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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**MILAN CAPITAL GROUP, INC., INVESTMENT  
OFFICES d/b/a AC FINANCIAL, INC.,  
IRA A. MONAS, MICHAEL IRWIN LAMHUT  
and JASON M. COPE,**

**Defendants,**

**and**

**RITA A. MONAS, JENNIFER MONAS, SANDS  
POINT INTERNATIONAL CORP.,  
DOUGLAS H. MONAS, MICHAEL'S  
CAPITAL CONSULTANTS, INC. and HWK  
CONSULTANTS, INC.,**

**Relief Defendants.**

**00 Civ. 0108 (DLC)**

**AMENDED COMPLAINT**

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

## NATURE OF THE ACTION

1. This case involves a Ponzi scheme in which the defendants offered and purported to sell shares in initial public offerings (“IPOs”). The defendants collected millions of dollars from at least 190 unsuspecting investors who were told that the defendants had access to the market for certain highly-publicized IPOs and could purchase shares in the IPOs at the initial offering prices. These representations were false. The defendants neither had access to the exclusive IPO market nor purchased IPO shares for the investors. Instead, the defendants stole the investors’ money and, to create the illusion of legitimate stock purchases, disseminated phony confirmations and account statements to investors. They also returned relatively small sums of money to some victims who were defrauded in the early stages of the Ponzi scheme, falsely representing these monies as repayment of principal and profits on the sham IPO investments.

2. On January 7, 2000, the assets of defendant Milan Capital Group, Inc. (“Milan Capital”) were frozen and other injunctive relief was ordered by this Court to enjoin Milan Capital from acting in the future as an unregistered broker-dealer in violation of Section 15(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and to preserve its assets and the remaining investor funds. Defendant Ira Monas, formerly a relief defendant, and relief defendant Rita Monas were also enjoined from destroying or concealing evidence relating to the activities of Milan Capital. A preliminary injunction continuing this relief through trial has been entered by this Court.

3. On February 14, 2000, the Court entered a temporary restraining order that, among other things, froze certain assets of defendants Ira Monas and Michael Irwin

Lamhut and the relief defendants. The hearing for a preliminary injunction on these matters is scheduled to begin on February 29.

4. By engaging in the conduct alleged in this Amended Complaint, the defendants each violated the antifraud provisions of the Securities Act of 1933 (the “Securities Act”) and Exchange Act. Milan Capital also violated, and the other defendants aided and abetted its violations of, the broker-dealer registration provisions of the Exchange Act. Unless restrained and enjoined by this Court, they will likely continue to engage in this type of violative conduct. The SEC accordingly seeks against: (a) all defendants (i) an injunction against future violations; (ii) a verified accounting of the receipt and disbursement of investors’ funds, (iii) disgorgement of ill-gotten gains with prejudgment interest; and (iv) statutory money penalties; and (b) against each of the relief defendants, a verified accounting of the receipt and disbursement of investors’ funds and disgorgement of ill-gotten gains with prejudgment interest.

#### **JURISDICTION**

5. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d)(3), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(3)(A), 78u(e), and 78aa].

6. Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices and courses of business alleged herein.

## DEFENDANTS

7. Ira A. Monas (“Monas”), age 45, is in the custody of the New York Department of Corrections at the Adirondack Correctional Facility in Ray Brook, New York, where he is serving a two-to-four year sentence for grand larceny.

8. Milan Capital Group, Inc. is a New York corporation with offices located in Melville, New York. It is not, and has never been, registered with the Commission as a broker-dealer and, therefore, is prohibited by the federal securities laws from selling, offering to sell, or inducing the sale of securities. Monas is the president and sole owner of Milan Capital.

9. Investment Offices, which does business under the name AC Financial, Inc. (“AC Financial”), is a Maine corporation, registered with the Commission as a broker-dealer pursuant to Section 15(b) of the Exchange Act. Acting through relief defendant Sands Point International Corp. (“Sands Point”), Monas purchased AC Financial in mid-1999.

10. Michael Irwin Lamhut (“Lamhut”), age 53, resides in Levittown, New York. Shortly before Monas was incarcerated in October 1999, he hired Lamhut to operate Milan Capital. Lamhut is licensed to sell securities and to supervise other licensed securities salespersons.

11. Jason M. Cope (“Cope”), age 26, resides in Coraopolis, Pennsylvania. At all relevant times, he was licensed to sell securities and supervise other licensed securities salespersons. Cope opened, and became the branch manager of, an office of AC Financial in Pittsburgh, Pennsylvania in or around June 1999. Throughout his association with AC Financial, Cope offered and purportedly sold securities to the public and

supervised the activities of all other securities salespersons in AC Financial's Pittsburgh branch office.

#### **RELIEF DEFENDANTS**

12. Rita A. Monas ("R. Monas") is the secretary of Milan Capital and assistant secretary of Sands Point. She resides in Massapequa Park, New York and is, or was, married to Monas.

13. Jennifer Monas ("J. Monas"), age 19, was employed by Milan Capital and is a daughter of Monas and R. Monas.

14. Sands Point International Corp., a New York corporation, was purchased by Monas in 1998. Monas acquired AC Financial through Sands Point in 1999. Sands Point has no known place of business and receives communications only at Milan Capital's Melville office.

15. Douglas H. Monas ("D. Monas"), age 41, resides in New York, New York. He is the brother of Ira Monas. D. Monas holds 90 percent of Sands Point's stock for the purpose of concealing Ira Monas's ownership and control of broker-dealer AC Financial.

