connection with the offer and sale of interests by defendant Unique Financial Concepts, Inc. ("Unique") and three individuals in a purported trading program involving options on foreign currency through a foreign currency market known as Forex. Through aggressive nationwide advertising and high-pressure sales tactics, the defendants have raised approximately \$6,575,714 from hundreds of investors since October 1997 by



making numerous material misrepresentations and omissions. Unique has failed to provide evidence of any actual trading, and misappropriated at least 60 percent of funds invested. Despite advertisements claiming returns as high as 1,000 percent, most investors have lost significant amounts of money.

2. The individual defendants who engaged in the fraudulent scheme are: Frederick N. Hollander ("Hollander") and Ernest J. Patti ("Patti"), Unique's founders, and Nicholas D. DeAngelis ("DeAngelis"), its primary salesperson.

3. Defendants Unique, Hollander, Patti and DeAngelis have engaged, and unless restrained and enjoined by this Court, will continue to engage in acts, transactions, practices, and courses of business which violate 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), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. 78j(b), and Rule 10b-5, 17 C.F.R. 240.10b-5, thereunder.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to 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) and 78u(e), to enjoin such acts, transactions, practices, and courses of business, and for other relief.

5. 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.

6. Certain of the acts and practices constituting the violations alleged herein occurred within the Southern District of Florida and elsewhere, and were effected, directly and indirectly, by making use of the means and instruments of transportation or communication in interstate commerce, or the means and instrumentalities of interstate commerce, or the mails.

DEFENDANTS

7. Unique Financial Concepts, Inc. was incorporated in Florida in January 1997, and has its headquarters in Boca Raton. It has never been registered with the Commission in any capacity. It is controlled by Patti and Hollander who purchased Unique as a shell corporation from an unrelated individual in October 1997.

8. Frederick N. Hollander, age 51, resides in Parkland, Florida. He is one of the founders of Unique and acts as its sales manager. He is not currently associated with any registered entity.

9. Ernest J. Patti, age 40, resides in Fort Lauderdale, Florida. He is the president and owner of Unique, which he established with Hollander. He has never been licensed to sell securities.

10. Nicholas D. DeAngelis, age 39, resides in Lake Worth, Florida. He is the primary salesperson for Unique.

11. In 1995, Hollander and DeAngelis were sued by the Commission, in an emergency civil action, for violations of the registration and antifraud provisions of the Securities Act and Exchange Act in connection with a fraudulent scheme involving the

offer and sale of millions of dollars of unregistered securities in the form of interests in death benefits payable under life insurance policies. The United States District Court for the Southern District of Florida, in SEC v. United Benefits Group, Inc., et al., C.A. 95-8421, after finding evidence of a fraud, issued a temporary restraining order, preliminary injunction and asset freeze against Hollander, DeAngelis, another individual, and their corporation, United Benefits Group, Inc.

FACTS

12. Beginning in October 1997, defendants Unique, Hollander and Patti -- and later DeAngelis -- embarked upon a fraudulent scheme in which, using promises of lavish returns for investors through a purported options trading program, millions of dollars in investor funds were misappropriated.

The Origins of the Scheme

13. The Forex, a shorthand way of referring to foreign exchange trading, consists of the buying and selling of different currencies through a worldwide network of traders connected by telephone lines and computer screens. The Forex has no central headquarters or exchange. Banks account for the majority of trading in the Forex market. Forex participants, which also include broker-dealers and other customers, earn profits by buying currencies from, and selling currencies to, customers and to each other. Billions of dollars are traded daily on the Forex market.

14. In the fall of 1997, after seeing television advertisements for a company selling interests in foreign currency trading programs, Hollander and Patti decided to start a similar operation, and established Unique for that purpose.

15. Hollander and Patti prepared offering documents and customer agreements, using as examples documents received from the company Hollander had seen advertised. Patti provided the initial capital of \$50,000 to open Unique's checking account at First Southern Bank ("First Southern") in Fort Lauderdale, Florida. Patti was and remains the sole signatory on that account.

