

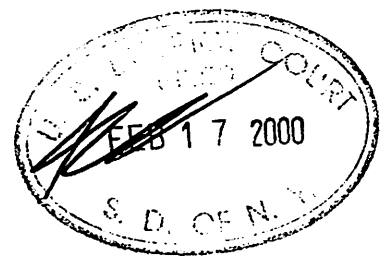
Carmen J. Lawrence (CL-9154)  
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PLAINT

DOC #1

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

ARON O. BRONSTEIN,  
TOMER M. YUZARY,  
ROMAN SAKHAROVICH, a/k/a ROMAN SAKH,  
IOSIF PAK, a/k/a JOSEPH PAK,  
and J.P. GIBBONS & CO., INC. f/k/a  
THE GOLDEN, LENDER FINANCIAL GROUP, INC.

Defendants.

-----X

**COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Aron O. Bronstein, Tomer M. Yuzary, Roman Sakharovich, a/k/a Roman Sakh, Iosif Pak, a/k/a Joseph Pak, and J.P. Gibbons & Co, Inc., f/k/a The Golden, Lender Financial Group, Inc. ("Golden Lender") (collectively, "Defendants"), alleges as follows:

**PRELIMINARY STATEMENT**

1. From at least January 1998 through November 1999, Golden Lender, a registered broker-dealer, and the other Defendants conducted a fraudulent offering of Golden Lender stock.

Acting at the direction of Bronstein and Yuzary, Sakh and Pak sold Golden Lender stock to retail customers -- including many elderly and infirm customers of modest means -- by means of a high pressure sales pitch that included numerous material misrepresentations and omissions. Among other things, Defendants falsely represented that Golden Lender would soon conduct an initial public offering ("IPO") of its common stock and that investors would reap a significant profit once the firm went public. Defendants also failed to inform the investors of the risks associated with investing in Golden Lender, including those relating to Golden Lender's precarious financial condition. Golden Lender has suffered losses from the start and is in such weak financial condition that its auditors have expressed doubts about its ability to continue as a going concern. Contributing to the firm's poor financial condition is the exorbitant compensation paid to its owners, Bronstein and Yuzary. Further, Defendants recommended and sold Golden Lender stock to numerous customers for whom it was not a suitable investment.

2. As a result of Defendants' fraudulent conduct, from January 1998 through November 1999, Golden Lender raised at least \$5,270,000 from approximately 160 investors. From 1997 through 1999, Bronstein and Yuzary gave themselves compensation and other payments totaling at least \$6,600,000.

3. The sales of Golden Lender stock violated the antifraud provisions of the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 ("Exchange Act"), as well as the registration provisions of the Securities Act. Defendant Golden Lender violated Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77(e)(a), 77e(c) and 77q(a), and Sections 10(b) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78o(c), and Rules 10b-3, 10b-5 and 15c1-2 thereunder, 17 C.F.R. §§ 240.10b-3, 240.10b-5, and 240.15c1-2.

Defendants Bronstein, Yuzary, Sakh and Pak violated Sections 5(a), 5(c) and 17(a) of the Securities Act, 15 U.S.C. §§ 77(e)(a), 77e(c) and 77q(a), and 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. Bronstein and Yuzary, as controlling persons of Golden Lender, also violated Sections 10(b) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78o(c), and Rules 10b-3 and 15c1-2 thereunder, 17 C.F.R. §§ 240.10b-3 and 240.15c1-2.

4. Defendants Bronstein, Yuzary, Sakh, Pak and Golden Lender, unless enjoined and restrained by this Court, will continue to engage in the transactions, acts, practices and courses of business alleged herein, and in transactions, acts, practices, and courses of business of a similar type and object.

5. By this action, the Commission seeks permanent injunctive relief, disgorgement, and civil money penalties under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 ("Remedies Act"), 15 U.S.C. §§ 77t(d) and 78u(d)(3), and other relief.

#### **JURISDICTION**

6. The Commission brings this action pursuant to authority conferred 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). 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(e) and 27 of the Exchange Act, 15 U.S.C. §§ 77u(e) and 78aa.

7. Each of the Defendants, directly and indirectly, singly and in concert, has made use of the means or instruments of transportation or communication in, and the means and instrumentalities of, interstate commerce and the mails in connection with the transactions, acts,

practices and courses of business alleged in this Complaint.

