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CV 00 0970

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PLATT. 1

BOYLE M.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,)

Plaintiff,)

vs.)

WILLIAM GOREN, and)
NEW AGE FINANCIAL SERVICES, INC.,)

Defendants, and)

NEW TIMES SECURITIES SERVICES, INC.,)

Relief Defendant.)

Civil Action No.

KH 2/25/00

U.S. DISTRICT COURT
CLERK

2000 FEB 17 PM 12:02

✓ (A)

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges the following
against defendants William Goren ("Goren") and New Age Financial Services, Inc. ("New
Age"), and relief defendant New Times Securities Services, Inc. ("New Times"):

SUMMARY

1. Over the past 10 to 15 years, Goren conducted a Ponzi scheme that defrauded hundreds of investors, and caused investor losses currently estimated to be in excess of \$35 million.
2. Throughout the course of this Ponzi scheme, Goren solicited investors to purchase promissory notes. Investors purchased the notes from Goren as well as New Age, a corporation which Goren controls. Goren told investors that their funds would be used for a variety of business purposes, including venture capital. Goren generally promised investors a return ranging from 12% to 25% on the notes (and sometimes as high as 30%). After obtaining investors' funds, Goren deposited these monies into a New Age bank account.
3. During the course of the Ponzi scheme, Goren also solicited individuals to invest in a non-existent money market fund known as the "New Age Securities Money Market Fund." Goren promised investors a return of 1 to 1 1/2 points above what the investor could earn by depositing their funds in a bank account, and the promised return generally ranged from 5 1/4% to 6 1/2%. After Goren obtained investors' funds, Goren deposited them into a New Age bank account.
4. Goren then used investors' funds that had been deposited into the New Age bank account for a variety of undisclosed purposes. Goren used some of these funds to support a lavish life style. Goren also used investors' funds to finance other business activities. For instance, Goren is the President of New Times, a registered broker-dealer, and Goren used funds from New Age to finance New Times' operations. Finally, Goren used the funds of individuals who invested later in the Ponzi scheme: a) to pay interest and repay principal to earlier

promissory note investors; and b) to repay investors who wanted to sell their interests in the non-existent money market fund.

NATURE OF THE PROCEEDINGS AND THE RELIEF SOUGHT

5. The Commission brings this action pursuant to the authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b) and 77t(d), and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78u(d), to obtain a preliminary and permanent injunction against Goren and New Age, enjoining them from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(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 ("the antifraud provisions"). The Commission is seeking disgorgement, prejudgment interest, and civil penalties from Goren and New Age. The Commission is seeking disgorgement from New Times as a relief defendant because it received illicit proceeds from Goren's and New Age's unlawful conduct. The Commission is seeking an asset freeze with respect to Goren's, New Age's and New Times' assets; an accounting; and the appointment of a receiver for New Age and New Times. Finally, the Commission is seeking all other just and appropriate relief.

JURISDICTION AND VENUE

6. 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), 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

7. Venue lies in this court pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. 15 U.S.C. § 78aa. Certain of the acts, transactions and practices occurred in the Eastern District of New York. For instance,

investors who resided in King's County purchased promissory notes from Goren and/or New Age.

8. Goren and New Age, directly or indirectly, singly or in concert, made use of the means or instruments of transportation and 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.

STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED

9. Goren and New Age have engaged, and unless enjoined will continue to engage, directly or indirectly, in transactions, acts, practices, and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(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.

DEFENDANTS

10. Goren, age 54, resides in St. James, New York. Goren is the President and owner of New Times. Goren is a registered representative and registered principal with New Times. Goren is also the President of, and otherwise controls, New Age. Goren provides financial planning services through New Age.

11. New Age maintains offices at 534 Broadhollow Road, Melville, New York. New Age also has offices at One Croton Point Avenue, Croton-on-the-Hudson, New York and in New York City, New York. New Age was registered as an investment adviser with the Commission at certain times between 1995 and April 1998. New Age is not currently registered as an investment adviser with the Commission.

RELIEF DEFENDANT

12. New Times has offices at 535 Broadhollow Road, Melville, New York. New Times has been registered as a broker-dealer with the Commission pursuant to Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), since April 19, 1995. Goren owns 100% of New Times.

FACTS

A. Goren Offered and Sold Promissory Notes to Investors

13. In the mid to late 1980's, Goren worked as a financial planner and registered representative. Goren began selling promissory notes to business partners, as well as other friends, family members, and financial planning clients.

14. Initially, Goren solicited investors to purchase promissory notes and he told them he would use their funds to invest in bars. As will be discussed below, this representation was false. Goren used some of the proceeds from the sale of these notes for personal uses.

15. Goren promised these early investors a 12% to 14% return on their notes.

16. The terms of these notes varied, generally ranging from three months to one-year.

17. Goren and New Age continued to sell an increasing number of promissory notes to investors throughout the 1990's. Goren's representations regarding the intended uses of the proceeds from the sale of the notes changed over the years, as Goren attempted to devise new plausible explanations for his needs for additional funds.