16. In accordance with their plan, Patti, who has no experience in the financial services industry, became Unique's president, and Hollander became the sales manager. In his role as president, Patti is in charge of advertising and handling Unique's checking account, among other things. As sales manager, Hollander's duties include preparing scripts for the sales representatives, hiring and training the sales force, and conducting sales meetings.

17. In March 1998, Hollander recruited DeAngelis to work for Unique. DeAngelis' role in the scheme is to increase investments by frequently calling existing investors to convince them to invest more money.

18. Patti and Hollander established a purported commission of \$250 to be charged by Unique for each option purchase. These commissions typically represent 30 percent of the average

investment, i.e., after commissions only 70 percent remains to be allegedly invested.

19. A certain amount of each purported commission is paid to Unique, and the balance is split between DeAngelis and the initial sales representative for each investor. DeAngelis, who solicits new investments from every existing investor, is the highest paid Unique employee. From April 1998 through August 1998, Unique paid DeAngelis \$172,105.

The Operation of the Scheme

Representations Made to Investors

20. Almost immediately after setting up operation, Unique, acting through Hollander, Patti and DeAngelis, embarked on an aggressive campaign to attract investors by advertising on national cable television stations such as CNBC, the USA Network, and the Discovery Channel, in major newspapers, such as USA Today, and The Philadelphia Inquirer, as well as on its own Internet website.

21. In these advertisements, Unique represents that it will trade investor funds in foreign currency options through the Forex market, holds itself out as having expertise in the foreign currency market, and advertises huge potential returns for investors.

22. Initially, Unique retained the services of an outside advertising firm to produce advertisements and purchase air time. Patti oversaw the advertising operation. At some point, Hollander and Patti decided that they would pay a firm owned by

Patti and another individual, D.R.E. Consulting and Management, Inc. ("DRE") to produce advertisements and purchase air time and newspaper space. Hollander and Patti either wrote or reviewed all of Unique's advertising copy.

23. Unique's advertisements are clearly designed by Hollander and Patti to minimize risk and lure investors with promises of high rates of return. Unique boasted on its website that it had a "Unique approach to investing" and cited "tremendous profit potential," promising to give its clients an "edge . . . one available only to the Major Financial Institutions and Central Banks." Unique also claimed that an investor had made 1,000 percent on an investment in May 1997, a time when Unique was not in business.

24. In one typical newspaper advertisement written by Patti, Unique claimed that \$10,000 invested on May 9, 1997 could have returned \$70,000 on May 23, 1997, a return of 600 percent. Unique was not in operation in May 1997.

25. Investors responding to the various advertisements call a toll-free telephone number and speak to a Unique sales representative. The Unique employee, reading from a script prepared by Hollander, tells the investor about the investment, including the Forex market, and how options trading supposedly works.

26. Using scripts prepared by Hollander, Unique sales representatives, including DeAngelis, tell investors that because of an investment technique known as a "straddle" which Unique has

developed and recommends, they cannot lose money. Some investors were told the investments were risky before they invested, while others mailed in their funds only after the Unique representative assured them that they could not lose money. Unique representatives told some potential investors that they could double or triple their investment in 30 to 60 days.

27. Many of the investors earn less than \$40,000 a year, are unsophisticated and unfamiliar with options or foreign currency trading, and relied on the defendants' purported expertise. In general, investors had little understanding how their investments were to work, and relied upon the advice and strategies recommended by Unique.

28. Each investor is sent a packet of information, including an offering document describing the Forex market, and a customer agreement and disclosure statement. The customer signs and returns these documents, along with a check for the initial investment. Although these documents mention a fee, they do not state the amount.

29. The offering documents tout the potential of trading in the Forex market and Unique's expertise in this area. In the agreement sent by Unique to each investor, which was prepared by Hollander and Patti, Unique states that investors will be participating in the "U.F.C. Global Strategy Program." Unique promises to use the services of "one or more trading professionals which possess trading expertise. . . ."

