UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.** **TERRY V. KOONTZ,** **ZONE PRODUCTIONS, INC.,** **JEFFREY A. DEVILLE,** **MYKAEL Y. DEVILLE,** **PRIVATE POOL, LLC,** **RICHARD J. FULCHER,** **THOMAS DOLAN,** **LAWRENCE E. SEPPANEN,** **WALTER LAPP, and** **KURT FOX,** **Defendants,** **-and-** **JEFFREY A. DEVILLE, as Acting Trustee for PURR TRUST,** **MARILYN KOONTZ,** **DOROTHY M. GERODEMOS,** **ANASTASIA BROOKS,** **HELEN SMITH,** **NANCY CHAMICH,** **STEWART A. KORAL, and** **EMANON II, INC.,** **Relief Defendants.**	**CIVIL ACTION NO. 98 CV 11904-NG** **FIRST AMENDED COMPLAINT**

Plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION"), for its First Amended Complaint, alleges that:

PRELIMINARY STATEMENT

1. This is an emergency enforcement action brought by the COMMISSION to stop an on-going Ponzi/prime bank scheme in which over $19 million has been raised from over 80 investors in 16 states. Since at least August 1997, defendants Terry V. Koontz ("Koontz"), Zone Productions, Inc. ("Zone"), Jeffrey A. DeVille ("J. DeVille"), Mykael Y. DeVille ("M. DeVille") and Private Pool, LLC ("Private Pool") have orchestrated a vast Ponzi scheme, in which they used a network of sales agents to convince investors to purchase interests in a fraudulent bank debenture trading program called Private Pool.

2. Using false information and offering materials provided by defendants Koontz, J. DeVille and M. DeVille, sales agents, including defendants Richard J. Fulcher, Thomas Dolan, Lawrence E. Seppanen, Walter Lapp, and Kurt Fox (the "selling agents") falsely informed investors that their funds would be invested in a 40-week bank debenture trading program through a commitment holder and an international bond trader affiliated with Barclays Bank ("Barclays"). The defendants falsely promised investors that investments in the trading program would provide a one percent weekly return and would be secured by Government National Mortgage Association ("GNMA") or Federal Home Loan Mortgage Corporation ("Freddie Mac") bonds (collectively "the Bonds") held in a "fiduciary account" at Barclays, and that investors would receive a security interest in the bonds evidenced by a UCC-1 financing statement filed with the State of New York. Koontz, the DeVilles and the selling agents provided investors with documents purporting to be such UCC-1 financing statements, which bore unauthorized Barclays and State of New York stamps. The bank debenture trading program does not exist, and none of the defendants is affiliated with Barclays. Investor funds are being deposited into a bank

account in the name of Zone controlled by Koontz (the "Zone account"). Instead of being invested as represented, the funds are being misappropriated for personal use, transferred to the various relief defendants, and paid to investors under the guise of interest payments. As in all "Ponzi" type schemes, defendant Private Pool will collapse as the market for new investors dries up and the flow of new funds necessary to pay returns to earlier investors ends. If the scheme is not stopped, further investor losses are certain.

3. This action is a related case to emergency action SEC v. Richmond, et al., Civil Action No. 98-11378-NG (D. MA) ("SEC v. Richmond") filed on July 15, 1998. Both cases name Koontz, Zone and Purr Trust as defendants. In addition, Michael D. Richmond ("Richmond"), who is charged in the SEC v. Richmond action with raising $7.2 million from investors in a fraudulent securities offerings by Royal Meridian International Bank, transferred more than $6 million of those investor funds to Private Pool in the instant action.

4. In connection with this scheme, defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp, and Fox ("primary defendants"), directly and indirectly have engaged, are engaging or are about to engage in transactions, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act "), as amended, [15 U.S.C. § 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), as amended, [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and all of the defendants and each of them, directly or indirectly have engaged, are engaging or are about to engage in transactions, acts, practices and courses of business which constitute violations of Section 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)]; and all of the defendants, except Koontz and Zone, directly or

indirectly, have engaged, are engaging or are about to engage in transactions, acts, practices and courses of business which constitute violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

5. The COMMISSION seeks a Temporary Restraining Order immediately prohibiting the primary defendants from continuing to violate the antifraud ,registration and broker-dealer registration provisions of the Securities Act and the Exchange Act. The Temporary Restraining Order is necessary to stop the primary defendants' fraudulent scheme. The COMMISSION also seeks other emergency equitable relief to minimize investor losses and to maintain the status quo pending final resolution of this action, including a freeze of certain assets.

