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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PARAMOUNT CAPITAL MANAGEMENT, INC.
and WILLIAM C. BOLTON,

Defendants.

97 Civ. 8577 (SHS)

AMENDED
COMPLAINT

FILED
U.S. DISTRICT COURT
MAR 8 3 25 PM '99

Plaintiff Securities and Exchange Commission ("Commission"), for its Amended Complaint against defendants Paramount Capital Management, Inc. ("Paramount") and William C. Bolton ("Bolton"), alleges that:

1. This action concerns a fraudulent scheme perpetrated by defendants, Paramount and Bolton, who misappropriated thousands of dollars from investors by selling them bogus securities. From at least July 1997 to November 1997, when the Commission filed its original Complaint, Paramount and Bolton fraudulently obtained more than \$67,000 from at least

fourteen investors by inducing them to invest in a fictitious initial public offering (“IPO”) of securities of a nonexistent company -- “Micronet Corp.” (“Micronet”). Defendants falsely represented that the offering was being underwritten by Paramount, and that Paramount was a “full service broker” and a member of the National Association of Securities Dealers, Inc. (“NASD”), the Securities Investor Protection Corporation (“SIPC”), and other industry institutions, even though Paramount did not belong to these organizations and was not registered as a broker-dealer with the Commission. Bolton used, and directed others to use, the alias “Kenneth Bridget” when dealing with prospective investors.

2. Paramount and Bolton, directly and indirectly, singly or in concert, have engaged, and, unless enjoined and restrained, will again engage, in transactions, acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b), 78o(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

3. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking temporarily, preliminarily, and permanently to restrain and enjoin Paramount and Bolton from engaging in the transactions, acts, practices and courses of conduct alleged herein. The Commission also seeks a Final Judgment requiring Paramount and Bolton to account for and to disgorge their ill-gotten gains and to pay prejudgment interest thereon. In addition, the Commission seeks an order assessing civil penalties against Bolton

pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

4. This Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d), 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 77u(d), 78aa].

5. Paramount and Bolton, directly and indirectly, have made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business have occurred within the Southern District of New York, including the offer and sale of bogus securities.

THE DEFENDANTS

6. **Bolton**, 31, resides in Marlboro, New Jersey.

7. **Paramount** was incorporated in New York in July 1997 and during the period relevant to this action rented office space at 11 Broadway, New York, New York. Paramount held itself out to the public as an “investment banking and full service broker” located in New York, New York, that serviced both institutional clients and individual investors. Paramount represented to customers in its sales brochure that it was a member of the NASD, SIPC, the Municipal Securities Rulemaking Board (“MSRB”), and the Philadelphia Stock Exchange (“PHLX”). Paramount was not, however, a member of any of these organizations, nor was it registered with the Commission in any capacity.

DEFENDANTS' FRAUDULENT OFFER AND SALE OF SECURITIES

8. Since at least July 1997, Paramount and Bolton have raised at least \$67,000 from at least fourteen individuals for investment in a purported IPO of shares of Micronet. The investors are located in various parts of the country, including Pennsylvania, Florida, Connecticut, Colorado, Washington, and New York.

9. Paramount and Bolton, and others at his direction, made various representations about Micronet including, but not limited to, the business in which Micronet engages; the offering price of the Micronet IPO; the price to which Micronet shares were expected to rise; and the fact that the IPO was oversubscribed. Paramount, Bolton, and others at Bolton's direction, "cold-called" the various investors and solicited them to invest in the purported Micronet IPO.

10. Paramount and Bolton, and others at his direction, made various representations about Paramount including, but not limited to, the fact that it was a brokerage firm and investment bank, and that it was underwriting the Micronet IPO.

11. To further the scheme, Paramount and Bolton, and others at his direction, sent investors written materials including a brochure describing Paramount and a letter introducing "Kenneth Bridget" as Paramount's senior account executive or senior vice president.

12. Paramount and Bolton, and others at his direction, instructed investors to wire any funds for the Micronet IPO to Marine Midland Bank, New York, New York 10048, ABA # 021001088, Account # 052706281 and instructed investors to make all checks payable to "Paramount Capital Management, Inc.-Special Account-Micronet Corp."

13. Specifically, in connection with the offer or sale of securities, Paramount and Bolton, and others at his direction, represented that: (a) they had Micronet IPO shares to sell; (b) the investors' money would be invested in the Micronet IPO; (c) Paramount is a brokerage and investment banking firm; and (d) Paramount is a member of the NASD, SIPC, the MSRB, and the PHLX.