30. The customer agreement further states that client funds will be initially deposited into a "[c]lient segregated omnibus account at one or more banks and thereafter transferred to a holding bank," identified as a bank located in Nassau, Bahamas. In fact, all investor funds have been deposited by Patti into Unique's sole account at First Southern with no segregated or designated accounts. All investor funds are pooled and deposited into one account controlled by Unique. Further, Patti has always wired investor funds from the First Southern account to a single Bahamian account.

31. The agreement also states that a client grants Unique discretionary authority to use all funds in the omnibus account, including the client's, to execute single trades, and then apportion "gains, losses, commissions, and clearing expenses to each account."

32. Although Hollander and Patti claim that the representations in the agreement and all other documents sent to investors are accurate, in fact they merely copied documents that Hollander had received from the company on which he has patterned Unique's fraud.

33. After obtaining funds from an investor, Unique deposits them into its First Southern bank account. Unique's "compliance officer" then calls the investor to describe the risks and fees and answer any questions. That conversation is taped.

34. After this "compliance" call, Unique claims to contact a company in the Bahamas that purportedly does the actual trading

to determine the price of the option and to place the trades. During the first few months of operations, Unique supposedly sent investor funds to Capital Management International ("CMI"), a Bahamian entity. Since approximately April 1998, Unique has been sending funds to a bank account in the Bahamas supposedly controlled by Forex International, Ltd. ("FIL"), also a Bahamian company.

35. Once a group of checks deposited into the First Southern account have cleared, Patti wires the funds to a single account in the Bahamas from which the trading is purportedly executed. Patti excludes from the amount sent to the Bahamas the purported commission of \$250 per option trade.

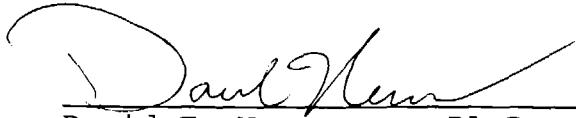
36. After the investor's check has been deposited in the First Southern account, and the supposed order placed with FIL, DeAngelis commences an aggressive campaign to persuade investors to send more money to Unique. He makes frequent calls to investors, calling as early as 5:00 a.m., claiming he has a limited opportunity reserved only for his best clients and that they must move quickly to take advantage of the market. DeAngelis urges investors to do additional trading, either by investing more money or selling out of an option and purchasing new options, sometimes within days of the purchase of the original investment.

37. DeAngelis receives records each day purporting to reflect all investor positions. He has consistently misled investors and either knows or is reckless in not knowing that

IV.

Order such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,



David F. Newman PA Bar No. 43285
David S. Horowitz PA Bar No. 19781
Deborah E. Siegel DC Bar No. 358846

Attorneys for Plaintiff:

SECURITIES AND EXCHANGE COMMISSION
The Curtis Center, Suite 1120 E.
601 Walnut Street
Philadelphia, PA 19106
(215) 597-3100

Dated: October 22, 1998

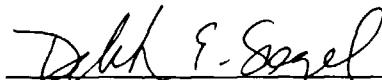
VERIFICATION OF COMPLAINT

DEBORAH E. SIEGEL affirms under penalty of perjury:

1. I am a Branch Chief at the Philadelphia District Office of the Securities and Exchange Commission ("Commission").

2. I have read the foregoing Verified Complaint and the factual allegations therein are true to the best of my knowledge, information and belief, based on my personal, direct and active participation in the Commission's investigation leading to the filing of this action.

Dated: October 21, 1998



Deborah E. Siegel

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v.) CIV
UNIQUE FINANCIAL CONCEPTS, INC.,)
FREDERICK N. HOLLANDER,)
ERNEST J. PATTI and)
NICHOLAS D. DeANGELIS,)
Defendants.)
ATTACHMENT TO
CIVIL COVER SHEET

DEFENDANTS

Unique Financial Concepts, Inc.
3785 North Federal Highway
Boca Raton, FL 33431

Frederick N. Hollander
6368 Northwest 79th Way
Parkland, FL 33067

Ernest J. Patti
2863 Northeast 26th Court
Fort Lauderdale, FL 33306

Nicholas D. DeAngelis
9244 Perth Road
Lake Worth, FL 33460