6. The COMMISSION also seeks a Preliminary Injunction, a Permanent Injunction and disgorgement of the primary defendants' ill-gotten gains and other equitable relief. The Commission seeks from the relief defendants disgorgement, plus prejudgment interest, of unjust enrichment they received and other equitable relief. Finally, the COMMISSION seeks the imposition of civil monetary penalties against the primary defendants 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)].

JURISDICTION

7. 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)].

8. 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 and 27 of the Exchange Act [15 U.S.C.

§§ 78u and 78aa]. Jurisdiction against the relief defendants is based on these statutes and on Section 1367(a) of the Judicial Improvements Act of 1990 [28 U.S.C. § 1367(a)].

9. In connection with the conduct alleged, the primary defendants have made use of the means and instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

DEFENDANTS

10. Koontz is 42 years old and a resident of Valrico, Florida. Koontz has devised and operated a number of prime bank schemes since at least 1996.

11. Zone is a Florida corporation controlled by Koontz. Zone's officers are Koontz and David DeBorde. Zone purports to be a movie production company and a subsidiary of Investment Associates Trust, Inc., which was incorporated and registered in Nevis, W.I. on September 10, 1996.

12. J. DeVille is 34 years old and a resident of Belleair, Florida. J. DeVille is a registered representative who was associated with World Marketing Alliance Securities, Inc. ("WMA") until December 1997.

13. M. DeVille, age 31, is J. DeVille's wife and a resident of Belleair, Florida.

14. Private Pool is a limited liability company, which registered on October 9, 1997 in Nevis, but which is not authorized to conduct business in or from Nevis. J. DeVille and M. DeVille are the members and managing directors of Private Pool. During parts of 1998, Private Pool maintained an office in Tampa, Florida.

15. Richard Fulcher ("Fulcher") is 37 years old and a resident of Moseley, Virginia. Fulcher was a registered representative associated with WMA until February 1998. On March 13,

1998, Fulcher was censured and fined by the NASD for forging customers' names on insurance policy change applications. Fulcher's Central Registration Depository file, maintained by the NASD, discloses other complaints for unauthorized signing of customer names.

16. Thomas Dolan ("Dolan"), age 45 and a resident of Fort Salonga, New York, is a registered representative who has been associated with WMA since March 1998.

17. Lawrence Seppanen ("Seppanen"), age 40 and a resident of Marlton, New Jersey, is a registered representative associated with WMA.

18. Walter Lapp ("Lapp"), age 58 and a resident of Hamilton, New Jersey, is a registered representative currently associated with TFS Securities, Inc. From June 1997 through July 1998, Lapp was associated with WMA.

19. Kurt Fox ("Fox"), a resident of Virginia Beach, Virginia, is a former minister who currently supports himself with paid speaking engagements and construction work.

20. Purr Trust ("Purr") is an unincorporated business organization which purports to be organized as a trust. Purr is controlled by the DeVilles.

21. Marilyn Koontz ("M. Koontz"), age 45 and a resident of Valrico, Florida, is the wife of Koontz.

22. Dorothy Gerodemos ("D. Gerodemos"), age 24 and a resident of Brooksville, Florida, is an associate of Koontz.

23. Anastasia Brooks ("Brooks"), age 43 and a resident of Spring Hill, Florida, is the mother of relief defendant D. Gerodemos.

24. Helen Smith ("Smith"), age 26, is a resident of Spring Hill, Florida. Smith is the sister of relief defendant D. Gerodemos.

25. Nancy Chamich ("Chamich") , age 27 and a resident of New Point Richey, Florida, is an associate of Koontz.

26. Stewart A. Koral ("Koral"), a resident of Hollywood, Florida, is a business associate of Koontz.

27. Emanon II, Inc. ("Emanon") is believed to be a corporation. Its name spelled backwards is "No name."

FACTS

The Offer and Sale of Fraudulent Unregistered Securities

28. Since approximately August 1997, Koontz, Zone, J. DeVille, M. DeVille and Private Pool have promoted and directed the offer and sale of unregistered securities in the form of interests in Private Pool, a bank debenture trading program.

29. Interests in Private Pool are "securities" as that term is defined in Section 2(1) of the Securities Act [15 U.S.C. § 77b(a)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78(a)(10)].

30. Over 80 investors in 16 states have invested over $19 million in Private Pool securities since approximately August 1997.

Koontz's Fraudulent Misstatements and Omissions of Fact

31. In or about August 1997, Koontz approached J. DeVille and proposed that J. DeVille raise money from investors for an international bank debenture trading program established by Koontz.

