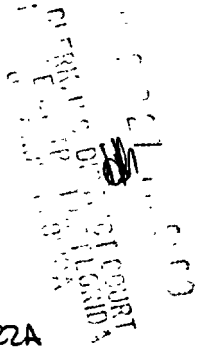
UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
(Orlando Division)



FILED

UNITED STATES SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. CORPORATE RELATIONS GROUP, INC., STRATCOMM MEDIA LTD., GULF ATLANTIC PUBLISHING, INC., NEW CONCEPTS L.L.C., CJL CORPORATION, POW WOW, INC., FONDO DE ADQUISICIONES E INVERSIONES INTERNACIONALES XL, S.A., C.A. OPORTUNIDAD, S.A., AMMONIA HOLD, INC. and ROBERTO E. VEITIA, JAMES W. SPRATT III, JAMES A. SKALKO, JACK R. RODRIGUEZ, JOSE ANTONIO GOMEZ CORTES, ARNOLD ZOUSMER, CHARLES J. LIDMAN and MICHAEL PARNELL, Defendants.	**C.A. No.** 99-1222-Cw-Orl-22A **COMPLAINT** **INJUNCTIVE RELIEF SOUGHT** **[Violations of Federal Securities Laws]**

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. CORPORATE RELATIONS GROUP, INC., STRATCOMM MEDIA LTD., GULF ATLANTIC PUBLISHING, INC., NEW CONCEPTS L.L.C., CJL CORPORATION, POW WOW, INC., FONDO DE ADQUISICIONES E INVERSIONES INTERNACIONALES XL, S.A., C.A. OPORTUNIDAD, S.A., AMMONIA HOLD, INC. and ROBERTO E. VEITIA, JAMES W. SPRATT III, JAMES A. SKALKO, JACK R. RODRIGUEZ, JOSE ANTONIO GOMEZ CORTES, ARNOLD ZOUSMER, CHARLES J. LIDMAN and MICHAEL PARNELL, Defendants.	**C.A. No.** **COMPLAINT** **INJUNCTIVE RELIEF SOUGHT** **[Violations of Federal Securities Laws]**

Plaintiff, the Securities and Exchange Commission ("the Commission"), alleges for its Complaint that the defendant corporations and individuals violated provisions of the securities laws of the United States in connection with the issuance, offer, distribution, purchase or sale of securities of at least 15 small corporations during the period beginning in at least September 1994 and continuing beyond December 1996 to a

date to be determined. These violations resulted in unlawful profits estimated to be in excess of $20 million.

SUMMARY OF THE COMPLAINT

1. Defendant Corporate Relations Group, Inc. ("CRG"), a Winter Park, Florida, company, by and through its principal associates, defendants Roberto E. Veitia ("Veitia"), James W. Spratt III ("Spratt") and James A. Skalko ("Skalko"), directed and operated a fraudulent scheme in which they acquired investment control of large blocks of securities from small public companies either for free or at a steep discount from the market price. They then touted these securities to the public in CRG publications and ordered employees to promote the stocks to brokers, some of whom were bribed to sell the securities to their customers. CRG, sometimes by and through other defendants, then sold the securities at a profit while promoting them to the public. The statements in the CRG publications were materially false and misleading because CRG failed adequately to disclose that it was paid for the promotions, the amount it was compensated, or that at the same time it was promoting the stock to the public as a worthy investment, it was selling the stock.

2. CRG also acquired unregistered securities for ultimate resale in the United States by persuading client companies (who retained CRG to promote their securities) to issue unregistered securities to offshore entities, either defendant Fondo de Adquisiciones E Inversiones Internacionales XL, S.A. ("Fondo") or defendant C.A. Oportunidad, S.A. ("Oportunidad"). These securities also were acquired from issuers by CRG at a

substantial discount to the prevailing market price. Although securities sold by an issuer to non-U.S. entities may be exempt from the registration requirements of the securities laws if certain conditions are met, the securities distributed to Fondo and Oportunidad remained under the control of CRG. CRG and its principals -- sometimes with defendants New Concepts L.L.C. ("New Concepts"), Arnold Zousmer ("Zousmer"), CJL Corporation ("CJL") and Charles J. Lidman ("Lidman") -- funded or arranged to fund the purchase of the discounted securities and retained investment control. CRG then directed the sale of these unregistered securities back into the United States for unlawful sale on the open market, usually at a price well above the deeply discounted price for which they were acquired and at a substantial profit to the defendants. Sometimes CRG directed Fondo or Oportunidad to sell the securities to New Concepts, usually through defendant Spratt, to "cover" short positions which CRG and New Concepts used to insure ultimate distribution of the stock and to lock in profits from the original discounted purchase.

3. In addition to the scheme described above, defendants Stratcomm Media Ltd. ("Stratcomm") and Ammonia Hold, Inc. ("Ammonia Hold") sold their own unregistered securities in the United States. CRG and Stratcomm, the parent company of CRG and operated by the same principals, did so through their employees, although CRG, Stratcomm and the employees were not registered to offer securities for sale to the public as required by law. CRG also promoted Stratcomm stock in its publications, often without disclosing that Stratcomm owned CRG. To make itself appear to be more successful than it was, Ammonia Hold falsely reported the proceeds of its stock sales as

revenue rather than infusions of capital in a report filed with the Commission, in a press release and on its web site.

VIOLATIONS ALLEGED

4. By virtue of the conduct described herein, defendants CRG, Gulf Atlantic Publishing, Inc. ("Gulf Atlantic," but collectively included with "CRG"), Veitia, Spratt, Skalko, a CRG employee, Jack R. Rodriguez ("Rodriguez"), Fondo, Oportunidad, Jose Antonio Gomez Cortes ("Gomez"), who was the president or control person of both Fondo and Oportunidad working at CRG's direction, Ammonia Hold and Michael Parnell ("Parnell") violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §10b-5]. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations of these provisions as controlling persons of CRG under Section 20 of the Exchange Act [15 U.S.C. § 78t]. (Fraud).

5. By virtue of the conduct described herein, defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)]. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations of these provisions as controlling persons of CRG under Section 20 of the Exchange Act. (Touting).

6. By virtue of the conduct described herein, defendants CRG, Pow Wow, Inc. ("Pow Wow"), Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, Ammonia

Hold, Parnell, Stratcomm, New Concepts, Zousmer, CJL and Lidman violated Section 5 of the Securities Act [15 U.S.C. § 77e]. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations of these provisions as controlling persons of CRG under Section 20 of the Exchange Act. (Sales of unregistered securities).

7. By virtue of the conduct described herein, defendants CRG, Stratcomm, Spratt, Skalko and Rodriguez violated Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)]. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations of these provisions as controlling persons of CRG under Section 20 of the Exchange Act. (Sales of securities by unregistered brokers and dealers).

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action under Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Venue lies in this Court pursuant to Section 20 of the Securities Act and Section 27 of the Exchange Act.

9. In connection with the transactions, acts, practices, and courses of business described in this Complaint, each of the defendants, directly and indirectly, has made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means or instrumentalities of transportation or communication in interstate commerce.

DEFENDANTS

10. CRG, a wholly-owned subsidiary of Stratcomm, is a public relations firm located in Winter Park, Florida. CRG, and, later, Gulf Atlantic (again, collectively

herein, "CRG"), produced a variety of publications, ranging from one-page fax bulletins to monthly, full-color magazines. CRG charged companies for its "public relations" services, which included touting securities of client companies to investors through CRG publications, press releases and direct contact with brokers.

11. Stratcomm is a Vancouver, Canada corporation with its principal offices in Winter Park, Florida. It is the parent company of CRG and of several other subsidiaries. Stratcomm, which conducted business through its subsidiaries, traded on the Over The Counter ("OTC") Bulletin Board [a trading vehicle utilized by "micro cap" companies whose market capitalization is relatively small] until October 5, 1994, when trading was halted. Trading resumed on the OTC Bulletin Board on July 28, 1998. In the interim, Stratcomm offered its stock off-market through brokers as described herein.

12. Gulf Atlantic is a wholly-owned subsidiary of Stratcomm located in Winter Park, Florida. In late 1995, Gulf Atlantic succeeded CRG as the primary entity publishing magazines and newsletters that touted stock to the public.

13. Veitia, age 51, lives in Orlando, Florida. He was the president and chairman of CRG and the president, chief executive officer and chairman of the board of Stratcomm until July 1997. He reassumed the presidency of Stratcomm in 1999. For most of the relevant period, he was the sole director of Gulf Atlantic. In 1988, Florida and Michigan ordered Veitia to, among other things, cease and desist from offering and selling unregistered, non-exempt securities. These orders arose from activities not related to the matters alleged herein.

14. Spratt, age 43, lives in Longwood, Florida. He was a vice president of CRG from September 1994 to late 1996. Spratt previously was a registered representative with several brokerage firms.

15. Skalko, age 41, lives in Heathrow, Florida. He was a senior employee of CRG beginning in September 1994. Skalko also was a registered representative for several broker-dealers before joining CRG and was the principal for defendant Pow Wow beginning in May 1996.

16. Rodriguez, age 37, lives in Casselberry, Florida. He was a CRG employee from June 1992 through September 1995 and was a registered representative at various times from 1987 through late 1996.

17. Pow Wow is a Florida corporation located at CRG's offices. Pow Wow was incorporated in August 1994 with Veitia as its initial director. Skalko became Pow Wow's president and sole director in May 1996.

18. Fondo is a Costa Rican entity formed in August 1993.

19. Oportunidad is a Costa Rican entity formed in October 1994. Until February 1997, Gomez's daughter was president of the company.

20. Gomez was president of Fondo and, after February 1997 when he succeeded his daughter, president of Oportunidad.

21. New Concepts, an Illinois corporation, has been a registered broker-dealer since May 1994.

22. Zousmer, age 57, lives in Rancho Santa Fe, California. He is a partner in New Concepts and has been a registered representative since 1975. He has been registered as a broker-dealer since 1993.

23. Lidman, age 55, lives in Del Mar, California. He is the owner and president of CJL and has been a business associate of CRG since at least 1993. Lidman had a beneficial interest in a New Concepts proprietary account.

24. CJL is a California consulting firm Lidman formed in 1981.

25. Ammonia Hold's principal offices are in Little Rock, Arkansas. Ammonia Hold manufactures odor-eliminating products for consumer and industrial markets. The company's common stock trades on the OTC Bulletin Board. Ammonia Hold and Stratcomm are the only public companies named as defendants in this action.

26. Parnell, age 41, lives in Little Rock, Arkansas. He has been a registered representative since March 1981 and currently is registered with Peterson Investments, Inc. During the relevant time, Parnell was a registered representative at PaineWebber Inc. and a major Ammonia Hold shareholder. In July 1996, Parnell became president and chief executive officer of Ammonia Hold.

I. Fraud in the Distribution, Promotion, Purchase and Sale of Securities

27. CRG, through its principals, Veitia, Spratt and Skalko, designed, developed and implemented a fraudulent scheme to enrich themselves and their co-defendants by causing CRG's corporate clients to distribute securities -- both registered and unregistered, non-exempt securities -- to CRG and its nominees at a deep discount to the

prevailing market price. CRG then promoted these securities to the public through CRG publications and directly to brokers, sometimes bribing brokers to recommend the securities to their customers. CRG realized profits by selling the securities while recommending that the public buy the stock.