### **THE DEFENDANTS**

8. **Golden Lender** is currently, and has been since May 1996, registered with the Commission as a broker-dealer. It is currently, and has been since May 1996, a member firm of the National Association of Securities Dealers, Inc. Since May 1997, Golden Lender's offices have been located in midtown Manhattan at 711 Third Avenue, 18th floor. The firm's offices were previously located on Brighton Beach Avenue in Brooklyn. On or about July 20, 1999, Golden Lender's name was changed to J.P. Gibbons & Co., Inc.

9. **Bronstein**, age 29, is a resident of Alpine, New Jersey. Bronstein entered the securities industry in 1992. From 1992 through 1996, Bronstein worked at eight different broker-dealers. At all relevant times, Bronstein, along with Yuzary, controlled Golden Lender and beneficially owned the majority of its stock.

10. **Yuzary**, age 30, is a resident of Tenafly, New Jersey. Yuzary entered the securities industry in 1992. From 1992 through 1996, Yuzary worked at eleven different broker-dealers. At all relevant times, Yuzary, along with Bronstein, controlled Golden Lender and beneficially owned the majority of its stock.

11. **Sakh**, age 22, is a resident of Staten Island, New York. From May 1996 through November 1999, Sakh was employed as a registered representative at Golden Lender. At various times during the relevant period, Sakh was designated a vice president and a director of Golden Lender.

12. **Pak**, age 23, is a resident of New York, New York. Since May 1996, Pak has been employed as a registered representative at Golden Lender. At various times during the

relevant period, Pak was designated a director or managing director of Golden Lender.

## **DEFENDANTS' FRAUDULENT SCHEME**

### **Background**

13. Golden Lender was founded in 1995 and purportedly commenced operations in May 1996. The firm earns substantially all of its income from brokerage commissions earned on transactions in exchange-listed securities executed on behalf of retail customers. Golden Lender acts as an introducing broker in the transactions it executes; all transactions are cleared by its clearing broker. Upon information and belief, as of July 15, 1999, the firm employed fourteen sales associated persons, having gone through periods of substantial expansion and contraction of its sales force.

14. At all relevant times, Bronstein and Yuzary together controlled all aspects of Golden Lender's business, including the fraudulent sales of Golden Lender stock. Bronstein and Yuzary controlled the firm and its representatives, including Sakh and Pak, through intimidation and their power to fire and determine compensation. Bronstein and Yuzary fostered an atmosphere of intimidation and violence at Golden Lender. They frequently subjected employees to verbal abuse and threats. On occasion, they hit employees with objects such as a small baseball bat or put them in wrestling holds. Bronstein and Yuzary also controlled Golden Lender's sales force by taking away lucrative accounts, withholding paychecks and otherwise controlling their compensation. In addition to directing and controlling Golden Lender's brokerage business, Bronstein and Yuzary directed and controlled the sales of Golden Lender stock. They decided which Golden Lender representatives would sell Golden Lender stock, the price at which Golden Lender would sell its stock, and the customers to whom Golden Lender

would sell its stock. Bronstein and Yuzary also monitored and directed the content of Sakh's and Pak's solicitations of purchases of Golden Lender stock.

### **The Offering**

15. Golden Lender has been losing money since it commenced operations and has survived primarily by raising funds through the issuance and sale of common stock. From January 1998 through November 1999, Golden Lender sold approximately 612,230 shares of its own stock, at prices ranging from \$5.00 to \$10 per share. Although Golden Lender claimed that these sales were exempt from registration under Section 4(2) of the Securities Act and Regulation D promulgated thereunder, no such exemption applied. No registration statement was ever filed with the Commission or in effect with respect to sales of Golden Lender stock.

### **Defendants' Fraudulent Solicitation of Purchases of Golden Lender Stock**

16. From at least January 1998 through November 1999, Sakh and Pak, acting at the direction of Bronstein and Yuzary: (a) solicited existing Golden Lender brokerage customers to buy Golden Lender stock by means of a high pressure sales pitch that included numerous misrepresentations and material omissions; and (b) recommended and sold Golden Lender stock to customers for whom it was clearly unsuitable while misrepresenting, or without disclosing, the risks of the investment.