18. During 1998 and 1999, Goren told investors that he would use their funds for venture capital, and he would invest the funds in other high risk opportunities. As described below, these representations were false.

19. In the late 1990's, the rate of interest Goren promised investors varied. Goren promised some investors an 18% to 25% return on their notes.

20. The terms of the notes continued to vary, generally ranging from three months to two years.

21. For instance, Goren solicited a friend of a friend to purchase a promissory note with a one-year term for \$10,000 on approximately July 28, 1999. Goren told this investor that her funds would be used for "venture capital," and invested in restaurants and other businesses. Goren promised her a return of 25% on her note.

22. Goren solicited another investor to purchase a promissory note with a one-year term for \$20,000 on approximately August 5, 1999. Goren told the investor that the money would be used for venture capital. Goren also told the investor that he could renew the note after the one-year term.

23. As more fully detailed below, Goren deposited investors' funds in a New Age bank account and did not use the proceeds from the sale of these notes as represented.

B. Goren Solicited Investments in the New Age Securities Money Market Fund and Other Mutual Funds

24. In approximately 1993, Goren also began soliciting individuals to invest in the "New Age Securities Money Market Fund."

25. Goren's representations to investors that he was selling shares of the New Age Securities Money Market Fund were false. The New Age Securities Money Market Fund did not, and does not, exist.

26. With respect to the purported New Age Securities Money Market Fund, Goren promised investors a return that was generally 1 to 1 1/2 points higher than they could earn by depositing their funds in a bank account. Goren generally promised investors a return between 5 1/4 % and 6 1/2 %.

27. Goren told investors he was able to obtain this higher rate of return for a variety of reasons. For instance, Goren told investors that he would not charge them commissions.

28. After Goren obtained investors' funds, he deposited them into a New Age bank account, and used the funds as described below.

29. Goren then sent the investors account statements on "New Age Securities Corporation" letterhead falsely reflecting the investors' balance in the purported money market account, and the interest rate they were earning during that period. The account statement also falsely reflected dividends received in the money market fund. Although its name was similar to that of New Age, "New Age Securities Corporation" was not a real business.

30. Goren also occasionally sent bogus account statements to investors on the letterhead of "New Times Securities Corporation." Although its name was similar to that of New Times, "New Times Securities Corporation" was not a real business.

31. For instance, Goren solicited an investor to deposit funds in the "New Age Securities Money Market Fund." Goren told the investor that her funds would earn approximately a 6% return. After she invested, Goren sent the investor account statements. For the period September 1, 1999 to September 30, 1999, the "New Age Securities Corporation" statement falsely indicated that the investor had \$15,749.34 invested in the New Age Securities Money Market Fund.

32. Through New Age, Goren also solicited investors to purchase interests in various genuine mutual funds. Once Goren received investors' funds, however, he would not actually invest in the mutual funds as represented. Instead, Goren deposited the funds into a New Age bank account and used the funds for other purposes, as described below.

33. To cover up his fraudulent conduct, Goren sent the investors account statements on New Age Securities Corporation letterhead that falsely indicated that the investors had purchased shares in a particular fund.

34. Goren participated in the preparation of the fraudulent New Age Securities Corporation and New Times Securities Corporation account statements. Goren purchased small interests in numerous mutual funds, which he had solicited his customers to purchase, so that Goren could determine what each fund's return was every month and when the funds were paying dividends. Goren would then used this information when he created the bogus account statements that he sent to customers.

D. Goren's Actual Use of Investment Proceeds

35. Goren did not use the proceeds from the sale of promissory notes, or the funds intended to be invested in the New Age Securities Money Market Fund or other mutual funds, as he represented.

36. Rather, as Goren obtained investors' funds, Goren deposited the funds into a New Age bank account. Goren then used these commingled funds for other purposes.

37. Goren used investor funds to pay his personal expenses and support his lavish lifestyle, including purchases of 20 automobiles.

38. Goren also used investors' funds to meet the ongoing cash needs of New Times. For instance, in 1998, Goren transferred approximately \$1,243,000 from a New Age bank

account to New Times. In 1999, Goren transferred approximately \$340,000 from a New Age bank account to New Times.

39. Goren used investors' funds to pay interest and/or repay principal to earlier promissory note investors.

40. Goren used investors' funds to repay earlier investors in the New Age Securities Money Market Fund, or individuals who had purportedly invested in the mutual funds, when these individuals wanted to sell their purported interests in these funds.

41. Over the past year, Goren spent approximately \$10 million of investors' funds servicing the debts he owed to other investors.

42. Hundreds of investors have purchased promissory notes or other purported securities from Goren, and these investors may currently be owed over \$35 million.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF AGAINST GOREN

Goren Engaged in A Scheme To Defraud Investors and He Made Material Misrepresentations and Omissions to Investors in Violation of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

43. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 42 above.