28. CRG produced a variety of publications to showcase recommendations to investors of securities that CRG was paid to promote. The most prominent of these was *MoneyWorld*. Veitia was the publisher of most of these publications. Spratt and Skalko solicited companies to promote, wrote articles and columns and otherwise assisted in preparing publications promoting the purchase of securities by companies they knew paid for the promotions. The statements in the publications were materially false and misleading because they failed adequately to disclose either the compensation or that CRG was selling recommended stocks, which benefited Spratt and Skalko, as well as Veitia. In many instances, Spratt placed the orders in brokerage accounts controlled by CRG in which the defendants realized their profits. Skalko, as Pow Wow's president and sole director after May 1996, was responsible for trading in the Pow Wow account.

29. CRG also provided direct promotion to the broker-dealer community through its "Broker Relations Executives" ("BREs"), whom CRG paid to interest brokers in soliciting their clients to purchase the securities CRG was promoting. The BREs typically did not adequately disclose to brokers they were compensated for promoting the securities. During the promotions of at least one customer company, The Tracker

Corporation of America ("Tracker"), brokers accepted cash bribes from CRG to recommend stock to their clients.

30. CRG often received securities as payment for its promotional activities from cash-short small capital companies. As described below, CRG also owned, directly or indirectly, or exercised investment control over, unregistered securities sold at deep discounts by its clients to Fondo or Oportunidad, which held these securities until CRG directed they be sold back into the United States for the direct or indirect benefit of the defendants, sometimes to "cover" a short position in a security arising from CRG and New Concepts selling.

31. A short position is created when stock is borrowed to sell with the understanding that the borrowed stock will be replaced at a later date. Selling short generally means the seller expects the price of the stock to go down, so that the borrowed stock can be replaced with stock acquired a lower price. CRG could sell securities short even anticipating some increase in price because it expected to receive, directly or indirectly, stock at a deep discount from its issuer-clients which it could use to replace the borrowed stock. In addition, purporting to "wash" restrictive legends off of restricted stock through sales to supposedly independent foreign accounts, Fondo and Oportunidad provided CRG with a reliable source of stock to cover large short positions in thinly traded issues.

32. While CRG was promoting the securities of its customers as wise investments to the public, CRG was selling the securities of these same companies, taking

advantage of whatever increase in price or market activity their promotional efforts encouraged. The statements in these publications were materially false and misleading because CRG failed adequately to disclose that it acquired discounted securities of the companies it was promoting in its publications, or that many of the securities sold were not subject to a registration statement or an exemption, or that CRG was paid to promote the securities by the issuer, or that CRG was promoting purchase of the securities through brokers, sometimes using bribes, or that CRG, directly or through New Concepts, Fondo Oportunidad or Pow Wow, was selling these securities while it was promoting them as a buying opportunity to the public.

33. Veitia was the mastermind behind CRG's fraudulent scheme. As president and chairman of CRG, president, chief executive officer and chairman of the board of Stratcomm, and as the sole director of Gulf Atlantic, Veitia directed and controlled the activities of those entities, all of which had their principal offices in Winter Park, Florida. Veitia convinced CRG clients that Fondo and Oportunidad were legitimate, independent offshore purchasers qualified to acquire U.S. securities under Regulation S, a special exemption from registration with the Commission for offshore sales by issuers. Veitia negotiated on behalf of Fondo and Oportunidad with client issuers. In fact, Fondo and Oportunidad were controlled by CRG or were purchasing securities on behalf of CRG and, therefore, securities sold to those entities never truly were sold offshore and, therefore, were not exempt from the registration requirements of the Securities Act.

34. Veitia was the publisher of most CRG and Gulf Atlantic promotional materials and, as such, exerted influence, control and direction over those firms' promotional activities and disclosures. Veitia also caused CRG to pay bribes to brokers and caused Stratcomm to sell unregistered, non-exempt securities through the BRE work force. Veitia executed public relations contracts on behalf of CRG and signed the majority of checks, account opening papers, legal documents and authorizations to transfer money and securities. Veitia also signed the profit-sharing agreement with New Concepts, which provided a vehicle for Spratt to short stocks in which CRG had taken positions through its nominees, Fondo and Oportunidad. Veitia also opened many brokerage accounts for CRG and directed at least some of the trading through the accounts.

35. Spratt actively participated in CRG's overall fraudulent scheme. He functioned as CRG's second-in-command and supervised many of the company's day-to-day activities. Spratt executed some of the contracts between CRG and its clients and approved trade confirmations collected by BREs to evidence the buying activity they generated. Spratt traded the New Concepts and other accounts in connection with the profit-sharing arrangement with New Concepts and Spratt created the large short positions at New Concepts which locked in profits from, and insured the ultimate distribution of, the discounted, unregistered, non-exempt securities through Fondo and Oportunidad. Spratt also was an aggressive promoter of CRG clients whose stock was being sold by CRG. Spratt wrote a column in *MoneyWorld* entitled "Rumor Mill" and

published separate promotional materials, all of which were materially false and misleading because they failed adequately to disclose CRG's fraudulent scheme or that issuers paid for Spratt's promotions. Spratt also directed Rodriguez to bribe brokers. Spratt received compensation from CRG in the form of free stock, bonuses and commissions for his promotional activities.

36. Skalko participated in CRG's fraudulent scheme. He assisted Veitia and Spratt in running day-to-day operations at CRG. Skalko also supervised the BREs in their promotional activities, occasionally published promotional articles in CRG publications, and was responsible for the trading in Pow Wow after May 1996. Skalko personally bribed a broker to sell securities and also directed Rodriguez to bribe brokers. Skalko received compensation from CRG in the form of free stock, bonuses and commissions for his promotional activities.

37. Gomez, Fondo and Oportunidad participated in the fraudulent scheme by allowing CRG to direct trading and other transactions in Fondo and Oportunidad brokerage and bank accounts and by acting at the direction of CRG, Veitia and Spratt. They did so for the purpose of evading the registration requirements of the Securities Act by deceiving issuers for the purpose of acquiring stock under the guise of Regulation S in order to sell the unregistered stock back into the United States at the direction of and for the benefit of CRG while CRG was promoting the same securities to the public in its publications.

38. Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder all prohibit use of any device, scheme or artifice to defraud in the offer or sale of any security. Section 10(b) and Rule 10b-5 also prohibit fraud in the purchase of securities. The scheme described above and identified in more detail below violated these statutes.

II. Unlawful Touting of Securities

39. The anti-touting provision of the Securities Act, Section 17(b), forbids promotion of securities for consideration without disclosure of the receipt and amount of such consideration. Some CRG publications contained statements that CRG, its officers, directors and employees "may from time to time have a position in the investments referred to in this advertiser-supported publication" or similar representations. Some promotional articles were labeled "Advertorials." Other publications did not even include these inadequate "disclaimers." The quoted disclaimers, labels and similar others were inadequate under the anti-touting law because they failed adequately to disclose both the receipt and amount of compensation paid CRG by its issuer-clients.

III. Violations of the Registration Requirements of the Securities Act Through Phony Regulation S Sales and Inapplicable Exemptions

40. Section 5 of the Securities Act forbids any person, directly or indirectly, to sell a security unless an appropriate registration statement is in effect, or to offer to sell or offer to buy a security unless the applicable registration statement has been filed. The act provides certain exemptions from registration. One of those exemptions, Regulation S

[17 C.F.R. §§230.901, *et seq.*], permits the offer and sale of unregistered securities outside the United States if certain requirements are met. Among those requirements are that use of Regulation S not be part of a plan or scheme to avoid the registration provisions of the Securities Act [17 C.F.R. § 901 (Preliminary Statement)] and that the offshore purchaser be neither a U.S. person nor a person acquiring the securities for a the account or benefit of a U.S. person. [17 C.F.R. § 903 (c)(3)(iii)(B)(1)]. Regulation S does not provide an exemption or safe harbor for the distribution or resale of securities back into the United States. Persons who purchase Regulation S stock with a view to distributing such securities in the United States are "underwriters" and may not sell such securities except pursuant to a filed and effective registration statement.

41. CRG solicited its public relations clients to sell unregistered stock to Fondo or Oportunidad at a substantial discount, relying on an apparent Regulation S exemption as presented by CRG. Fondo and Oportunidad were incorporated in Costa Rica but maintained stock trading accounts in Canada and the United States. However, these sales did not qualify under Regulation S and, therefore, were not exempt from registration, because the securities sold to Fondo and Oportunidad at all times remained under the direction and control of CRG. CRG, sometimes with New Concepts, Zousmer and Lidman, usually funded purchase of these securities by Fondo and Oportunidad or arranged for funding by other U.S. investors. Further, CRG acted as an underwriter by purchasing securities from issuers through Fondo and Oportunidad for the purpose of

selling such securities into the U.S. market. Therefore, the subsequent sales back into the United States by the Costa Rican companies violated Section 5 of the Securities Act.

42. After the Regulation S deception involving The Tracker Corporation of America described below, CRG's strategies grew more sophisticated. At or about the time that a CRG public relations client was going to pay CRG for services with heavily discounted securities or, at CRG's direction, sell heavily discounted securities to Fondo or Oportunidad, CRG sold the same company's stock "short" at the market price in CRG accounts or in accounts at New Concepts and at another brokerage firm, A&S Limited Partners ("A&S"), over which CRG maintained control and a beneficial ownership interest. New Concepts and CRG agreed to split profits from some of the trading activity in the New Concepts and A&S accounts. At other times, CRG retained all the profits from these accounts. Spratt directed trading in the accounts whether or not the profits were to be split with New Concepts. By selling the customer's stock short, CRG and New Concepts insured that there would be a buyer (CRG and New Concepts) for the thinly-traded securities when Fondo or Oportunidad sold the phony Regulation S stock at a substantial profit in the United States. Selling short also "locked in" the difference between the discounted price of the Regulation S stock and the market price when the stock was sold short, virtually insuring the defendants a profit. Promotional efforts by CRG, including use of the BRE sales force, helped to cushion any negative impact on market price from the short selling.

43. CRG also unlawfully purported to rely on other exemptions from registration, including Rule 504 under Regulation D [17 C.F.R. 230.504], which, among other things, permits the sale of unregistered securities for offerings under $1 million.

44. As described in more detail below, defendants Stratcomm, CRG, Pow Wow, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, New Concepts, Zousmer, CJL, Lidman, Parnell and Ammonia Hold violated Section 5 of the Securities Act by selling securities which were not subject either to a valid registration statement on file with the Commission or a valid exemption from registration.

IV. Specific Securities Transactions in Which Defendants Violated the Antifraud, Touting and Registration Provisions of the Securities Laws

45. Specific instances in which the defendants violated the antifraud, touting and registration provisions of the securities laws are described below. Additional instances of touting and fraud are alleged in Section V, below.