14. Each of the representations identified in paragraphs 9-13 was false and misleading, in that: (a) Paramount had no Micronet IPO shares to sell; (b) the investor's money would not be invested in any IPO or Micronet stock, but instead would be diverted; (c) Paramount is not registered with the Commission as a broker-dealer and does not appear to have any *bona fide* investment banking business; and (d) Paramount is not a member of the NASD, SIPC, the MSRB, or the PHLX.

15. Each of the misrepresentations described in paragraphs 9-13 was material.

16. Paramount and Bolton knew or were reckless in not knowing that each of the representations described in paragraphs 9 through 13 was false and misleading.

FIRST CLAIM FOR RELIEF

***Violations of Section 17(a) of the Securities Act
[15 U.S.C. § 77t(a)], and Section 10(b) of the Exchange Act
[15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5]***

17. The Commission repeats and realleges the allegations contained in paragraphs 1 through 16 of the Amended Complaint as if set forth herein at length.

18. Defendants Paramount and Bolton directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce or by the use of

the mails, in the offer or sale, and in connection with the purchase or sale, of securities have:

(a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made untrue statements of material fact, or have omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices and courses of business which have operated as a fraud or deceit upon purchasers of securities and other persons.

19. As part of and in furtherance of this violative conduct, defendants Paramount and Bolton, knowingly or recklessly, engaged in the fraudulent conduct alleged in paragraphs 1 through 16 above.

20. The false statements and omissions made by defendants Paramount and Bolton, and others at Bolton's direction, more fully described in paragraphs 1 through 16, were material.

21. By reason of the acts, omissions, practices, and courses of business set forth in this Amended Complaint, defendants Paramount and Bolton have violated and, unless restrained and enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)(1)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]

22. The Commission repeats and realleges the allegations contained in paragraphs 1 through 16 of the Amended Complaint as if set forth herein at length.

23. From in or about July 1997 through November 1997, Paramount and Bolton, directly or indirectly, by use of the mails or the means or instrumentalities of interstate commerce, while acting as brokers whose business was not exclusively intrastate, effected, and unless enjoined or restrained, will continue to effect, transactions in, and induced, and unless enjoined or restrained, will continue to induce, and attempted, and unless enjoined or restrained will continue to attempt, to induce the purchase or sale of, securities (other than an exempted security or commercial paper, banker's acceptances, or commercial bills) -- namely purported shares of Micronet offered in a purported Micronet IPO -- without registering as brokers in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

24. By reason of the foregoing, Paramount and Bolton violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court:

I.

Grant an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Paramount and Bolton from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], promulgated thereunder.

II.

Grant an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Paramount and Bolton from violating, directly or indirectly, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

III.

Enter a Final Judgment directing Paramount and Bolton to file with this Court and serve upon the Commission verified written accountings, signed by the Defendants under penalty of perjury, of:

- (1) All assets, liabilities and property currently held directly or indirectly by or for their benefit, including, but not limited to, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, and its current location and amount;
- (2) All money, property, assets, and other income received by Paramount and/or Bolton, or for their direct or indirect benefit, in or at any time from January 1, 1997 to the date of the accounting, describing the source, amount, disposition and current location of each of the items listed;
- (3) The names and last known addresses of all bailees, debtors, and other persons and entities which are currently holding the assets, funds or property of Paramount and/or Bolton; and
- (4) All assets, funds, securities, real or personal property received by Paramount and/or Bolton, or any other person controlled by them, from parties who

provided money to Paramount and/or Bolton in connection with the purchase or sale of securities from January 1, 1997 to the date of the accounting, and the disposition of such assets, funds, securities, real or personal property.

IV.

Enter a Final Judgment directing Paramount and Bolton to disgorge their unjust enrichment from the fraudulent conduct alleged in this Amended Complaint and to pay prejudgment interest thereon.

V.

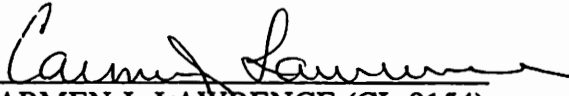
Enter a Final Judgment assessing penalties against Bolton pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act.

VI.

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

Dated: March 8, 1999
New York, New York

Respectfully submitted,


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