32. Koontz falsely represented to J. DeVille and M. DeVille that he was an international bank debenture trader and a "commitment holder" affiliated with Barclays. He represented that it was against the rules of the Bank for International Settlements for banks like Barclays to purchase newly-issued bonds on the primary market and that they therefore required intermediaries, like himself, to purchase and sell bonds for them. He represented that he traded bonds twice per week on Barclays' behalf, earning a 2% profit per transaction, or 4% per week. Koontz represented that Barclays made available to him a line of credit, which allowed him to "leverage" funds received from investors at a five-to-one ratio, therefore the 4% weekly return could be increased to 20% per week, that is, to five times as great a return. Koontz further represented that, due to his affiliation with Barclays and his ability to engage in bank debenture trading, he could use investor funds raised by the DeVilles to purchase and sell bank debentures from the top banks in the world at a leveraged return of five to one. Koontz promised DeVille a weekly commission of 4% to 5% of all investor funds he brought in, out of which DeVille could pay investor returns and commissions to other sales agents. By the spring of 1998, DeVille's commissions were increased to 10% of all invested funds.

33. Koontz provided the DeVilles with a letter purporting to be a Barclays interoffice memorandum entitled "Interbank Correspondence" identifying Koontz and Investment Associates

Trust, the purported parent company of Zone, as "commitment holders" for Barclays. The document contained a purported signature of a Barclays officer and a Barclays stamp.

34. All of Koontz's representations about bank debenture trading and his affiliation with Barclays were false. International bank debenture trading between the world's top banks, as described by Koontz, does not exist. The function of "commitment holder" for large world banks does not exist. Koontz is not and has never been affiliated with Barclays. The information contained in the Interbank Correspondence is false, certain of the purported signatures of Barclays employees are forged, and the Barclays stamp is unauthorized.

35. In August 1997, Koontz also falsely represented to the DeVilles that he owned GNMA bonds with a face value of $9 million, which he would use to secure any funds invested in the trading program. Koontz falsely claimed that, because of this assignment, any funds invested in the trading program would not be at risk. Koontz later claimed that he owned, and could grant security interests in, a GNMA bond with a face value of $49 million, and Freddie Mac bonds with a face value of $300 million and current value of $99 million.

36. Koontz gave the DeVilles a document entitled "Special Form of Collateral Assignment," which purported to assign over $9 million in GNMA bonds to M. DeVille.

37. Koontz's claims that he owned the Bonds and would grant security interests in them were false. The $9 million GNMA bonds identified by Koontz are held by several large banks and brokerage firms, including Chase Manhattan Bank, Citibank, State Street Bank & Trust Co., Bank of New York and PaineWebber Incorporated. Koontz is not the beneficial owner of, and has no other interest in, any of the bonds held by Citibank and PaineWebber, nor, is it likely he has any interest in the bonds held by Chase Manhattan Bank, State Street Bank & Trust Co.,

and Bank of New York. Additionally, these bonds are the $9 million GNMA bonds identified by Koontz, although they do exist, are not currently worth the amounts he claimed.

38. Koontz provided the DeVilles with an undated letter stating that J. DeVille, through his ownership of another entity, is the registered holder of the $49 million GNMA bond. The letter purportedly contained the signature of a Barclays officer and a Barclays stamp. The stamp is unauthorized and the letter is false because the referenced GNMA bond is not worth $49 million.

39. The Freddie Mac bonds in which Koontz claims are ownership interest have no market value.

40. On or about September 3, 1997, Zone and M. DeVille entered into a contract, entitled "Trading Broker Representative - Contract Agreement." Koontz signed the Contract as president of Zone. The Contract appointed M. DeVille to represent Zone and to solicit investments in Zone. The Contract included a commission schedule and provided that Zone and Koontz "personally agree[] to collateralize nine million two hundred thousand dollars (9.2) of GNMA bonds to guarantee [M. DeVille's] commissions and investor deposits at two times (2x) their invested value."

41. As evidence that Koontz had transferred some of the Bonds to DeVille, Koontz gave J. DeVille a copy of a document purporting to be a Bloomberg printout, which reflected that DeVille owned the GNMA bonds whose cusip and serial numbers appeared on the UCC-1 financing statements. The Bloomberg printout was counterfeit because Bloomberg computer terminals are not capable of providing information on who owns the bonds.

42. M. DeVille signed the Contract and took the assignment of the bonds instead of J. DeVille because the DeVilles wanted to conceal from J. DeVille's then-employer, WMA, that he was affiliated with Private Pool, Zone and Koontz.