A. The Tracker Corporation of America

46. The Tracker Corporation of America is a Delaware corporation whose common stock traded on the OTC Bulletin Board. Tracker retained CRG in February 1994, agreeing to pay CRG $450,000, but CRG did not begin promoting the company in its publications until the following summer. From September 1994 to March 1996, CRG directed for Tracker the two sets of private placements described below, raising a total of more than $3.3 million from investors. CRG, Veitia, Spratt, Skalko, Fondo and Zousmer together earned profits of over $2.2 million from trading Tracker stock.

1. The Regulation S Offering

47. In or about September 1994, defendants Veitia and CRG suggested to Tracker that it raise funds by selling its stock to defendant Fondo pursuant to Regulation S. On September 16, 1994, Tracker executed a subscription agreement to sell Fondo 785,000 shares of stock for $3,155,700, or $4.02 per share -- a 40 percent discount from the closing price that day on the OTC Bulletin Board. The subscription agreement and associated promissory notes provided that Fondo would pay Tracker's $450,000 bill owed to CRG under the February public relations contract, pay Tracker $250,000 in 10 days and pay Tracker $2,455,700 within 60 days. Tracker issued Fondo two stock certificates, one for 210,000 shares and another for 575,000 shares. It retained the smaller certificate pending Fondo's payment of the $2,455,700 balance.

48. Fondo paid nothing for the Tracker stock. Instead, Zousmer, Lidman and three of their business associates each sent Fondo $50,000 to cover the initial $250,000 payment to Tracker. Veitia told Zousmer and Lidman it was a good investment. Simultaneously, all five investors opened brokerage accounts at Torrey Pines Securities ("Torrey Pines"). Fondo wired Tracker the $250,000 in two installments.

49. Leonard Aronoff ("Aronoff"), corporate counsel to Stratcomm and CRG, acted as "attorney-in-fact" for Fondo and, later, Oportunidad. Aronoff opened U.S. and Canadian bank and brokerage accounts for the Costa Rican entities in which funds were deposited and securities were deposited, bought and sold.

50. In late October 1994, roughly 40 days after the subscription agreement was executed, Aronoff caused the stock transfer agent to cancel the certificate for 575,000 Tracker shares in Fondo's name and reissue nearly all of the stock to CRG (516,440 shares) and the remainder to the five U.S. investors who financed the payment to Tracker (58,560 shares). CRG paid the transfer agent fee.

51. CRG never paid Fondo for the 516,440 shares it received in October but the defendants later executed documents that purported to show that the securities were fully paid at the time of transfer.

52. By early November 1994, CRG deposited its 516,440 shares into a number of brokerage accounts and transferred 8,500 shares each to Spratt and Skalko. Each sold his shares for more than $50,000. From November 1994 through June 1995, CRG sold nearly all of its shares for a profit of $1.8 million. None of these shares was the subject of a registration statement on file with the Commission or exempt from registration.

53. Fondo never paid Tracker the $2,455,700 balance owed under the Regulation S subscription agreement. From December 1994 through January 1995, CRG and Stratcomm paid Tracker, on Fondo's behalf, approximately $700,000 from the proceeds of CRG's sale of some of the Tracker stock it received from Fondo.

54. Although Fondo failed to meet its commitments to Tracker under the September subscription agreement, CRG demanded that Tracker release the certificate for 210,00 shares it held in Fondo's name. In January 1995, Tracker gave Aronoff the certificate in return for Fondo's promise to wire Tracker $600,000 by the end of the

month. Days later, Aronoff caused the transfer agent to reissue all 210,000 shares to CRG. Finally, in June 1995, Veitia, Spratt and Skalko, on behalf of CRG, and Tracker agreed that CRG would return 200,000 shares of stock to Tracker as final payment by Fondo under the September subscription agreement. No one from Fondo was party to the agreement.

55. This series of transactions beginning with a phony Regulation S transfer to Fondo resulted in payment of only $1.4 million to Tracker, instead of over $3 million which was called for by the subscription agreement, but CRG, Spratt and Skalko realized profits of approximately $1.8 million by selling the unregistered stock in the United States.

2. The S-8 Offering

56. In the fall of 1995, CRG and Veitia orchestrated an investment opportunity for certain CRG employees and associates to buy Tracker stock for one dollar per share through Fondo. This stock was then sold while CRG publications continued promoting Tracker stock, resulting in approximately a 245 percent return for each CRG investor.

57. In August 1995, Veitia recommended that Tracker compensate some of its employees by issuing them stock pursuant to Form S-8, which permits distribution of stock to employees, vendors and the like as compensation. Tracker registered 770,000 shares and sold Fondo 170,000 of them at one dollar per share, the approximate market price.

58. On October 2, 1995, Fondo paid Tracker's employees $170,000. On October 13, CRG replaced these funds with those it collected from employees and associates, including CRG, Spratt, Skalko, Veitia and Zousmer. CRG also announced that $15,000 in commissions was available for its BREs who successfully induced brokers to buy Tracker stock for their customers.

59. In mid-October, Fondo opened a brokerage account at Torrey Pines and sold its 170,000 shares of Tracker stock. Fondo collected proceeds of nearly $420,000 and distributed all of it to the CRG investors.

3. CRG Promotion of Tracker Stock to Investors

60. During the entire period in which CRG was selling Tracker stock for its own account and that of its Costa Rican nominees, CRG continued to promote Tracker stock in its publications. CRG featured Tracker in issues of *MoneyWorld*, *Growth Industry Report*, *Market Express* and *Confidential Fax Alert* -- all CRG publications. In January 1995, while CRG was selling Tracker stock, company publications proclaimed Tracker as "The Stock to Watch" with "Growth Outlook: ↑↑↑↑↑ High" and projected that earnings would soar from a loss of $11.5 million in 1995 to a $40.9 million profit in 1997. In October and November 1995, while Fondo was selling Tracker stock on behalf of CRG employees for profits of over 200 percent, CRG publications urged investors to buy Tracker, calling it "The Stock to Watch" and describing its growth potential as "↑↑↑↑↑ High."

61. CRG also promoted Tracker stock directly to brokers through the BRE sales force. CRG, through Spratt, Skalko, Veitia and Rodriguez, also paid brokers cash to induce their clients to buy Tracker stock, preferably crossing the purchase order with stock CRG owned. These payments usually represented 10 percent of the dollar amount invested by the broker's client. CRG paid at least seven brokers a total of over $85,000 to promote Tracker stock to their customers, who bought more than 140,000 shares of Tracker stock. None of these brokers disclosed these bribes to their clients or prospects.

62. The statements in CRG's publications touting Tracker were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Tracker stock, the amount of compensation, that it and entities it controlled were selling Tracker stock while promoting it as a good investment to readers, that it was paying CRG employees commissions to promote Tracker stock to brokers or that it was bribing brokers to sell the stock to their clients.

63. By virtue of the conduct described above: (1) defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Rodriguez, Gomez and Fondo violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants CRG, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act; (3) defendants CRG, Veitia, Spratt, Skalko, Gomez, Fondo, Lidman, Zousmer and CJL violated Section 5 of the Securities Act, and (4) Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

B. Delta Petroleum

64. Delta Petroleum Corporation ("Delta") is a Colorado corporation engaged in the oil and gas business. Its stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. § 78l(g)] and trades on the NASDAQ Small Cap Market.

65. In August 1995, Delta paid CRG 54,546 shares of restricted Delta common stock valued at $5.50 per share, a 12 percent discount from the market price, plus 300,000 options. The payment was in lieu of cash for promotional services. That same month, CRG began shorting Delta common stock in its account at Smith Barney, and Spratt began shorting Delta stock in the New Concepts account. These short sales at New Concepts were the first transactions pursuant to the profit-sharing arrangement between CRG and New Concepts.

66. Beginning in or about October 1995 through December 1996, CRG and Gulf Atlantic promoted Delta stock in their publications. During this time, CRG, in its own name or through its nominees, Fondo and Oportunidad, acquired more than 700,000 shares of stock from Delta through three private placements, in addition to the stock received as promotion compensation in August 1995. CRG eventually transferred most of this stock to Spratt to cover the short positions established in the account shared with New Concepts. CRG, Fondo, Oportunidad and New Concepts made a profit of more than $2.5 million trading Delta securities.

1. August 1995 through February 1996

67. In early August 1995, CRG offered to invest in Delta. On August 15, Veitia executed an agreement for CRG to buy 231,000 shares of common stock from Delta in a "Rule 144" private placement. Rule 144, at the time, permitted persons who held restricted shares to resell them publicly without registration and without being deemed underwriters if certain conditions were satisfied including, inter alia, that the securities had been held, in most instances, for at least two years. CRG bought the stock for $3.24 per share, a 45 percent discount from the market price. On August 17, 1995, CRG paid Delta $750,000. Half of these funds came from New Concepts, which had learned of the investment opportunity from Lidman. In mid-September 1995, Delta owed CRG 25,000 additional shares as a penalty for failing to make the initial Rule 144 stock unrestricted by registering it by a certain date.

68. On September 21, 1995, Delta issued CRG a restricted stock certificate for 256,000 shares, which CRG deposited in its account at Torrey Pines. CRG then began to purportedly sell the Rule 144 stock to Fondo pursuant to Regulation S, in an effort to avoid the two-year holding period required by Rule 144.

69. In December 1995, CRG and Veitia informed Delta that it wanted to sell 117,000 Rule 144 shares to Fondo. CRG informed Delta that the shares would be sold pursuant to Regulation S for $702,000. CRG and Aronoff supplied Delta with a $702,000 canceled check from Fondo to CRG as evidence the sale was lawful. However,

on the day Fondo wrote the check to CRG, CRG wrote a check for the same amount to Fondo.

70. Between December 5 and 11, 1995, Spratt increased the short position in Delta stock in the New Concepts account from 51,500 to 115,300 shares.

71. On December 22, 1995, CRG used Fondo to remove the restrictive legend from 117,000 shares of the Rule 144 stock. Delta canceled CRG's certificate for 256,000 shares and issued certificates for 117,000 restricted shares to Fondo and the remaining 139,000 restricted shares to CRG. After approximately 40 days, Aronoff caused the transfer agent to issue Fondo 117,000 purportedly unrestricted shares of Delta common stock. On January 31, Fondo sold 115,300 of those shares through Torrey Pines to Spratt at New Concepts, covering a substantial amount of the short position in the New Concepts account.

72. Fondo realized profits of nearly $470,000 on the sale of 115,300 shares, which it split with New Concepts.

73. On January 25, 1996, Fondo paid New Concepts $393,750, representing repayment of New Concepts' $375,000 loan to CRG plus interest.

74. CRG acquired another 20,000 restricted shares from Delta in late December 1995 as a penalty for Delta's failing to register the initial Rule 144 stock acquired in September. Thus, by late December, CRG owned 159,000 shares of Rule 144 common stock.

75. On December 28, 1995, Veitia and Gomez agreed that CRG would "sell" Fondo all of CRG's remaining Rule 144 stock for $981,276 pursuant to Regulation S.. CRG presented Delta with another canceled check from Fondo to CRG to establish the sale was lawful. As before, on the day Aronoff wrote a check to CRG, CRG wrote Fondo a check for the same amount.