17. At the direction of Bronstein and Yuzary, Sakh and Pak made false representations to investors about a prospective IPO and the expected rise in the price of Golden Lender stock following such an offering. From at least January 1998 through November 1999, they routinely told investors that there would be an IPO within three to four months and

predicted that at the time of the IPO the price of the investors' stock would, at a minimum, double.

18. Sakh's and Pak's representations about an imminent IPO and the projected increase in Golden Lender's stock price were false and without any basis in fact. Golden Lender never made a public offering, never made any filings with the Commission regarding a public offering, never hired an underwriter, and, upon information and belief, did not otherwise take any substantial steps toward commencement of a public offering. In addition, the firm's poor financial condition, and restrictions on its business, made an IPO and the projected rise in the stock price extremely unlikely.

19. At the direction of Bronstein and Yuzary, Sakh and Pak also failed to disclose to investors facts about the risk of investing in Golden Lender, including:

- Golden Lender's history of losses and precarious financial condition;
- the fact that a substantial portion of the funds raised had gone, and would continue to go, to Bronstein and Yuzary; and
- the fact that Golden Lender was subject to numerous lawsuits and arbitrations, which exposed it to substantial contingent liabilities, including suits by several shareholders relating to their purchase of Golden Lender stock.

20. Golden Lender had suffered losses throughout its operating history. At the end of 1997, Golden Lender had an accumulated deficit of \$870,812, which grew to \$3,623,700 by the end of 1998. The firm's poor financial condition was caused in large part by the exorbitant compensation, and other funds, paid to Bronstein and Yuzary.

21. As the table below shows, in 1997 and 1998, Bronstein and Yuzary received the

bulk of the funds the firm earned or raised. In each of 1997 and 1998, Bronstein and Yuzary each received approximately \$1,000,000 in compensation, despite the firm's poor financial condition. In addition to their compensation, in 1997, Bronstein and Yuzary each borrowed \$500,000 from Golden Lender. The resulting debt to the firm was extinguished in January 1999, in exchange for Bronstein and Yuzary's return to the firm of some of their stock. In addition, on or about October 18, 1998, Bronstein and Yuzary each received \$300,000, representing the proceeds of the repurchase of some of their Golden Lender stock by the firm.

**Golden Lender Financial Condition**

	<b><u>FY 1998</u></b>	<b><u>FY 1997</u></b>	<b><u>FY 1996</u></b>
<b>Operating Revenues</b>	\$4,970,707	\$4,964,786	\$441,632
<b>Funds to Bronstein/Yuzary</b>	\$2,597,600	\$3,025,975	≈\$189,000
<b>Net Income(Loss)</b>	(\$2,752,900)	(\$72,800)	(\$547,698)
<b>Funds Raised Through Sale of Stock</b>	\$2,932,128	\$1,996,000	\$998,002
<b>Accumulated Deficit</b>	(\$3,623,700)	(\$870,812)	(\$797,997)

The firm continued to lose money in 1999, suffering a net loss of \$2,342,961 during the nine-month period ending September 30, 1999. Nonetheless, in 1999, Bronstein and Yuzary each received approximately \$500,000 in compensation, in addition to having their \$500,000 loans forgiven.

22. In addition to its actual losses, Golden Lender had substantial contingent liabilities. By at least the end of 1997, the firm was subject to numerous lawsuits and



arbitrations, which exposed it to substantial liabilities. By at least the end of 1998, the lawsuits included suits by shareholders alleging misrepresentations in connection with their purchase of Golden Lender stock. As a result of the firm's contingent liabilities, recurring losses, and other factors, in their reports on Golden Lender's financial statements for the years ended December 31, 1996 and December 31, 1998, Golden Lender's auditors expressed substantial doubts about the firm's ability to continue as a going concern.

23. The facts about Golden Lender's history of losses and precarious financial condition, Bronstein's and Yuzary's compensation, the substantial contingent liabilities, and the unlikelihood of a public offering and accompanying rise in the price of Golden Lender stock were known to, or readily ascertainable by, Defendants. These facts were set forth in documents including Golden Lender's audited financial statements and a "Confidential Private Placement Memorandum" prepared in or about March 1, 1999 and supplemented thereafter. These documents were generally not provided to investors until after they purchased Golden Lender stock, if at all. The facts about Golden Lender's history of losses and precarious financial condition, Bronstein's and Yuzary's compensation, the substantial contingent liabilities, and the unlikelihood of a public offering and accompanying rise in the price of Golden Lender stock were not otherwise disclosed to investors prior to their purchase of Golden Lender stock.