43. The DeVilles solicited investors on behalf of Koontz, initially naming the investment program "In God We Trust," and subsequently, Private Pool.

The DeVilles Commence Private Pool Offering and Created False Documents

44. In September 1997, Koontz, J. DeVille and M. DeVille commenced the Private Pool offering. The DeVilles did not make any efforts to verify any of Koontz's claims before repeating them to prospective sales agents and investors.

45. Koontz and the DeVilles met with sales agents and convinced them to solicit investors. Koontz and the DeVilles falsely informed sales agents that Koontz would use investor funds to earn spectacular returns by engaging in international bank debenture trading on behalf of Barclays. They represented to the agents that returns to investors would be 1% per week, for a trading cycle of forty weeks -- a 40% return. They also falsely informed agents that Koontz had assigned the bonds to the DeVilles to secure all funds invested in Private Pool, that the Bonds were held in a "fiduciary" account at Barclays, and that the DeVilles in turn would assign portions of the bonds to investors to secure their investments. They informed sales agents that they would provide investors Uniform Commercial Code financing statements ("UCC-1s") evidencing the security interest they had been given in the bonds.

46. Koontz and the DeVilles promised to pay sales agents commissions of up to 4% per week of investor funds they individually raised. Ultimately, Koontz and the DeVilles persuaded more than nine people to become Private Pool sales agents.

47. Koontz and the DeVilles instructed sales agents to keep Koontz's name secret and confidential. They required sales agents to sign confidentiality agreements in which they agreed not to disclose the identities of anyone associated with Private Pool.

48. The DeVilles prepared and distributed to sales agents a document entitled "Private Offering Memorandum" to assist the agents to explain the purported trading program. The document provided that an investment in Private Pool would generate, on a "best efforts" basis, a 1% per week return and that the goal of Private Pool was to group investors in pools, thereby creating greater leverage and yields. The Private Offering Memorandum also represented that investors would be provided a "collateral assignment" equal to two times the amount invested. According to the Private Offering Memorandum, the collateral would consist of a block of the Bonds set aside for investors. The Private Offering Memorandum stated that a UCC-1 financing statement would be filed with Barclays, securing the investor's interest in the Bonds.

49. The DeVilles also created and distributed to sales agents a document entitled "Mechanics of SLCs and Prime Bank Guarantees." The document purported to explain how the Federal Reserve Board secretly trades in international bank debentures through intermediaries known as commitment holders and traders who earn enormous trading profits.

50. All of the information contained in the Private Offering Memorandum and the other documents created and distributed by the DeVilles is false. International bank debenture trading does not exist. The major banks of the world do not employ commitment holders to purchase and sell international bank debentures for them. In fact, deposits of investors -- not trading bank debentures -- were the sole source of income of Private Pool.

Investment Process

51. Once an investor agreed to invest funds in Private Pool, the DeVilles, either directly or through a sales agent, provided the investor with a trade agreement, a blank UCC-1 form, the Special Form of Collateral Assignment, and wiring instructions. They instructed the investors to complete these forms and return them, via the agent, to the DeVilles and to wire their investment funds to a bank account in the name of Zone at Huntington National Bank Tampa, Fla. (the "Zone account.").

52. After investors returned the completed UCC-1 financing statement forms to the DeVilles, J. DeVille delivered the forms to Koontz, who misrepresented that he delivered the forms to his attorneys in New York for filing with Barclays and the State of New York UCC-1 Division. J. DeVille repeated Koontz's misrepresentations to the sales agents.

53. Koontz did not give the completed UCC-1 forms to his attorneys, and no one filed the forms with Barclays or the State of New York. Instead, Koontz affixed unauthorized stamps to the UCC-1 forms, which falsely stated "Barclays - certified true copy" and "THE STATE OF NEW YORK UCC-1 SECURED PARTY COPY." After affixing the unauthorized stamps, Koontz returned the fraudulent UCC-1 forms to the DeVilles, who returned them, via the sales agents, to investors.

54. The Private Pool investment program permitted investors to elect to receive bi-weekly distributions of the return ostensibly earned on their investment, or they could elect to reinvest the return. Investors received fictitious account statements from the DeVilles indicating either payment of interest or reinvestment. As described below, all returns to investors were paid from a commingled pool of principal investments.