76. On February 5, 1996, CRG told Delta to cancel CRG's certificates for 159,000 shares of restricted stock and issue a new certificate to Fondo for 159,000 shares of unrestricted stock. Delta issued the certificate for unrestricted shares to CRG, not to Fondo, although Fondo was the supposed owner of the stock. Meanwhile, Spratt increased CRG's short position in Delta at New Concepts, reaching 160,700 shares short by February 22, 1996. On February 26, Spratt received the 159,000 shares CRG obtained from Delta and covered most of the short position. Fondo sold New Concepts 1,700 additional shares to wind down the short position. New Concepts and CRG split gross profits of over $1 million from the December-February transactions in Delta stock.

2. March 1996 through May 1996

77. In early 1996, CRG again invited Delta to issue Regulation S stock to obtain capital. In late February, Delta sold Oportunidad 100,000 shares of restricted stock pursuant to Regulation S for $5.50 per share -- a 15 percent discount from the closing market price. Delta later added an additional 15,000 shares at no cost after it learned that Oportunidad was unhappy with the size of the discount on the first 100,000 shares. This

investment through Oportunidad was not made pursuant to CRG's profit-sharing arrangement with New Concepts.

78. In early March, CRG and Spratt again began selling Delta stock short at both New Concepts and in an account at another broker-dealer.

79. On April 29, Delta canceled the restricted certificates in Oportunidad's name and issued one certificate for 115,000 shares without a restrictive legend. Oportunidad transferred the entire position to CRG, which used the shares to close its short positions both at New Concepts and at the other brokerage account.

80. Oportunidad collected over $703,000, including a profit of nearly $154,000, from the Regulation S transactions in Delta stock in the winter and spring of 1996. These proceeds were wired to an account at the Bank of Montreal and used to buy $800,000 of Delta Series C convertible securities as described below.

3. May 1996 through December 1996

81. In May 1996, Delta, at the suggestion of CRG, sold Fondo and Oportunidad $1.6 million of Series C convertible stock. Oportunidad and Fondo each bought 80 shares for $800,000, purportedly pursuant to Regulation S. The securities were convertible into common stock at the lesser of $4.50 per share or 65 per cent of the five-day average closing price for the five days prior to conversion. Delta common stock was trading at around $6 per share at the time. The convertible stock purchases by Fondo and Oportunidad were not made pursuant to CRG's profit-sharing arrangement with New Concepts.

82. In July 1996, Oportunidad converted the Series C shares into 183,738 shares of freely trading Delta common stock and sold the entire position for a profit of nearly $400,000. Oportunidad sold the stock, in part, to Pow Wow and to accounts at New Concepts and A & S to cover short positions Spratt had built.

83. In August 1996, Fondo converted its entire Series C position into 212,863 shares of unrestricted Delta common stock and sold that position for a profit of nearly $450,000. Spratt bought nearly half of the shares to cover a short position in Delta in an A & S account.

4. CRG Promotion of Delta Stock

84. Throughout the period October 1995 through at least December 1996, while CRG and its Costa Rican nominees were selling their own Delta securities, CRG publications promoted Delta stock to the public as a wise investment. CRG featured Delta in various issues of *MoneyWorld*, *Growth Industry Report* and *Confidential Fax Alert*. CRG hailed Delta as "The Stock to Watch," "Mother Nature's Gift to Investors" and named the company "In Contention for Oil Play of the Decade." One of the publications asked if "1,000 Percent Gains Possible?" In a "Rumor Mill" article for *MoneyWorld*, Spratt predicted that Delta, then priced at $6.86 per share, would "leap to over $15 a share."

85. The statements in CRG's publications touting Delta were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Delta stock, the amount of compensation, that it and entities it controlled were

selling Delta stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Delta stock to brokers.

86. By virtue of the conduct described above: (1) defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Gomez, Fondo and Oportunidad violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act; (3) defendants CRG, Veitia, Spratt, Skalko, Pow Wow, Gomez, Fondo, Oportunidad, Lidman, Zousmer, New Concepts and CJL violated Section 5 of the Securities Act, and (4) Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

C. Ammonia Hold

87. CRG promoted Ammonia Hold from February 1996 through at least December 1996. During that time, CRG acquired and then sold over one million shares of Ammonia Hold securities in a series of transactions utilizing its nominees, Fondo and Oportunidad, unlawfully to avoid registration requirements. CRG, Spratt, Skalko, Fondo, and Oportunidad realized profits of more than $4.7 million trading Ammonia Hold securities.

1. Stock Loans Repaid with Regulation S Stock

a. Olympus Investment Loan

88. In January 1996, Ammonia Hold, its then-president and Parnell met with CRG and its principals to discuss hiring CRG. At about that time, Spratt began shorting

Ammonia Hold at New Concepts. CRG's trading in Ammonia Hold stock at New Concepts was not pursuant to the profit-sharing arrangement with New Concepts. On February 5, 1996, Ammonia Hold retained CRG to conduct promotional activities and agreed to pay CRG with 117,000 shares of unrestricted common stock and 500,000 options for common stock, exercisable in series of 100,000 shares at various prices.

89. Ammonia Hold, which had no unrestricted stock, had to borrow stock from Olympus Investment Corp. ("Olympus"), an existing shareholder, to pay CRG. Ammonia Hold and Parnell caused Olympus to deliver 117,000 shares of purportedly unrestricted stock to CRG. CRG sold the borrowed stock for over $800,000.

90. Parnell then caused Ammonia Hold to issue 117,000 shares, pursuant to Regulation S, to Banque SCS Alliance, S.A., a Swiss bank. On information and belief, these shares were used to repay Olympus for the borrowed shares.

b. Grace Holdings Loan

91. Shortly after retaining CRG, Ammonia Hold asked CRG to exercise its first two series of options for $660,000. Ammonia Hold, which still had no unrestricted stock, again borrowed stock to sell to CRG, planning to repay the borrower with newly issued Regulation S stock held by Fondo. This time the lender was Grace Holdings, Ltd., one of Banque SCS's holding companies.

92. In early March 1996, Ammonia Hold issued Fondo certificates for 550,000 shares of restricted Ammonia Hold stock pursuant to Regulation S. Fondo did not pay for this stock and did not own it; Fondo merely held the shares for the benefit of

Ammonia Hold. In order to lift the restriction and acquire the stock more quickly, Ammonia Hold and Parnell effected a transfer of 100,000 shares from Grace Holdings to Fondo, representing that it was Regulation S stock that was now unrestricted. A week later, Fondo sold 78,190 shares to Spratt to cover CRG's short position in the New Concepts account. Fondo paid Ammonia Hold $300,000. Shortly thereafter, Ammonia Hold replaced Grace Holdings' 100,000 shares of stock with 100,000 of the 550,000 of stock Fondo was holding.

93. In early April, Ammonia Hold caused Grace Holdings to transfer another 100,000 shares of alleged Regulation S stock to Fondo, for which Fondo paid Ammonia Hold $360,000. Later in April, Fondo sold 84,776 shares of Ammonia Hold, through Public Securities ("Public"), to Spratt at New Concepts to cover the short position he had rebuilt for CRG in the New Concepts account. In late June, Ammonia Hold replaced Grace Holdings' second block of 100,000 shares with another 100,000 shares held by Fondo.

94. Fondo realized profits of nearly $600,000 through its sale of the two 100,000-share blocks of stock it purchased from Ammonia Hold. CRG realized a profit of over $92,000 selling the company stock short in the New Concepts account. Spratt and Skalko also received stock as part of a "finder's fee" and realized gross profits of approximately $37,000 apiece.

2. The Ammonia Hold Offering Purporting to Use Regulation D and Regulation S Exemptions

95. Between July and August 1996, Ammonia Hold made a $1,545,000 public offering of securities to CRG in the names of Fondo and Oportunidad without proper registration or a valid exemption but purporting to take advantage of two exemptions to registration -- Regulation D and Regulation S.

96. Regulation D [17 C.F.R. §230.501 *et seq.*] exempts from the registration requirements of Section 5 of the Securities Act, among other things, sales by an issuer of securities not exceeding $1 million. [17 C.F.R. §230.504]. In general, all offers and sales of securities of the same class within a six month period are counted in determining if the $1 million ceiling for a Rule 504 Regulation D issue is exceeded. [17 C.F.R. § 230.502].

97. In early July, Gomez executed a subscription agreement on behalf of Fondo to purchase 488,666 shares of Ammonia Hold common stock for $500,000 pursuant to Rule 504 of Regulation D. This price, which Parnell and Aronoff negotiated, represented an 85 percent discount to the market price. Fondo transferred some of the stock to Spratt, who covered a 25,000 share short position. Fondo liquidated the rest of the position by early August for over $3.2 million -- a profit of at least $2.8 million.

98. Later in July, Ammonia Hold sold another $500,000 of common stock to Fondo and $545,000 to Oportunidad. Both transactions purported to be pursuant to Regulation S.

99. Because the three sales to the Costa Rican nominees of CRG were within a few weeks of each other, because all were part of a single plan of finance or for the same general purpose, and because all were for common stock, the offerings are properly integrated under Regulation D, Rule 502(a). As a result, in addition to not qualifying for a Regulation S exemption due to CRG's control of the stock sold to Fondo and Oportunidad, the $1.5 million offering by Ammonia Hold also was without proper registration because it exceeded the $1 million limit under the Rule 504 exemption.

3. August Regulation S Sales

100. During the summer of 1996, Ammonia Hold's president purported to sell Oportunidad 100,000 shares of his personal holdings in Ammonia Hold as Regulation S stock at $3.00 per share. At the time, Ammonia Hold stock was selling for about $7 per share.

101. From August 5 to August 15, 1996, at CRG's direction, Oportunidad sold 100,000 shares of Ammonia Hold, collecting proceeds of over $670,000. On August 15, the transfer agent canceled the Regulation S stock certificate and issued a certificate to Oportunidad for 100,000 purportedly unrestricted shares.

102. On September 30, 1996, Fondo transferred $500,000 to Oportunidad's account at the Bank of Montreal. The next day, Oportunidad paid Ammonia Hold's president $300,000 for the 100,000 shares sold to Oportunidad the previous month. Oportunidad realized $370,000 profit on the entire transaction.

4. CRG Promotion of Ammonia Hold

103. CRG publications promoted Ammonia Hold stock to investors from February 1996 through at least December 1996, while CRG and its nominees were selling the same issuer's securities. On February 14, 1996 -- just days after Ammonia Hold hired CRG -- Spratt featured the company in his *Rumor Mill* publication, calling the stock his "PICK OF THE YEAR!" and "[his] strongest pick yet." He advised subscribers to place a buy order at a $10 limit when the stock was selling at $6.38 and predicted the stock would "skyrocket to between $14 - $16." (Emphasis in original). These recommendations were repeated in the April and May issues of *MoneyWorld*. In March and June 1996, CRG featured Parnell in *MoneyWorld* as one of its "Brokers of the Month" and, also in June, *MoneyWorld* named Ammonia Hold as "the Stock to Watch" with 1997-98 revenue projected to be "up 900%."