24. At the direction of Bronstein and Yuzary, Sakh and Pak also recommended Golden Lender stock to customers for whom it was clearly unsuitable. These customers had limited financial means, limited investment experience, and conservative investment objectives. Many were in their 70s or 80s, and/or were retired, and were living on fixed incomes. Most had never before invested in unregistered stock. At the direction of Bronstein and Yuzary, Sakh and

Pak induced many of these investors to invest substantially all of their assets in Golden Lender stock, although the Defendants knew, or recklessly disregarded, that the investment was unsuitable.

25. At the direction of Bronstein and Yuzary, Sakh and Pak falsely represented to the Golden Lender customers to whom they recommended an investment in Golden Lender stock that the investment was suitable for the customer and failed to disclose to such customers the risks associated with the investment, set forth at paragraphs 19 through 23 above.

26. Set forth below are illustrative examples of instances in which, at the direction of Bronstein and Yuzary, Sakh and Pak fraudulently induced Golden Lender customers to purchase Golden Lender stock:

a. Investor No. 1 is an 80-year-old retiree. Prior to this investors's retirement five years ago, he worked as a delivery person for a pharmacy, earning \$10,000 per year. He currently lives on a monthly social security payment of \$625. Sakh told Investor No. 1 that Golden Lender was planning an IPO and that the stock would open on the market for over \$20 a share. Based on Sakh's solicitation, Investor No. 1 purchased shares of Golden Lender three times, in March, May and September of 1999. He purchased a total of 3,200 shares at \$10 per share. This \$32,000 investment represented virtually all of Investor No. 1's savings.

b. At Sakh's recommendation, Investor No. 2, an 83-year-old retired chemistry professor, purchased 7,000 shares of Golden Lender common stock for \$70,000 in June 1998. This purchase amounted to approximately 75% of Investor No.2's liquid net worth. To induce Investor No. 2 to purchase shares of Golden Lender stock, Sakh told

Investor No. 2 that Golden Lender had planned an IPO for August 1998 and that the price of his shares would double when the IPO occurred.

c. Investor No. 3, a 63-year-old retired maintenance supervisor with annual income of \$30,000, purchased 22,000 shares of Golden Lender stock for \$220,000 in September 1998. Sakh represented to Investor No. 3 that the company was planning an IPO in approximately three months and that there would be a "run-up" in the price of the stock at that time. Based on these representations, Investor No. 3 agreed to purchase shares of Golden Lender stock. At Sakh's urging, Investor No. 3 liquidated all the holdings in his Individual Retirement Account -- representing almost his entire liquid net worth -- to purchase the Golden Lender stock.

d. Investor No. 4, a 70-year-old retiree, invested \$5,000 in Golden Lender stock in May 1999. The investment represented all of his savings. Investor No. 4's income, which was from social security and a pension, amounted to \$37,000 per year. Sakh told Investor No. 4 that Golden Lender would go public within three or four months, that purchasing Golden Lender private placement shares was a great deal, and that Investor No. 4 would more than double his investment. Sakh also told Investor No. 4 that an investment in Golden Lender stock entailed no risk.

e. Investor No. 5 purchased shares of Golden Lender stock on two occasions. In March 1999, he purchased 2,000 shares for \$20,000 from a Golden Lender registered representative. In June 1999 he purchased 1,000 shares for \$10,000 from Pak. At the time of the purchases, this investor was approximately 68 years old; one month before his second purchase he had suffered a stroke. Investor No. 5's only income was from social

security and dividends on stock held in his Golden Lender account. In order to finance the purchases of Golden Lender stock, this investor sold the stock that had been generating his dividend income. Investor No. 5 had not previously purchased unregistered stock.

f. Investor No. 6 invested approximately \$600,000 -- his life savings -- in Golden Lender stock. At the time, he was 79 years old and retired. This investor had been living on dividends generated by the blue-chip stock he had accumulated during his 40-year career with the issuer, a well-known company. Sakh sold all of Investor No. 6's blue-chip stock, which had been held in his account at Golden Lender, to purchase Golden Lender stock.