44. From approximately the mid-1980's through at least February 8, 2000,

Goren directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, in the offer or sale and in connection with the purchase or sale of securities,

knowingly or recklessly: (1) employed devices, schemes and artifices to defraud; (2) obtained money or property by means of, or otherwise made untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers of the securities and other persons.

45. As part, and in furtherance, of this fraudulent conduct, among other things, Goren, knowingly or recklessly: a) orchestrated a Ponzi scheme which defrauded the purchasers of promissory notes, purchasers of shares of the "New Age Securities Money Market Fund," and individuals who purportedly invested in other mutual funds; b) made material misrepresentations to investors regarding the intended use of the proceeds from the sale of the promissory notes; c) made material misrepresentations regarding the securities investors were purportedly purchasing; and d) failed to disclose material information to investors concerning Goren's and New Age's use of investors' funds.

46. Goren knew, or was reckless in not knowing, of the fraudulent activities described in Paragraphs 1 through 4, and 13 through 42 above.

47. The notes are securities as defined by Section 2(1) of the Securities Act, 15 U.S.C. § 77b(1), and Section 3(a)(10) of the Exchange Act, 15 U.S.C. § 78(a)(10).

48. By reason of the foregoing, Goren has, directly or indirectly, singly or in concert, violated, and unless permanently enjoined, will again violate Section 17(a) of the Securities Act, 15 U.S.C. § 77q(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.

SECOND CLAIM FOR RELIEF AGAINST NEW AGE

New Age Engaged in A Scheme To Defraud Investors and It Made Material Misrepresentations and Omissions to Investors in Violation of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

49. The Commission realleges and incorporates by reference the allegations in paragraphs 1 through 42 above.

50. From approximately the mid-1980's through at least February 8, 2000, New Age directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, in the offer or sale and in connection with the purchase or sale of securities, knowingly or recklessly: (1) employed devices, schemes and artifices to defraud; (2) obtained money or property by means of, or otherwise made untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers of the securities and other persons.

51. As part, and in furtherance, of this fraudulent conduct, among other things, New Age, knowingly or recklessly: a) participated in a Ponzi scheme which defrauded purchasers of promissory notes, purchasers of shares of the "New Age Securities Money Market Fund," and individuals who purportedly invested in other mutual funds; b) made material misrepresentations to investors regarding the securities they were purportedly purchasing; and c) failed to disclose material information to investors concerning New Age's use of investors' funds.

52. New Age knew, or was reckless in not knowing, of the fraudulent activities described in Paragraphs 1 through 4, and 13 through 42 above.

53. The notes are securities as defined by Section 2(1) of the Securities Act, 15 U.S.C. § 77b(1), and Section 3(a)(10) of the Exchange Act, 15 U.S.C. § 78(a)(10).

54. By reason of the foregoing, New Age has, directly or indirectly, singly or in concert, violated, and unless permanently enjoined, will again violate Section 17(a) of the Securities Act, 15 U.S.C. § 77q(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.

**THIRD CLAIM FOR RELIEF AGAINST
NEW TIMES AS RELIEF DEFENDANT**

55. The Commission realleges and incorporates the allegations contained in paragraphs 1 through 42 above.

56. Relief Defendant New Times has received at least \$1,583,000 from Goren and New Age during the period 1998 through 1999, which funds are the proceeds of the unlawful activities of Goren and New Age.

57. Relief Defendant New Times has obtained the funds alleged above as part of and in futherance of the securities violations alleged in paragraphs 1 through 42, and under circumstances in which it is not just, equitable or conscionable for New Times to retain the funds. As a consequence of the foregoing, relief defendant New Times has been unjustly enriched.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court grant:

I.

A preliminary and permanent injunction enjoining Goren and New Age, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(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.

II.

A Final Judgment requiring Goren and New Age to pay all ill-gotten gains that they obtained as a result of the violations alleged in this complaint, and to pay pre-judgment interest thereon.

III.

A Final Judgment requiring the relief defendant New Times to disgorge all investor funds unlawfully diverted to it by Goren and New Age, plus prejudgment interest on that amount.

IV.

A Final Judgment assessing civil money penalties against Goren and New Age 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.

An Order directing Goren, New Age and New Times to file with this Court and serve upon the Commission a verified accounting, signed by each of them under the penalty of perjury, of the funds received directly or indirectly from investors in the promissory notes, the New Age Securities Money Market Fund, and other purported investments in the mutual funds.

VI.

Preliminary orders freezing the assets of Goren, New Age, and New Times pendente lite.

VII.

An Order directing the appointment of a receiver for New Age and New Times.

VIII.

Such other and further relief as this Court deems necessary and appropriate.

Dated: February 16, 2000
New York, N.Y.

Respectfully submitted,

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