104. Even when Ammonia Hold's stock price declined, CRG publications optimistically promoted the investment. Spratt, in his *MoneyWorld* columns in July and August 1996, continued characterizing Ammonia Hold as his "PICK OF THE YEAR" without disclosing that CRG and entities which it controlled had sold hundreds of thousands of shares of Ammonia Hold stock and that these sales could have been a factor in the decline of the company's share price.

105. The statements in CRG's publications touting Ammonia Hold were materially false and misleading because CRG failed adequately to disclose that it was

being paid to promote Ammonia Hold stock, the amount of compensation, that it and entities it controlled were selling Ammonia Hold stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Ammonia Hold stock to brokers.

106. By virtue of the conduct described above: (1) defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Gomez, Fondo and Oportunidad violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act; (3) defendants CRG, Veitia, Spratt, Skalko, Gomez, Fondo, Oportunidad, Ammonia Hold and Parnell violated Section 5 of the Securities Act, and (4) Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

D. Information Management Technologies Corporation

107. Information Management Technologies Corporation ("IMTECH") is a Delaware corporation with its principal offices located in New York City. IMTECH provides information and facilities management services to financial and other service industries. IMTECH's common stock is registered with the Commission pursuant to Section 12(g) of he Exchange Act and its stock trades on the NASDAQ Small Cap Market.

108. On September 21, 1995, IMTECH retained CRG for 171,000 shares of unrestricted stock, which IMTECH had to borrow from existing shareholders. CRG

ultimately received nearly 108,000 of purportedly unrestricted shares of stock pursuant to the retention agreement, most of which CRG used to cover a short position created in its own accounts and the rest of which it sold on the market. CRG promoted IMTECH from December 1995 through June 1996, while CRG and New Concepts realized nearly $900,000 on the sale of IMTECH securities.

109. In early fall of 1995, CRG introduced IMTECH to Fondo as an entity that might be willing to invest in the company. On September 26, five days after retaining CRG for promotions, IMTECH agreed to sell Fondo a debenture convertible into common stock at $.875 per share. The debenture cost $250,000. The sales agreement provided that when Fondo elected to convert the debenture, IMTECH had the option of either filing a registration statement or providing Fondo the stock pursuant to Regulation S.

110. Spratt, meanwhile, had begun shorting IMTECH common stock at New Concepts pursuant to the profit sharing arrangement. By September 12 Spratt had shorted 10,345 shares, a position he maintained until mid-December.

111. CRG and New Concepts, not Fondo, paid for the IMTECH debenture and agreed to split profits evenly. On October 5, 1995, New Concepts wired $125,000 to Fondo. On October 10, CRG wired Fondo $125,000. On October 31, Fondo wired IMTECH $250,000 for the debenture.

112. On December 6, 1995, Aronoff informed IMTECH that Fondo intended to convert the debenture into 285,750 shares of common stock pursuant to Regulation S.

The $.875 per share price was a 63 percent discount to the market price of $2.375. In late December, the transfer agent issued a certificate in Fondo's name "c/o Corporate Relations Group."

113. In mid-December, Spratt added to the short position at New Concepts, reaching 285,750 shares short by January 17, 1996.

114. By mid-February, IMTECH and Aronoff had the transfer agent lift the Regulation S restrictive legend. On February 20, 1996, Fondo sold nearly all 285,750 shares through Torrey Pines Securities to Spratt at New Concepts to cover the short position.

115. New Concepts calculated net trading profits from the IMTECH "Regulation S" transaction to be approximately $430,000, which New Concepts split with CRG.

116. CRG also introduced IMTECH to its other Costa Rican nominee, Oportunidad. On December 29, 1995, Aronoff executed an offshore subscription agreement on behalf of Oportunidad to purchase 200,000 shares of IMTECH stock pursuant to Regulation S for $250,000, roughly a 60 percent discount to the market price.

117. CRG and New Concepts purchased the stock in Oportunidad's name. New Concepts financed $100,000 and CRG and two individuals financed $150,000 of the purchase price.

118. On February 26, Aronoff and IMTECH caused the transfer agent to cancel the restricted certificate in Oportunidad's name and issue a certificate for 200,000 purportedly unrestricted shares.

119. By March 4, Spratt had brought the short position in the New Concepts account to exactly 200,000 shares. He maintained that position until April 11, when Oportunidad sold its entire block of 200,000 shares to Spratt through Torrey Pines, completely covering the short position.

120. New Concepts calculated the profit on the Oportunidad Regulation S transaction to be over $446,000. CRG and New Concepts split those profits.

121. CRG publications promoted IMTECH securities to investors from December 1995 through June 1996. The February 1996 edition of *MoneyWorld* proclaimed that IMTECH was "The Stock to Watch" and told investors that the company was "poised to join the ranks" of ADP, Microsoft and others in the corporate outsourcing business.

122. The statements in CRG's publications touting IMTECH were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote IMTECH stock, the amount of compensation, that it and entities it controlled were selling IMTECH stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote IMTECH stock to brokers.

123. By virtue of the conduct described above: (1) defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Gomez, Fondo and Oportunidad violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act; (3) defendants CRG, Veitia, Spratt, Skalko, Gomez, Fondo, Oportunidad, Lidman, Zousmer, New Concepts and CJL violated Section 5 of the Securities Act; and

(4) Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

E. Foreland Corporation

124. Foreland Corporation ("Foreland") is a Nevada corporation with its principal offices in Colorado. Foreland explores for and produces oil and gas. Its stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act, and trades on the NASDAQ Small Cap Market.

125. In April 1996, Foreland retained CRG to perform promotional activities, which it did from approximately June 1996 through at least December 1996. CRG agreed to be paid from proceeds of a forthcoming $1.7 million financing Foreland planned. During the period in which CRG was promoting Foreland, CRG, Fondo and Spratt realized a profit of over $1.5 million trading Foreland securities.

126. From April 30 to May 2, 1996, CRG and five business associates bought Foreland's entire $1.7 million offering of 1996-2 Series 6% Convertible Preferred Stock, at $1,000 per share. Investors could convert their preferred stock to common stock at 75 percent of the closing price on the day the offering closed, or 65 percent of the five-day moving average as of the day prior to conversion. Terms of the offering required Foreland to file a registration statement for the underlying stock within 15 business days. However, the offering also provided that should the underlying stock not be available as unrestricted stock pursuant to a registration statement within 45 days, Foreland would offer the preferred convertible shares to any non-U.S. purchaser pursuant to Regulation S.

127. The Foreland investors organized by CRG were New Concepts, which bought 850 shares, pursuant to a recommendation by Lidman, Fondo, which bought 650 shares with Regulation S resale restrictions, and four U.S. residents who learned of the investment opportunity from either Spratt or Veitia, each of whom bought 50 shares. The CRG/New Concepts profit sharing agreement was not invoked.

128. In late June 1996, before Foreland's registration statement was declared effective, Fondo converted 325 of its 650 preferred shares into 151,735 unrestricted shares and a certificate was issued on or about July 12. Fondo sold these shares over the next several days, including 100,000 shares to Spratt at New Concepts to cover an existing short position in Foreland common stock and 16,000 shares to cover a short position by Pow Wow.

129. On July 23, the Commission declared Foreland's registration statement effective. Thereafter, Fondo converted its remaining 325 shares of convertible preferred stock into another 151,735 shares of common stock. It sold 147,735 shares through Public to New Concepts, which Spratt used to partially cover a short position.

130. As a result of the Regulation S sales and the subsequent conversion of preferred to common stock, Fondo realized a net profit of approximately $585,000. CRG also realized additional profits on Spratt's short position in Foreland stock.

131. CRG publications promoted Foreland securities from June through December 1996. *MoneyWorld's* July issue termed Foreland "a **strong buy** . . . as part of a long-term, aggressive growth portfolio." (Emphasis in original). Spratt recommended

buying Foreland in his *MoneyWorld* column because "rumor has it that the well they just hit will produce at a rate of over 1,000 barrels a day! This now could push FORL [Foreland's stock symbol] to a value of $15 to $20 a share."

132. The statements in CRG's publications touting Foreland were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Foreland stock, the amount of compensation, that it and entities it controlled were selling Foreland stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Foreland stock to brokers.

133. By virtue of the conduct described above: (1) defendants CRG, Veitia, Spratt, Skalko, Gomez and Fondo violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants CRG, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act; (3) defendants CRG, Veitia, Spratt, Skalko, Gomez, Fondo, Lidman, Zousmer, New Concepts and CJL violated Section 5 of the Securities Act;, and (4) Stratcomm and CRG are liable for violations by CRG as controlling person pursuant to Section 20(a) of the Exchange Act.

V. Specific Securities Transactions In Which Defendants Violated the Antifraud and Touting Provisions of the Securities Laws

134. CRG, Gulf Atlantic, Veitia, Spratt and Skalko defrauded investors in stocks of small issuers by touting those stocks in CRG and Gulf Atlantic publications on a monthly basis in 1995 and 1996 while selling the stock on the market. The statements in these publications were materially false and misleading because the defendants failed to disclose that they were selling stock they were recommending. On information and

belief, defendants continued this fraudulent scheme beyond 1996 with other securities issues to a date to be determined. Additional examples of fraudulent conduct based on this pattern are described below.

A. Atlas Pacific Ltd.

135. In July 1995, Veitia and Spratt executed on behalf of CRG a contract to promote Atlas Pacific, Ltd. ("Atlas Pacific"), an Australian corporation whose securities were traded on the Australian Stock Exchange but who began trading American Depositary Receipts ("ADRs") in the United States OTC market beginning that same month. Upon information and belief, CRG exercised two 250,000-share blocks at a cost of more than $92,000. CRG established a 250,000-share short position in its own account in early August, which it then covered with the first block of options. CRG sold more Atlas securities short throughout October and September 1995, which position it substantially covered with the second block of options. CRG sold a total of 500,000 shares of Atlas Pacific securities from August through December earning net profits of nearly $290,000.

136. Spratt received commissions from CRG related to Atlas Pacific totaling $3,765. Skalko received commissions totaling $4,360. Veitia received commissions from CRG and Stratcomm related to Atlas Pacific totaling $47,090.

137. CRG promoted Atlas Pacific to the public through the summer of 1995 while CRG was selling the company's stock. CRG's *Core Broker Report* informed investors that "one of the most thrilling aspects of the world of investing is finding a truly hot

prospect -- a company that is so vital and exciting that you know its just can't miss. Such a company is Atlas Pacific Limited, which we've profiled inside this issue." The August 1995 edition of *MoneyWorld* featured Atlas Pacific on its cover with the headline "In Search of the Ultimate Hard Asset, Atlas Pacific Limited: The Stock to Watch." The article inside, labeled a "special advertorial feature," advised readers: "If you can imagine the world with just one publicly traded gold mine or only one publicly traded diamond producer, then you can envision the awesome potential Atlas Pacific Limited holds for investors..."