#### **FIRST CLAIM FOR RELIEF**

#### **VIOLATIONS OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT, 15 U.S.C. §§77e(a) AND 77e(c)**

27. Plaintiff realleges and incorporates Paragraphs 1 through 26 as if fully set forth herein.

28. From at least January 1998 through November 1999, while no registration statement was filed with the Commission or was in effect, Defendants, directly or indirectly, offered and sold approximately 612,230 shares of Golden Lender stock to the public.

29. In offering and selling the shares of Golden Lender stock, Defendants used means or instruments of transportation or communication in interstate commerce, or the mails.

30. By reason of the foregoing, Defendants engaged and, unless enjoined will continue to engage, directly or indirectly in transactions, acts, practices and courses of business

which constitute violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

**SECOND CLAIM FOR RELIEF**

**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 THEREUNDER, 17 C.F.R. § 240.10b-5**

31. Plaintiff realleges and incorporates Paragraphs 1 through 30 as if fully set forth herein.
32. The Golden Lender stock is a security within the meaning of 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. § 78c(a)(10).
33. From at least January 1998 through November 1999, Defendants, directly and indirectly, singly or in concert, in the offer or sale, and in connection with the purchase or sale, of securities, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, and the mails: (a) employed devices, schemes, and artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices and courses of business which operated as a fraud or deceit upon purchasers of Golden Lender stock.
34. As part and in furtherance of the aforementioned conduct, and as more fully described in paragraphs 16 through 26 above, Defendants knowingly or recklessly made false

and misleading statements, and omitted to state facts necessary to make statements made not misleading, to purchasers and prospective purchasers of Golden Lender stock.

35. By reason of the foregoing, Defendants violated 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**

#### **VIOLATIONS OF SECTIONS 10(b) AND 15(c)(1) OF THE EXCHANGE ACT, 15 U.S.C. §§ 78j(b) AND 78(o)(c)(1), AND RULES 10b-3 AND 15c1-2 THEREUNDER, 17 C.F.R. §§ 240.10b-3 AND 240.15c1-2**

36. Plaintiff realleges and incorporates Paragraphs 1 through 35 as if fully set forth herein.

37. From at least January 1998 through November 1999, Golden Lender, acting as a broker or dealer, as a result of the acts and omissions more fully described in paragraphs 16 through 26 above, directly or indirectly, by use of the means or instrumentalities or interstate commerce and the mails in connection with the sales of securities (other than commercial paper, banker's acceptances or commercial bills) other than on a national securities exchange: (a) used or employed acts, practices and courses of business which operated as a fraud or deceit upon the purchasers of Golden Lender stock; and (b) made untrue statements of material facts 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, with knowledge or reasonable grounds to believe that such statements or omissions were untrue or misleading.

38. At all relevant times, Bronstein and Yuzary were each controlling persons of

Golden Lender, within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. 78t(a).

39. By reason of the foregoing, Golden Lender directly, and Bronstein and Yuzary as controlling persons of Golden Lender, violated Sections 10(b) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78o(c)(1), and Rules 10b-3, and 15c1-2 thereunder, 17 C.F.R. §§ 240.10b-3 and 240.15c1-2.

### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff Commission respectfully requests that this Court enter a final judgment:

A. Permanently restraining and enjoining Defendants Golden Lender, Bronstein and Yuzary from, directly or indirectly, singly or in concert, violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), Sections 10(b) and 15(c) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78o(c), and Rules 10b-3, 10b-5, and 15c1-2 thereunder, 17 C.F.R. §§ 240.10b-3, 240.10b-5, and 240.15c1-2.

B. Permanently restraining and enjoining Defendants Sakh and Pak from, directly or indirectly, singly or in concert, violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(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.

C. Directing Defendants, jointly and severally, to disgorge their ill-gotten gains from their unlawful conduct, plus prejudgment interest thereon.

D. Directing Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

E. Granting such other and further relief as the Court may deem appropriate.

Dated: February 17, 2000  
New York, New York

  
CARMEN J. LAWRENCE (CL-9154)  
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