16. Michael's Capital Consultants, Inc. is a New York corporation. Lamhut is its president.

17. HWK Consultants, Inc. is a New York corporation of which Lamhut is a director.

## **THE IPO PONZI SCHEME**

18. In the fall of 1999, World Wrestling Federation Entertainment, Inc. (“WWF”), United Parcel Service, Inc. (“UPS”), FreeMarkets, Inc. (“FreeMarkets”) and Fogdog, Inc. (“Fogdog”) offered their securities to the public for the first time in initial public offerings, commonly known as IPOs. These stock offerings were widely reported in the media as “hot” IPOs, meaning that they were oversubscribed and difficult to purchase.

19. Monas, Cope, AC Financial and, on information and belief, Lamhut offered to sell, and purportedly sold, IPO shares in WWF and UPS to investors in several states in October and November 1999.

20. The defendants offered to sell and purportedly sold IPO shares in UPS in October and November, and FreeMarkets and Fogdog IPO shares in late November and December 1999 to investors in several states.

21. At the instruction of Monas and Lamhut, Cope and AC Financial solicited sales of the IPO shares of these companies through a series of misrepresentations to investors. Among other false statements, Cope and AC Financial told investors that AC Financial’s Pittsburgh office had access to the IPO shares through Milan Capital and/or Monas. Cope and AC Financial also misrepresented to the putative investors that IPO shares had been purchased for them. Each defendant knew or was reckless in not knowing that these representations were materially false and misleading. At the time of the UPS, FreeMarkets and Fogdog IPOs, Monas and Lamhut also failed to disclose to investors that Monas was serving a prison sentence for grand larceny. They knew or were reckless in not knowing that this omission was materially misleading.

22. Milan Capital and Sands Point each maintained a checking account at HSBC Bank USA (formerly known as Marine Midland Bank). At all relevant times, Monas and R. Monas had sole authority to withdraw funds from the Milan Capital account. In addition to Monas and R. Monas, D. Monas also has authority to withdraw funds from the Sands Point account. The investors' funds were mailed or wired to Milan Capital and Sands Point, and Milan Capital and Sands Point compensated Cope and other salespersons in AC Financial's Pittsburgh office for purported IPO sales. At least some of these funds passed through HSBC's branch office at 140 Broadway in Manhattan. At the direction of Monas, Lamhut and Cope, Milan Capital prepared trade confirmations and account statements for the IPO investors and provided these phony transaction documents to some investors directly and to other investors through Cope and AC Financial. By mid-December, the defendants' alleged sales of IPO securities exceeded \$8.7 million from at least 190 investors.

23. The defendants did not buy any IPO shares of WWF, UPS, FreeMarkets or Fogdog. Instead, most of the WWF and some UPS investor funds were deposited in Sands Point's bank account. The rest of the WWF and UPS investor funds, along with funds from the FreeMarkets and Fogdog investors, were deposited in Milan Capital's bank account.

24. Monas, Lamhut, Milan Capital and Sands Point used investors' funds to compensate Cope and other salespersons in AC Financial's Pittsburgh office, and to pay for Milan Capital's operating expenses and personal expenses of Monas and his family, including relief defendants R. Monas, J. Monas and D. Monas. Lamhut also looted hundreds of thousands of dollars of investors' funds from Milan Capital's HSBC bank

account in the hours before its assets were frozen, and deposited these monies into the accounts of his own companies, relief defendants Michael's Capital Consultants, Inc. and HWK Consultants, Inc.

25. Monas, Lamhut and Cope also sent proceeds from Milan Capital's accounts to some of the victims of the first two IPO scams -- WWF and UPS -- misrepresenting these payments as the return of principal and profits on their phantom investments. In response to materially false and misleading sales pitches by Cope and AC Financial, the substance of which is described with particularity above, some of these investors parlayed their purported returns into purchases of sham IPO shares of FreeMarkets and Fogdog.

**FIRST CLAIM**  
**Fraud in Connection With the**  
**Purchase or Sale of Securities in Violation of**  
**Section 10(b) of the Exchange Act and Rule 10b-5**

26. Paragraphs 1 to 25 are realleged and incorporated by reference.

27. By reason of the foregoing, the defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5].

**SECOND CLAIM**  
**Fraud in the Offer or Sale of Securities in Violation**  
**of Section 17(a) of the Securities Act**

28. Paragraphs 1 to 25 are realleged and incorporated by reference.

29. By reason of the foregoing, the defendants violated Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)].



**THIRD CLAIM**  
**Unregistered Broker-Dealer in Violations**  
**of Exchange Act Section 15(a)**

30. Paragraphs 1 to 25 are realleged and incorporated by reference.

31. From at least October 1999 through January 7, 2000, Milan Capital made use of the means and instrumentalities of interstate commerce and of the mails to effect, induce, and attempt to induce the purchase and sale of securities without being registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act, and when no exemption from registration was available.

32. By reason of the foregoing, Milan Capital violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] and, unless permanently restrained, will again violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**FOURTH CLAIM**  
**Aiding and Abetting the Violations of the Broker-Dealer**  
**Registration of Exchange Act Section 15(a)**

33. Paragraphs 1 to 25, 31 and 32 are realleged and incorporated by reference.

34. By reason of the foregoing, the defendants aided and abetted Milan Capital's violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court enter a judgment:

- (i) permanently enjoining the defendants from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Sections 10(b) of the Exchange

Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

- (ii) permanently enjoining the defendants from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78m(b)];
- (iii) ordering each defendant and relief defendant to provide a verified accounting and disgorge all ill-gotten gains from the conduct alleged herein, plus prejudgment interest;
- (iv) ordering the defendants to each pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 77t(d) and 78u(d)(3)]; and
- (v) granting such other relief as this Court may deem just and appropriate.

Dated: February 29, 2000  
Washington, D.C.

Respectfully submitted,



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