138. The statements in CRG's publications touting Atlas Pacific were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Atlas Pacific stock, the amount of compensation, that CRG was selling Atlas Pacific stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Atlas Pacific stock to brokers.

139. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

B. ECO^2

140. In April 1995, Veitia and Rodriguez executed a contract on behalf of CRG to promote ECO^2 Inc. ("ECO^2"), a Delaware corporation with offices in Hawthorne, Florida

whose securities were registered the with Commission pursuant to Section 12(g) of the Exchange Act and were traded on the OTC Bulletin Board. ECO^2 agreed to compensate CRG with 300,000 shares of stock, valued at $1 a share, plus options to acquire 400,000 additional shares. CRG transferred at least 7,500 shares of ECO^2 stock to Rodriguez as a finder's fee.

141. CRG received its initial 50,000 shares in late May, which it sold in June for $30,067. CRG then began shorting the stock, partially covering when it received steeply discounted stock from ECO^2. CRG sold over 360,000 shares on the open market in July for more than $1.3 million. In August, while aggressively promoting ECO^2 in its publications, CRG sold nearly 280,000 shares for nearly $1.3 million. Upon information and belief, CRG paid only $750,000 for its ECO^2 stock. Spratt also sold ECO^2 in his own account in August and September 1995, realizing a $2,700 profit.

142. CRG began promotion of ECO^2 in its August 1995 issue. "Discarded tires may be one of the most ominous environmental hazards of our time, but they are also a tremendous store of energy. Big, big money is to be made by the company that taps this resource and offers a solution to the tire overpopulation problem," *MoneyWorld* informed readers in its August issue. "Enter ECO^2, purveyors of a cost-effective, ecologically safe alternative to landfills." In the October issue, *MoneyWorld* christened ECO^2 "The Stock to Watch", informing readers that sales were projected to "race from $164,000 to $12,000,000 in two years -- a 7,200 percent increase" and advising in the same "Special Advertorial Feature" on the company that "It pays to be the first to recognize a new

marketplace, just ask Ted Turner or Bill Gates." Similar promotions by CRG continued through at least November 1995.

143. The statements in CRG's publications touting ECO^2 were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote ECO^2 stock, the amount of compensation, that it and Spratt were selling ECO^2 stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote ECO^2 stock to brokers.

144. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; defendants CRG, Veitia, Spratt and Skalko violated Section 17(b) of the Securities Act, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

C. Global Intellicom

145. In August 1996, CRG, through Veitia and Spratt, contracted to promote Global Intellicom, Inc., a Nevada corporation with headquarters in New York City whose securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act and were traded on the NASDAQ Small Cap Market. Global Intellicom paid CRG $550,000 in cash and granted CRG options for 500,000 shares of common stock. On September 3, 1996, CRG paid Spratt $37,442.91 as a "finders fee" for the Global Intellicom contract.

146. CRG began shorting Global Intellicom in the A&S account in August 1996, reaching approximately 100,000 shares short in late September, covering at market prices later in the month for a $50,000 profit.

147. Upon information and belief, CRG, through its nominees Fondo and Oportunidad, purchased $825,000 worth of convertible preferred stock from Global Intellicom in August 1996. In October, Oportunidad and Fondo, at the direction of CRG, began shorting Global Intellicom, when Global Intellicom was trading between $4 and $5. They covered the positions in November and December, when the stock was $2.50 or less. Oportunidad earned a net profit of over $250,000, and Fondo a net profit of $265,000.

148. Although CRG, directly and through Oportunidad and Fondo, had been selling Global Intellicom continuously since August, Veitia wrote in a "Publisher's Note" for the November 1996 edition of *MoneyWorld*, "If you're looking for a stock you can call home about, Global Intellicom . . . could be your answer." The accompanying article on Global Intellicom informed readers that "What Microsoft is to software, and what IBM is to hardware, Global Intellicom could become to telecommuting services. Global Intellicom has the potential to double or triple it sales each year, reaching hundreds of millions in sales by the turn of the century." CRG published the identical article with this statement and others glowing about Global Intellicom's near-term prospects in the December issue of *MoneyWorld*.

149. The statements in CRG's publications touting Global Intellicom were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Global Intellicom stock, the amount of compensation, that it and entities it controlled were selling Global Intellicom stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Global Intellicom stock to brokers.

150. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, defendants Gomez, Oportunidad and Fondo violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

D. Global Spill Management, Inc.

151. Global Spill Management, Inc. ("Global Spill") was a Nevada corporation with principal offices in Pennsylvania. The company was in the environmental cleanup industry. Global Spill's securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act and were traded on the NASDAQ Small Cap Market. Global Spill retained CRG in May 1994 for 147,349 shares of common stock.

152. From June 1994 through September 1995, CRG promoted Global Spill through its publications and broker network while it actively sold over 2 million shares of Global Spill for its own account. CRG acquired some of the stock from Global Spill in

return for the very promotional services which helped CRG realize significant profits from sales of the stock. CRG realized net profits of more than $950,000 trading Global Spill common stock from July 1994 through at least September 1995.

153. In December 1994, CRG delivered 30,000 shares to Spratt who sold the shares for just over $50,000. Moreover, on two occasions, CRG delivered 10,000 shares to Skalko who sold them for nearly $19,000. CRG also paid commissions related to Global Spill totaling more than $28,000 to Skalko, $27,000 to Spratt and $23,000 to Veitia.

154. CRG publications and its BREs promoted Global Spill securities from July 1994 through December 1995. The October 1994 issue of *Growth Stock Alert* represented Global Spill's "Growth Outlook to be ↑↑↑↑↑ High" and projected earnings would increase from $8.8 million in 1993 to $25 million in 1995. In February 1995, *Growth Stock Alert* again projected $25 million in 1995 revenues. In April 1995, *MoneyWorld* observed: "Although the 'McDonald's' and 'Burger King' of environmental services have yet to emerge, the opportunity for this historic quality of growth exists and GSMI [Global Spill's stock symbol] is positioning itself to take full advantage." The August 1995 issue of *MoneyWorld*, in an article written by Skalko, featured Global Spill as "The Stock to Watch" under an article titled "Searching for the next Waste Management, Inc."

155. The statements in CRG's publications touting Global Spill were materially false and misleading because CRG failed adequately to disclose that it was being paid to

promote Global Spill stock, the amount of compensation, that CRG, Spratt and Skalko were selling Global Spill stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Global Spill stock to brokers.

156. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

E. Golf Ventures

157. In January 1996, CRG contracted to promote Golf Ventures, Inc. ("Golf Ventures," now Golf Communities of America), then a Utah corporation whose securities were traded on the OTC Bulletin Board. On January 23, 1996, CRG received 350,000 shares of stock as payment under the contract.

158. On or about January 24, 1996, Veitia authorized a transfer of 30,000 shares of Golf Venture stock from CRG's account to New Concepts to cover a short position CRG had built days earlier. On or about January 26, 1996, Veitia authorized transfer of 33,500 Golf Venture shares from CRG's account to Spratt's personal account, which he quickly sold for nearly $50,000. On March 19, 1996, CRG paid Spratt $7,972.19, which, according to the check, was Spratt's share of "profit on Golf Ventures options."

159. From late January through late March 1996, CRG sold off its position in Golf Ventures common stock for nearly $750,000. In addition, Spratt shorted Golf Ventures in the New Concepts account from February through June 1996.

160. From February through June 1996, CRG promoted Golf Ventures securities in its publications. On February 1, 1996, just as CRG began a huge selloff of the stock from its own accounts, its *Rumor Mill* fax publication told subscribers "the Rumor Mill recommends the immediate purchase of Golf Ventures currently at $5.00 a share with a buy limit of $8.00. ... Rumor Mill believes that [Golf Ventures] will provide a 200% - 400% return to our subscribers." *MoneyWorld's* April 1996 issue featured Golf Ventures in a headline as "An investor's hole in one," followed by a "Special Advertorial Feature" stating "the company is considered greatly undervalued." The "Rumor Mill" column in *MoneyWorld*'s April issue advised: "Continue to buy [Golf Ventures] up to $10 and look for a move to $14-$16 in the next 60 days."

161. The statements in CRG's publications touting Golf Ventures were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Golf Ventures stock, the amount of compensation, that it and Spratt were selling Golf Ventures stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Golf Ventures stock to brokers.

162. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable

for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

F. Jreck Subs

163. In March 1996, CRG executed a contract to perform public relations for Jreck Subs, Inc. ("Jreck"), a Colorado company with headquarters in Watertown, N.Y., whose securities were traded on the OTC Bulletin Board. The contract called for CRG to receive 660,000 restricted Jreck shares, estimated in the contract to be worth $200,000. A few days later, CRG and Jreck executed another agreement, this one purporting to commit Fondo to subscribing to 350,000 shares in Jreck's Regulation D initial public offering. In May, Gomez formally executed a subscription agreement to acquire 350,000 shares in a Regulation D offering for one cent per share -- a total of $3,500.

164. Fondo received the offering stock on September 9, 1996, the first day of trading in Jreck, and immediately began selling off the 350,000-share position for over two dollars per share. By the end of November, Fondo had netted nearly $740,000 selling Jreck Subs stock.

165. In its own accounts, CRG bought nearly 1.2 million shares of Jreck stock from November through December 1996 at 60 cents per share and sold roughly 800,000 of those shares at prices between $1.30 and $2.30 for a net profit of more than $980,000.

166. While Fondo and CRG were selling Jreck stock, CRG publications were promoting the stock to investors, comparing the company potential to Wal-Mart and McDonald's. An October 1996 "Advertorial" in *MoneyWorld* said ". . . Jreck is one of

the *highest grossing* (per unit) submarine chains in the country (the *highest?*) and soon to be the fastest-growing in the entire fast-food industry." (Emphasis in original). Both the November and December issues of *MoneyWorld* claimed that "in 1995, Jreck's last fiscal year, the company had system sales of just over $12 million. Fiscal '98, with over 300 units, will generate sales of about $120 million. MacDonald's (sic) never grew that fast." In his "Publisher's Note" in the December issue of *MoneyWorld*, Veitia wrote that "in this issue we present two 'stocks to watch' that each have a raw potential reminiscent of the early days of America's great franchises. The advertorial for Jreck Subs, Inc... tells the story of a small chain of submarine sandwich shops that could become the fastest growing company in the fast-food industry."

167. The statements in CRG's publications touting Jreck were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Jreck stock, the amount of compensation, that it and entities it controlled were selling Jreck stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Jreck Subs stock to brokers.

168. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, defendants Gomez and Fondo violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

G. Sobik's Subs

169. In February 1996, Veitia and Skalko executed an agreement on behalf of CRG to perform public relations work for Sobik's Subs, Inc. ("Sobik's," now Interfoods of America, Inc.), a Nevada corporation headquartered in Miami, Florida whose securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Bulletin Board. The initial agreement called for CRG to be paid with 116,700 shares of Sobik's stock. This was supplemented in late May with 100,000 additional shares.