55. The DeVilles knew or should have known from numerous circumstances that Koontz's representations were false. Sales agents and investors reported to the DeVilles information suggesting that Barclays was not affiliated with the bank debenture trading program, and that the Barclays stamps on the UCC-1 financing statements were not genuine and had not been affixed to the documents by Barclays. In June 1998, a Bloomberg salesman informed sales agents working in the Private Pool office, informed J. DeVille, that information regarding who owns a particular GNMA bond cannot be retrieved from a Bloomberg terminal -- calling into question the purported Bloomberg document described in paragraph 39.

The Primary Defendants and their Agents Have Sold Over $19 Million of Private Pool Investments

56. The primary defendants have induced more than 80 investors to invest over $19 million in Private Pool. All of the below described sales agents received commissions for the sales of the prime bank securities.

57. Koontz and the DeVilles persuaded Richmond, defendant in a related case, SEC v. Richmond, to transfer more than $6 million into Private Pool with the promise to pay Richmond four percent per week of all amounts he paid to into Private Pool.

58. Richmond obtained the funds he transferred to Private Pool by conducting a fraudulent, unregistered offering of fictitious certificates of deposit purportedly issued by a non-existent international bank, Royal Meridian International Bank.

59. On July 15, 1998, the Court in SEC v. Richmond issued a temporary restraining order against Richmond and others to cease the unregistered, fraudulent offering of Royal Meridian International Bank certificates of deposit.

The DeVilles

60. In addition to recruiting more selling agents, the DeVilles, solicited and sold directly to at least six investors, raising at least $1 million. Both DeVilles misrepresented to investors that their investment would be pooled, then invested in a bank debenture trading program and that the investment would be secured with the Bonds. Both DeVilles told investors that they could earn commissions by encouraging other people to invest in the trading program.

Fulcher

61. Fulcher, also a registered representative at WMA, worked with and is a friend of J. DeVille. He sold approximately $4.7 million of interests in Private Pool to approximately 27 people. Fulcher also persuaded at least four individuals to solicit investments in Private Pool. Fulcher received "override commissions" on sales of Private Pool interests made by sales agents he had recruited.

62. Fulcher falsely informed investors and the sales agents he recruited that Koontz was a commitment holder and would invest funds in international bank trading programs. Fulcher also represented that Koontz, who would conduct the trading, was an international trader with Barclays and one of only six people in the world who can buy and sell money between banks. Fulcher assured investors and agents that Private Pool was a very safe investment because it would be secured by the Bonds.

63. Fulcher embellished the information he had been provided by the DeVilles. Fulcher falsely informed investors that, if they needed to use their UCC-1 financing statements to take possession of the Bond collateral, they simply may apply to the Federal Reserve Board in

Richmond, Virginia. Fulcher represented that, in fourteen days, the Federal Reserve Board would refund their money.

64. Fulcher distributed false documents to investors and agents, including the Private Offering Memorandum and the Mechanics SLCs. Fulcher returned the purported stamped, filed copies of the UCC-1 financing statements to investors under copy of a memorandum stating "enclosed is the 'certified true copy' of your UCC-1 Form from Barclays showing that your collateral has been filed at the bank."

65. Fulcher administered that portion of the Private Pool program which consisted of sales agents recruited below him. He calculated the amount of commission payments due to these agents, and he paid them a portion of the commissions he had received.

66. A number of investors and potential investors informed Fulcher that they had not been able to obtain information about the investment from Barclays and that regulatory agencies had informed them that the investment likely was fraudulent.

67. Fulcher also falsely informed the Commission staff that the funds received from individuals he solicited were loans to Zone rather than investments in a bank debenture trading program.

Dolan

68. Dolan, also a registered representative at WMA, was recruited by Fulcher. Dolan sold over $1.1 million in Private Pool interests to at least three investors, including a police officer's widow who invested $990,000; most of which were proceeds from a lump sum payout of her deceased husband's pension. Dolan, knowing that the investor trusted him to manage her

finances, convinced her to invest by assuring her that investing in Private Pool was safe and that it would provide a better return than where the money was invested.

69. Dolan falsely represented to investors that an investment in Private Pool would provide a guaranteed 20% return over nine months, that it was an investment in a bank debenture, and that it was secured by GNMA mortgages held by Barclays.

70. Dolan embellished the information he had been provided by Fulcher by falsely informing investors that an investment in Private Pool would be secured by the FDIC.

71. Dolan falsely told the Commission staff that the funds received from individuals he solicited were loans to Zone rather than investments in a trading program He also instructed at least one of his customers that, if contacted by the staff, the customer should lie and state that she had made a "short-term, high-yield loan," and that she not use the words "bank debenture."

72. In order to hide from his employer, WMA, that he was selling the prime bank instruments, Dolan had his commission checks made payable to a trucking company that he owns. Dolan hid his sales of Private Pool from his employer because sales of securities not made through the firm were against company policy. By failing to disclose his sales of Private Pool to WMA, Dolan violated the National Association of Securities Dealers ("NASD") rules.

Lapp

73. Lapp also was a registered representative at WMA until July 1998. Lapp sold $1.5 million worth of Private Pool investments to five investors.

74. To conceal his affiliation with Private Pool from WMA, Lapp used his wife's name on correspondence to receive commission payments. By failing to disclose his sales of Private Pool to WMA, Lapp violated NASD rules.

75. In July 1998, Lapp solicited an 82 year old family friend by telling him that a new "trading cycle" would begin in August 1998, that Private Pool would pool investors' money and make loans to different countries, thereby generating a 1% per week return.

76. Lapp falsely informed the potential investor that he personally had been investing in Private Pool "for years" and that the investment was safe and secured by collateral.

77. Lapp misrepresented to other investors that their investments would be safe because they were secured 200% by Barclays. He also provided investors with the Private Investment Memorandum and the Mechanics of SLCs.

78. Lapp also presented investors with a document entitled "Brief Overview of the Bank Debenture Trading Program" ("The Overview Memorandum"). This document contained a myriad of misrepresentations including that the investments had no risk and were secured.

79. Lapp falsely informed the Commission staff that Private Pool investments were loans, and that he had not solicited or sold any investments.

Seppanen

80. Seppanen also was a registered representative at WMA. Seppanen sold at least $437,000 worth of Private Pool investments to four investors. Seppanen provided false documents to investors, including the Private Investment Memorandum and the Mechanics of SLCs document.

81. Seppanen falsely promised investors that they would receive a 1% per week return, that the profit would be generated by trading in international bank instruments, and that the investments would be secured by the Bonds.

82. To conceal the fact that he was selling Private Pool, Seppanen received commission payments made to his wife. As with Dolan, Seppanen hid the commission from his employer because the sales were against company policy. By failing to disclose his sales of Private Pool to WMA, Seppanen violated NASD rules.

Fox

83. Fox sold at least $810,000 worth of Private Pool investments to six investors. Fox made the following misrepresentations: (i) investor funds would be used to conduct a bank debenture trading program; (ii) their funds would be secured by the Bonds; and (iii) investors would receive a return of 1% per week.

84. Fox provided several false documents to investors, including the Mechanics SLCs and The Overview Memorandum.

85. Fox falsely informed the Commission staff that Private Pool is a joint venture which received loans from investors. He also falsely denied providing offering materials to investors, and knowledge of Koontz's name.

Misappropriation of Investor Funds and Illegal Transfers to Relief Defendants

86. No investor funds were used to purchase or sell international bank debentures, or any other type of security. International bank debentures, as described by the defendants, do not exist. Instead, Koontz used investor funds to pay returns to other investors, to pay commissions to sales agents, and for his own personal expenses. Koontz transferred millions of dollars to various associates.

87. Koontz dissipated at least $9.9 million from the Zone account. Among other things, he spent $468,000 on automobiles, including a Cadillac, and a Mercedes-Benz; over

$250,000 on jewelry, including a 5 carat diamond solitaire he bought for D. Gerodemos on September 3, 1998; $550,000 in charitable donations; and $650,000 on real estate.

88. Koontz transferred large amounts of money to the DeVilles through Purr's bank account. The DeVilles disbursed approximately $2 million to sales agents, including at least $1 million to Fulcher; transferred approximately $720,000 to Richmond-controlled entities; used $200,000 to purchase two BMWs; purchased a Cadillac for J. DeVille's mother; gifted $60,000 to family members and gave $377,000 in donations to churches and charities; transferred $300,000 to an off-shore account; and used $30,000 for the purchases of jewelry, art, antiques and furniture. Only $1.6 million was disbursed to investors.

89. Koontz made gratuitous transfers of funds and/or assets valued: at over $800,000 to relief defendant M. Koontz; at least at $2.9 million plus four vehicles to relief defendant D. Gerodemos; at least at $25,000 plus one vehicle to relief defendant Brooks; at least at $25,000 plus two vehicles to relief defendant Smith; at over $1 million to relief defendant Chamich, at least at $1.9 million to relief defendant Emanon; and at least at $727,000 to relief defendant Koral.