170. From approximately March 1, 1996 until July 1996, CRG sold all of the free or discounted stock it received plus additional shares it bought on the market at prices ranging from $6 to $2, realizing over $1 million in trading profits. In addition, Sobik's provided Pow Wow 233,000 shares of free or steeply discounted stock, which Pow Wow immediately transferred to Oportunidad. Oportunidad sold all of the stock in a two-week period in May 1996, realizing over $1.2 million in trading profits.

171. CRG promoted Sobik's in its publications from March through October 1996. "With a proven concept, strong demand, and a 25-year track record, Sobik's is a 'sub'-stantial investment opportunity," according to the Growth Stocks column in the April 1996 issue of *MoneyWorld*. In a May 1996 "Special Advertorial Feature," *MoneyWorld* called Sobik's an "exciting opportunity for investors to share in the immense potential of what may soon be one of the country's leading deli-style chains."

In July, *MoneyWorld* claimed that Sobik's "is realizing swift growth reminiscent of the early days of McDonald's." It estimated Sobik's revenues would "surge above $80 million" in 2000, claiming that "even by Wall Street standards, which have seen some spectacular growth stocks, this is a significant forecast."

172. The statements in CRG's publications touting Sobik's were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Sobik's stock, the amount of compensation, that it and entities it controlled were selling Sobik's stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Sobik's stock to brokers.

173. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, defendants Gomez and Oportunidad violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

H. Vector Aeromotive

174. In October 1995, Veitia and Skalko executed an agreement on behalf of CRG to perform public relations work for Vector Aeromotive Corporation ("Vector"), a Nevada corporation based in Jacksonville, Florida, whose securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act and were traded on the NASDAQ Small Cap Market. The contract called for Vector to compensate CRG with

either $175,000 or 350,000 shares of stock. Vector in fact paid CRG $30,000 and gave CRG 290,000 shares of stock in March and, upon information and belief, another 350,000 shares in April 1996. From March through May 1996, CRG sold all of its Vector stock for over $410,000. All of CRG's Vector trading was in a new brokerage account Veitia opened at Spencer Edwards in which Skalko had trading authority.

175. CRG promoted Vector from December 1995 through July 1996. A long article was reprinted in the December 1995 and January and March 1996 editions of *MoneyWorld*. The January issue was introduced by a "Publisher's Note" from Veitia commenting that "the young pups we look at in this issue are all driven with the relentless passion to succeed. They share a rare entrepreneurial spirit that gives them a competitive edge in their markets. . . Vector Aeromotive . . . is ready to take the fast lane with the debut of its American-built M12 sports car." The thrice-printed article contended that "Vector is now positioned to carve its niche in the lucrative high-end auto market" and that "... Vector is certain to draw the attention of the press and Wall Street, and a spurt in trading activity -- one that could lead to rapid share appreciation -- is possible."

176. The statements in CRG's publications touting Vector were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Vector stock, the amount of compensation, that it was selling Vector stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Vector stock to brokers.

177. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

I. Viking Management Group

178. On or about August 3, 1995, Veitia and Spratt contracted on behalf of CRG with Viking Management Group, Inc. ("Viking," later renamed Viking Resources International, Inc.), a Delaware corporation with its principal offices in Tampa, Florida, whose securities were registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on the OTC Bulletin Board. The contract called for CRG to provide public relations services in return for 133,344 shares of Viking stock plus options.

179. CRG began shorting Viking stock in late July. From August through November 1995, CRG continued selling Viking stock at prices well over two dollars per share, supplementing its position by exercising options to buy stock from Viking, some of which at only 40 cents per share. By year-end, CRG had sold nearly one million shares of Viking for profits of roughly $1.5 million.

180. In August 1995, CRG transferred to Spratt and Skalko 6,750 shares each, and each realized nearly $28,000 selling the stock while CRG was promoting it to investors. In September 1995, CRG transferred an additional 5,000 each to Spratt and

Skalko, who each realized $12,300 selling the stock while CRG was promoting it to investors.

181. CRG promoted Viking in *MoneyWorld Growth Stock Alert* #95-1, which was inserted in the October 1995 issue of *MoneyWorld*. "Created to capitalize on the most promising sectors within the burgeoning recycling industry, Viking has established a solid foothold in uniquely profitable market niches that are gaining prominence," CRG wrote. (Emphasis in original). "Viking has established impressive momentum that promises to continue. How this rapid growth will affect share value cannot be predicted for certain. But clearly, this is a significant timing opportunity." (Emphasis in original). CRG devoted the November "Special Advertorial Feature" of *MoneyWorld* to Viking under the headline "The Stock to Watch. Garbage In - Profits Out. The Amazing Dynamics of Recycling." The text declared that "Viking gives investors a direct line to some of the industry's most promising growth potential" and that "Viking has widespread potential for growth." A chart suggested that Viking profits would reach $6 million by 1998 despite a $60,000 loss in 1995. "Just as it takes substantial planning for a space shuttle launch, but once ignition is sparked the momentum is unparalleled, so too has Viking's planning stage led to a 1995 'corporate' launch that's skyrocketing the company forward."

182. The statements in CRG's publications touting Viking were materially false and misleading because CRG failed adequately to disclose that it was being paid to promote Viking stock, the amount of compensation, that CRG, Spratt and Skalko were

selling Viking stock while promoting it as a good investment to readers and that it was paying CRG employees commissions to promote Viking stock to brokers.

183. By virtue of the conduct described above, defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and defendants Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

VI. Stratcomm Acted as an Unregistered Dealer and, with CRG, Caused an Unregistered Distribution of Stratcomm Common Stock Which CRG Touted Without Disclosing Its Relation to Stratcomm

184. CRG and Stratcomm engaged in a substantial distribution of unregistered Stratcomm common stock from the fall of 1994 through the end of 1995. CRG and Stratcomm, through their employees, including Spratt, Skalko and Rodriguez, at the direction of Veitia, solicited the sale of Stratcomm stock to U.S. residents, who sent funds directly to Stratcomm. Stratcomm and CRG paid commissions to their employees for the sale of Stratcomm stock. None of the employees were registered persons nor were they associated with any registered broker or dealer. CRG and Gulf Atlantic also promoted the sale of Stratcomm stock in their publications, often without disclosing they were owned by Stratcomm.

185. From October 1994 through early 1996, Stratcomm, through its employees, sold approximately one million shares of Stratcomm common stock to U.S. investors, collecting approximately $1 million in gross proceeds. Stratcomm did not file a

registration statement with the Commission concerning these shares and Stratcomm neither provided a private placement memorandum to investors nor made any attempt to meet any exemption to registration permitted by the law.

186. Sometimes Stratcomm did not have stock to deliver to investors. Therefore, Veitia, on behalf of Stratcomm, negotiated the purchase of restricted stock from existing shareholders and loaned over 500,000 of his own shares to deliver to newer investors. Aronoff caused the transfer agent to lift restrictive legends from these stocks so they could appear to be unrestricted. Stratcomm purchased the majority of shares from existing shareholders at approximately 20 cents (Cdn) per share but sold the majority of the same shares for one dollar (Cdn) or more through the BREs.

187. Stratcomm and CRG paid at least $140,000 in commissions to its employees for selling Stratcomm stock. Defendants Spratt, Skalko and Rodriguez were among the employees to whom CRG and Stratcomm paid commissions for offering unregistered Stratcomm stock for sale to investors, although none of the defendants were registered persons or associated with any registered broker-dealer.

188. Chicken Kitchen was another part of Stratcomm's business in 1994 and 1995. CRG promoted Chicken Kitchen from October 1994 through at least December 1995, urging readers to acquire Stratcomm stock because of allegedly attractive investment prospects for Chicken Kitchen. CRG did so without disclosing CRG's relationship either to Stratcomm or to Chicken Kitchen. Market Express Action Alert #92, in October 1994, advised readers that "for a prospect that's really cookin' check out

the menu of investment opportunities provided by this purveyor of fast food about to go national with a rollout of corporate owned and franchised outlets. The next Boston Market? You be the judge." "Chicken Kitchen is one growth stock you can really eat up," declared *Growth Stock Alert* in February 1995. *MoneyWorld* for February 1995 advised that "at its current price, Stratcomm Media may be an absolute steal." CRG printed a glowing article in both the October and November 1995 *MoneyWorld*, and largely repeated it a third time in December 1995. The December article also declared that Chicken Kitchen/Stratcomm "is poised to become a standout in the fast food crowd."

189. By virtue of the conduct described above: (1) defendants CRG, Veitia, Spratt and Skalko violated Sections 17(a) and 17(b) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) defendants Stratcomm, Veitia, Spratt, Skalko and Rodriguez violated Section 5 of the Securities Act; (4) defendants Stratcomm, CRG, Spratt, Skalko and Rodriguez violated Section 15(a)(1) of the Exchange Act, and (5) Stratcomm and Veitia are liable for violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

VII. CRG Acted as an Unregistered Broker and Dealer

190. During the period from September 1994 through December 1996 to a date to be determined, defendant CRG acted as a broker by engaging in the business of touting its clients' securities to registered representatives through its BREs. CRG provided direct promotion to the broker-dealer community through its BREs, who contacted registered representatives to induce them to solicit their clients to buy stocks of companies CRG

was promoting. BREs commonly promoted stocks while CRG was selling those same stocks. CRG paid commissions to the BREs after the BREs proved to CRG management, notably defendants Spratt and Skalko, that they caused buying activity.

191. During the period from September 1994 through December 1996 to a date to be determined, defendant CRG acted as a dealer by engaging in the business of buying and selling securities for its own account, through its nominees, Fondo and Oportunidad. As detailed in paragraphs 45 to 133, CRG purchased securities on at least one dozen occasions from at least five of its issuer-clients and sold those securities in hundreds of transactions to liquidate those positions.

192. By virtue of the conduct described above, defendant CRG violated Section 15(a)(1) of the Exchange Act, and Stratcomm and Veitia are liable for these violations by CRG as controlling persons of CRG pursuant to Section 20(a) of the Exchange Act.

VIII. Ammonia Hold Fraudulently Reported Stock Sales as Revenues

193. Defendant Parnell caused defendant Ammonia Hold fraudulently to report that $160,000 of a total $660,000 paid by defendant Fondo for stock borrowed from Grace Holdings (¶¶ 91-94) constituted revenue from a licensing agreement with Grace Holdings. The alleged "revenue" was reported as such in Ammonia Hold's Form SB-2 registration statement filed with the Commission, in a press release and on the company's website.

194. The licensing agreement was a sham. Grace Holdings never paid Ammonia Hold for a licensing agreement.

195. The misrepresentation in the Commission filing, the press release and on the company website was material. By improperly reporting an additional $160,000 in revenue for the year ended June 30, 1996 (nearly 20% of reported revenue for the year), Ammonia Hold was able to understate its net loss for that year by nearly 15 percent.

196. Parnell also caused Ammonia Hold to materially misrepresent CRG's purchase of 200,000 shares of stock for $660,000. The company stated that it issued 200,000 shares of restricted stock to Grace Holdings in exchange for a licensing agreement and $500,000. These statements were false. They also were materially misleading because they allowed Ammonia Hold to disguise its sales of unregistered stock to CRG through Fondo.