90. Relief defendant D. Gerodemos, in turn, made gratuitous transfers of funds (received from Koontz) of at least $737,000 plus purchase of a vehicle and a house at 9084 Quivera Road, Brooksville, FL to or on behalf of her mother, Brooks, and at least $460,000 including purchase of a house at 6254 Bristol Lane, Spring Hill, FL to or on behalf of her sister, Smith.

91. The balance of funds left in the Zone and Purr accounts, approximately $640,000, is insufficient to repay all of the investors their principal investments.

Koontz and J. DeVille Instruct Agents and Investors to Mislead the Staff and Engage in Lulling of Investors

92. After learning of the staff's investigation and the related case, SEC v. Richmond, Koontz instructed the DeVilles to describe the investments in Private Pool as loans or as investments in Zone, a movie production company. J. DeVille also instructed Private Pool sales agents and investors to make this misrepresentation. Several sales agents repeated these misrepresentations to the staff.

93. Koontz, the DeVilles and their agents may be continuing to solicit new investors. During August, J. DeVille claimed that he was "back in business" and that he had obtained a $10 million investment in Private Pool. J. DeVille also has informed people that after the SEC investigation is terminated, he will continue his selling efforts.

94. Further, Koontz, the DeVilles and Fulcher are attempting to lull current Private Pool investors into believing that their money is safe. In July 1998, they represented that all investments had been placed in a 9% annualized certificate of deposit until the commencement of the next trading contract. J. DeVille also is falsely informing current investors that their principal will be returned as soon as the Commission releases its freeze of the Zone and Purr bank accounts in the SEC v. Richmond case, and that the Commission is refusing to allow a settlement pursuant to which investors would be repaid. J. DeVille continues to represent that the bonds purportedly securing the investment are available as collateral if necessary. Additionally, on August 17, 1998, Fulcher sent a letter to investors stating "your principle [sic] and interest will be returned to you in the near future, due to SEC involvement." All of these statements are false.

FIRST CLAIM
AGAINST ALL PRIMARY DEFENDANTS

FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES
(Violations of Exchange Act Section 10(b) and Rule 10b-5)

95. Plaintiff repeats and realleges paragraphs 1 through 94 above.

96. The primary defendants, singly and in concert, directly or indirectly, intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails: (a) have employed, or are employing devices, schemes, or artifices to defraud; (b) have made, or are making untrue statements of material facts or have omitted, or are omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) have engaged, or are engaging, in acts, practices, or courses of business which have operated, or are operating as a fraud or deceit upon persons, in connection with the purchase or sale of securities as set forth above, in violation of Section 10(b) of the Exchange Act (15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

97. The primary defendants' conduct involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of 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)].

SECOND CLAIM
AGAINST ALL PRIMARY DEFENDANTS

FRAUD IN THE OFFER AND SALE OF SECURITY
(Violations of Securities Act Section 17(a))

98. Plaintiff repeats and realleges Paragraphs 1 through 94 above.

99. The primary defendants, singly and in concert, directly and indirectly, intentionally, knowingly or recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly: (a) have employed, or are employing devices, schemes, or artifices to defraud; (b) have obtained, or are obtaining money or property by means of untrue statements of material fact or omissions 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; and (c) have engaged, or are engaging in transactions, acts, practices, or courses of business which operate, are operating or are about to operate as a fraud upon purchasers of securities as set forth above, in violation of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

100. The primary defendants' conduct involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of 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)].

THIRD CLAIM
AGAINST ALL PRIMARY DEFENDANTS

OFFER AND SALE OF UNREGISTERED SECURITIES
(Violations of Securities Act Sections 5(a) and (c))

101. Plaintiff repeats and realleges Paragraphs 1 through 94 above.

102. The primary defendants, directly and indirectly: (a) have made, are making or are about to make use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of a prospectus or otherwise as to which no registration statement has been filed with the COMMISSION and for which no exemption from

registration has been available; (b) for purposes of sale or delivery after sale, have carried and/or caused, are carrying and/or causing or are about to carry and/or cause to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement has been in effect and for which no exemption from registration has been available; and (c) have made, are making or are about to make use of means or instruments of transportation or communication in intestate commerce or of the mails to offer to sell through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed and for which no exemption from registration has been available.

103. By reason of the transactions, acts, practices and courses of business set forth herein, each of the primary defendants have violated, are violating or are about to violate Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

FOURTH CLAIM
AGAINST ALL PRIMARY DEFENDANTS EXCEPT KOONTZ AND ZONE

EFFECTING SECURITIES TRANSACTIONS FOR THE ACCOUNT OF OTHERS WITHOUT BEING REGISTERED WITH THE COMMISSION AS A BROKER-DEALER (Violations of Section 15(a) of the Exchange Act)

104. Plaintiff repeats and realleges Paragraphs 1 through 94 above.

105. At the various times since August 1997 through the present, each of the primary defendants, except Koontz and Zone, directly or indirectly: (i) have engaged, are engaging or about to engage in the business of effecting transactions in securities for the account of others; (ii) are either persons other than a natural person or a natural person not associated with a broker-dealer which is a person other than a natural person (other than such broker or dealer whose business is exclusively intrastate and who does not make use of any facility of any national securities exchange); have made, are making or are about to make use of the mails or any means or instrumentality of interstate

commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of any security (other than exempted) security or commercial paper, bankers' acceptances, or commercial bills) without being registered in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

106. By reason of the transactions, acts, omissions, practices and courses of business set forth herein, each of the primary defendants, except Koontz and Zone, violated, are violating or about to violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

FIFTH CLAIM
AGAINST ALL PRIMARY DEFENDANTS

CIVIL MONETARY PENALTIES
(Statutory Penalties for Violations of Sections 5(a) and (c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a) and (c) and 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder)

107. Plaintiff repeats and realleges Paragraphs 1 through 94 above.

108. The violations of defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp, and Fox of Sections 5(a) and (c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a) and (c) and 77q(a)] and Sections 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder and the violations of these defendants, except Zone and Koontz, of Section 15(a) of the Exchange Act [15 U.S.C. 78o(a)] involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons.

109. By reason of the foregoing, defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp, and Fox are liable for civil penalties 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. § 78(d)(3)] in an amount to be determined by the Court.

SIXTH CLAIM
UNJUST ENRICHMENT OF THE RELIEF DEFENDANTS

110. Plaintiff repeats and realleges Paragraphs 1 through 94 above.

111. Purr, M. Koontz, D. Gerodemos, Brooks, Smith, Chamich, Koral and Emanon have been unjustly enriched. They received the funds and/or assets described above under circumstances dictating that, in equity and in good conscience, they should not be allowed to retain them.

PRAYER FOR RELIEF

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

I.

Issue a Final Judgment permanently enjoining defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp and Fox, and each of them, from violating, directly or indirectly, singly or in concert:

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

b. Section 17(a) of the Securities Act [15 U.S.C. §77q(a)];

c. Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e]; and

d. Except defendants Koontz and Zone, Section 15(a) of the Exchange Act [15 U.S.C. § 77o(a)].

II.

Pending further order of this Court, issue an Order immediately freezing all funds and/or assets equal to funds and assets that relief defendants Brooks and Smith received from Koontz, Zone or D. Gerodemos since October 1, 1997, and otherwise preventing any disposition, transfer, dissipation or diminution in value whatsoever of any and all such assets.

III.

Issue a Final Judgment requiring defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp, and Fox to disgorge their ill-gotten gains, including prejudgment interest, with said monies and interest to be disbursed in accordance with a plan of distribution to be ordered by the Court.

IV.

Issue a Final Judgment requiring defendants Koontz, Zone, J. DeVille, M. DeVille, Private Pool, Fulcher, Dolan, Seppanen, Lapp, and Fox to pay civil money penalties 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)] in an amount to be determined by the Court.

V.

Issue a Final Judgment requiring relief defendants Purr, M. Koontz, D. Gerodemos, Brooks, Smith, Chamich, Koral and Emanon, and each of them, to disgorge an amount equal to the value of funds and/or assets they received from the primary defendants or relief defendants since August 1, 1997, plus prejudgment interest thereon, with such monies and interest to be disbursed in accordance with a plan of distribution to be ordered by the Court.

VI.

Issue a Final Judgment requiring each of the defendants to take such steps as are necessary to repatriate and deposit into the registry of the Court, within five (5) days of entry of Final Judgment, any funds and/or assets obtained directly or indirectly from U.S. investors in connection with the defendants' alleged activities, and that remain outside the United States as of the date of Final Judgment.

Ordering such other and further relief as this case may require and the Court deems appropriate.

Respectfully submitted,

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Dated: April 27, 1999

CERTIFICATE OF SERVICE

This certifies that, on April 27, 1999, I served copies of the **UNOPPOSED MOTION FOR LEAVE TO FILE FIRST AMENDED COMPLAINT, AND FOR SUPPLEMENTAL ORDER FREEZING ASSETS, AND L.R. 7.1(A)(2) CERTIFICATION, FIRST AMENDED COMPLAINT and two proposed Orders** as follows:

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