197. By virtue of the conduct described above, defendants Ammonia Hold and Parnell violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

FIRST CLAIM
[Securities Fraud]

Violations by Defendants CRG, Stratcomm, Gulf Atlantic, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad and Gomez of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

198. Paragraphs one through 197 are hereby realleged and incorporated by reference.

199. Defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko directly, and as to defendants Veitia and Stratcomm additionally as control persons of CRG under Section

20 of the Exchange Act, from a period beginning in at least September 1994 and continuing through December 1996 to a date to be determined, violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by engaging in a fraudulent scheme in the promotion, offer, purchase and sale of the securities of Tracker, Delta, Ammonia Hold, IMTECH, Foreland, Stratcomm, Global Spill., Atlas Pacific, ECO^2, Global Intellicom, Golf Ventures, Jreck Subs, Sobik's, Vector, Viking and those of other companies to be identified in an accounting.

200. Defendants Fondo, Oportunidad and Gomez, from a period beginning in at least September 1994 and continuing through December 1996 to a date to be determined, directly violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by engaging in a fraudulent scheme in the offer, purchase and sale of the securities of Tracker, Delta, Ammonia Hold, IMTECH, Foreland, Global Intellicom, Jreck, Sobik's and those of other companies to be identified in an accounting.

201. For the period beginning in or about September 1994 and continuing through December 1996 to a date to be determined, defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Fondo, Oportunidad and Gomez, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly, (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or

would operate as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

202. Defendant Rodriguez violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by engaging in a fraudulent scheme in which he bribed at least two brokers in connection with the promotion of Tracker securities with the intention that these bribes not be disclosed to investors.

203. Beginning in or about October 1994 and continuing through the end of 1994, defendant Rodriguez, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly, (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

204. By reason of the foregoing, defendants CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad and Gomez directly violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Additionally, defendants Veitia and Stratcomm are liable for CRG's violations under Section 20 of the Exchange Act as controlling persons of CRG.

SECOND CLAIM
[Securities Fraud]

Violations by Defendants Parnell and Ammonia Hold of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

205. Paragraphs one through 197 are hereby realleged and incorporated by reference.

206. Defendants Parnell and Ammonia Hold violated the antifraud provisions of the securities laws, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, by engaging in a fraudulent scheme in which they falsely reported capital contributions from the sale of Ammonia Hold stock as revenues and disguised the sale of unregistered securities in a public filing with the Commission, a press release and on Ammonia Hold's website.

207. For the period beginning in or about February 1996 and concluding in or about December 1996, defendants Parnell and Ammonia Hold, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly, (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

208. By reason of the foregoing, defendants Parnell and Ammonia Hold violated directly Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

THIRD CLAIM
[Touting]

Violations by Defendants CRG, Stratcomm, Gulf Atlantic, Veitia, Spratt and Skalko of Section 17(b) of the Securities Act

209. Paragraphs one through 197 are hereby realleged and incorporated by reference.

210. For the period beginning in or about September 1994 through December 1996 and continuing to a date to be determined, defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko directly, and defendants Stratcomm and Veitia additionally as controlling persons of CRG under Section 20 of the Exchange Act, violated the anti-touting provision of the securities laws, Section 17(b) of the Securities Act, by promoting in CRG and Gulf Atlantic publications the securities of Tracker, Delta, Ammonia Hold, IMTECH, Foreland, Global Spill, Atlas Pacific, ECO^2, Global Intellicom, Golf Ventures, Jreck, Sobik's, Vector, Viking and those of other companies to be identified in an accounting, without adequately disclosing the receipt of and amount of consideration received from those issuers in return for said promotions.

211. For the period beginning in or about September 1994 and continuing through December 1996 to a date to be determined, defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko used the means or instruments of interstate transportation, or communication

in interstate commerce, or the mails, to publish and circulate communications which described securities for a consideration received from the issuers without fully disclosing the receipt of such consideration and the amount thereof.

212. By reason of the foregoing, defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko violated directly Section 17(b) of the Securities Act. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations under Section 20 of the Exchange Act as controlling persons of CRG.

FOURTH CLAIM
[Sale of Unregistered Securities]

Violations by Defendants CRG, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, Ammonia Hold, Parnell, Stratcomm, Pow Wow, New Concepts, Zousmer, CJL and Lidman of Section 5 of the Securities Act

213. Paragraphs one through 197 are hereby realleged and incorporated by reference.

214. Sections 5(a) and 5(c) of the Securities Act prohibit any person, directly or indirectly, from making use of any means or instrument of transportation or communication in interstate commerce or of the mails to offer to sell or to sell a security unless a registration statement is filed or in effect, or an exemption applies. Beginning in or about September 1994 and continuing through at least December 1996 to a date to be determined, defendants CRG, Veitia, Spratt, Skalko, Fondo, Oportunidad, Gomez and Pow Wow offered to sell and/or sold securities of Tracker, Delta, Ammonia Hold, IMTECH, Foreland, Stratcomm and other securities still to be identified to investors in

the United States when, at all times, said securities were not registered with the Commission and such offers to sell and/or the sales were not eligible for any exemption from registration.

215. Beginning in or about September 1994 and continuing through at least December 1996 to a date to be determined, defendants New Concepts, Zousmer, CJL and Lidman offered to sell and/or sold securities of Tracker, Delta, IMTECH, and Foreland to investors in the United States when, at all times, said securities were not registered with the Commission and such offers to sell and/or the sales were not eligible for any exemption from registration.

216. Beginning in or about September 1994 and continuing through at least December 1996, defendant Rodriguez offered to sell and/or sold securities of Stratcomm to investors in the United States when, at all times, said securities were not registered with the Commission and such offers to sell and/or the sales were not eligible for any exemption from registration.

217. Beginning in or about February 1996 and continuing through at least August 1996, defendants Ammonia Hold and Parnell offered to sell and/or sold securities of Ammonia Hold to investors in the United States when, at all times, said securities were not registered with the Commission and such offers to sell and/or the sales were not eligible for any exemption from registration.

218. By reason of the foregoing, defendants CRG, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, Ammonia Hold, Parnell, Stratcomm, Pow

Wow, New Concepts, Zousmer, CJL and Lidman violated directly Sections 5(a) and 5(c) of the Securities Act. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations under Section 20 of the Exchange Act as controlling persons of CRG.

FIFTH CLAIM
[Sales by Unregistered Persons]

Violations by Defendants CRG, Stratcomm, Veitia, Spratt, Skalko and Rodriguez of Section 15(a)(1) of the Exchange Act

219. Paragraphs one through 197 are hereby realleged and incorporated by reference.

220. Section 15(a)(1) of the Exchange Act prohibits any person from acting as a broker or dealer by making use of the mails or an instrumentality of interstate commerce to solicit the purchase or sale of a security unless such person is registered in accordance with the statute. From approximately October 1994 through spring 1995, defendants Spratt, Skalko and Rodriguez, who were not registered as brokers at the time, solicited investors for the purchase of Stratcomm stock, negotiated with investors for such sales and were paid commissions by CRG or Stratcomm based upon their sales success.

221. During the period from September 1994 through December 1996 to a date to be determined, defendant CRG violated Section 15(a)(1) by acting as a broker without proper registration by engaging in the business of touting its clients' securities to registered representatives through its BREs. At CRG's direction, BREs encouraged registered representatives to sell such securities to their clients. Upon such sales, CRG paid commissions to the BREs.

222. During the period from September 1994 through December 1996 to a date to be determined, defendant CRG violated Section 15(a)(1) by acting as a dealer without proper registration by engaging in the business of buying and selling securities for its own account, through its nominees, Fondo and Oportunidad.

223. During the period from October 1994 through early 1996, defendant Stratcomm violated Section 15(a)(1) by acting as a dealer without proper registration when it sold for a profit approximately one million shares of common stock and bought stock from other investors in order to make delivery to new investors.

224. By reason of the foregoing, defendants CRG, Spratt, Skalko, Rodriguez and Stratcomm violated Section 15(a)(1) of the Exchange Act by effecting the purchase or sale of securities without meeting the broker-dealer registration requirements of the Exchange Act. Additionally, defendants Stratcomm and Veitia are liable for CRG's violations under Section 20 of the Exchange Act as controlling persons of CRG.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Make findings of fact and conclusions of law that the defendants violated the provisions of the federal securities laws as alleged above.

II.

Enter Orders

A. Restraining and enjoining Stratcomm, CRG, Gulf Atlantic, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, Ammonia Hold and Parnell from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

B. Restraining and enjoining CRG, Gulf Atlantic, Veitia, Spratt and Skalko from violating Section 17(b) of the Securities Act;

C. Restraining and enjoining CRG, Pow Wow, Veitia, Spratt, Skalko, Rodriguez, Fondo, Oportunidad, Gomez, Ammonia Hold, Parnell, Stratcomm, New Concepts, Zousmer, CJL and Lidman from violating Sections 5(a) and (c) of the Securities Act.

D. Restraining and enjoining CRG, Stratcomm, Spratt, Skalko and Rodriguez from violating Section 15(a)(1) of the Exchange Act;

III.

Enter an order requiring defendants, and each of them, to pay for an accounting to determine the full amount of the monies received as a result of their conduct as alleged herein, including for sales of corporate securities not identified herein by name, through the present, said accounting to be performed by persons or entities not unacceptable to the Commission;

IV.

Enter an Order directing each defendant to disgorge their profits from the illegal conduct alleged herein, plus interest. Said profits shall include, *inter alia*, profits from all trading alleged herein, including that of issuers not specifically identified through the present whose securities defendants sold while promoting the securities in CRG publications or which was not either subject to a registration statement on file with the Commission or not lawfully exempt from registration, all compensation received by defendants Veitia, Spratt, Skalko and Rodriguez for their BRE related conduct, all compensation received by defendants Veitia, Spratt and Skalko as finder's fees for the issuers alleged in the Complaint, and all compensation received by defendants CRG, Gulf Atlantic, Veitia, Spratt and Skalko from the sale of publications they controlled, edited or wrote without adequate disclosure that promotions therein were paid for by the companies promoted, or the amount of compensation, or that the defendants were selling securities they recommended for purchase in the publications.

V.

Enter an Order imposing civil penalties on each defendant for their unlawful acts pursuant to Section 21 (d)(3)(B)(iii) of the Exchange Act [15 U.S.C. § 78u(d)(3)(B)(iii)].

VI.

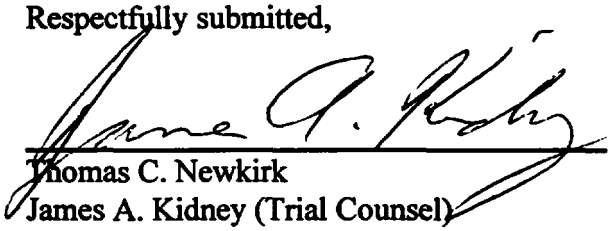
Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all

orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of the Court.

VII.

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

Respectfully submitted,



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