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U.S. DISTRICT COURT  
EASTERN DISTRICT  
NEW YORK

J.R.  
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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

PLAINT

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

RENAISSANCE CAPITAL MANAGEMENT, INC.,  
NNPD ESCROW HOLDING CO., INC., ALLEN  
ANDRESCU, RICHARD BROWER, MARK COATES,  
VIKRAM RANDHAWA, and TEJBIR SINGH,

Defendants,

ANA ANDRESCU, JON ANDRESCU, and MAGIC  
KNITS, LTD,

Relief Defendants.

POHORELSKY, M  
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COMPLAINT AND  
JURY DEMAND

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Defendants Renaissance Capital Management, Inc. ("Renaissance"), NNPD Escrow Holding Co., Inc. ("NNPD Escrow"), Allen Andrescu ("Andrescu"), Richard Brower, Mark Coates, Vikram Randhawa, and Tejbir Singh (collectively, "Defendants"), and against Relief Defendants Ana Andrescu ("A. Andrescu"), Jon Andrescu ("J. Andrescu"), and Magic Knits, Ltd. ("Magic Knits") (collectively, "Relief Defendants"), alleges as follows:

## NATURE OF THE ACTION

1. From at least October 1997 to at least March 1999 (the "Relevant Period"), Defendants used "boiler-room" sales tactics to dupe at least 89 investors into paying an aggregate of over \$2.4 million for unregistered common stock of NNPД Textiles, Inc. ("NNPD") -- an unprofitable, family-owned knitting business ("NNPD Offering"). Defendants persuaded people to buy NNPД stock by misrepresenting, among other things, that: (a) investors would be able to sell their NNPД stock for a substantial profit in a contemplated initial public offering ("IPO"); (b) most of the money invested in NNPД would be used to buy equipment or as working capital; and (c) NNPД projected substantial and growing future revenues. These misrepresentations were made orally or in a private placement memorandum ("PPM") distributed to investors. In fact, there was no real possibility that NNPД would successfully conduct an IPO, NNPД received only \$100,000 of the over \$2.4 million raised in the NNPД Offering, and the revenue projections were utterly without basis in fact. The individual Defendants, through Defendants Renaissance and NNPД Escrow, received the bulk of the proceeds of the NNPД Offering, either as exorbitant, undisclosed commissions or as direct payments for personal expenses, including gambling junkets to Atlantic City and a trip to Hawaii by Andrescu.

2. Although the PPM for the NNPД Offering contained representations that the NNPД stock could lawfully be sold without being registered in reliance on various exemptions from the registration requirements of Section 5 of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77e, in fact the NNPД Offering did not qualify for any exemption from registration.

## VIOLATIONS

3. Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh, directly or 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 Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, the registration and antifraud provisions of the federal securities laws.

## JURISDICTION AND VENUE

4. 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), to obtain a final judgment that: (a) permanently enjoins Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh from violating the registration and antifraud provisions of the federal securities laws; (b) requires each Defendant and Relief Defendant to provide an accounting of each’s assets and ill-gotten gains; and (c) directs each Defendant and Relief Defendant to disgorge each’s ill-gotten gains and to pay prejudgment interest thereon. The Commission also brings this action 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), to obtain a final judgment imposing civil penalties against each of the Defendants.

5. 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.

6. The Defendants, 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 Eastern District of New York, including the offer and sale of NNPD securities from Renaissance's offices in Farmingdale, New York.

### **THE DEFENDANTS**

7. Renaissance is a New York corporation that was incorporated by Andrescu on April 8, 1997. Until April 1999, Renaissance had offices in Farmingdale, New York. Although Renaissance was not itself registered with the Commission as a broker-dealer, during the Relevant Period, it functioned as a branch office of four different registered broker-dealers.

8. NNPD Escrow is a New York corporation that was incorporated by Andrescu on October 6, 1997. On October 8, 1997, Andrescu opened an account in NNPD Escrow's name at Chase Manhattan Bank ("Chase"). Andrescu and his father, J. Andrescu, were sole signatories of the Chase account. On or about January 13, 1999, Andrescu transferred the NNPD Escrow account from Chase to HSBC/Marine Midland ("HSBC"). On or about February 11, 1999, Andrescu opened another account in NNPD Escrow's name at Fleet Bank ("Fleet"). Andrescu was the sole signatory of the HSBC and Fleet accounts. Andrescu, directly or indirectly, deposited all investor funds in NNPD Escrow's various bank accounts.

9. Andrescu, age 25, lived in Long Beach, New York during the Relevant Period. Andrescu is the Chief Executive Officer ("CEO") and sole owner of Renaissance, and is the CEO and President of NNPD Escrow. His whereabouts are currently unknown.

10. Brower, age 26, lives in Merrick, New York. Brower was employed by Renaissance from May 1997 to June 1998. Since December 1999, Brower has been a registered representative of Continental Broker-Dealer Corp., a registered broker-dealer.

11. Coates, age 28, lives in Hempstead, New York. Coates was employed by Renaissance from May 1997 to January 1998. Since February 2000, Coates has been a registered representative of Wolff Investment Group, a registered broker-dealer.

12. Randhawa, age 29, lived in Albertson, New York during the Relevant Period. From June 1997 to March 1999, Randhawa managed the day-to-day operations of Renaissance. His whereabouts are currently unknown.

13. Singh, age 22, lives in West Babylon, New York. Singh was employed by Renaissance from February 1998 to June 1998. He used the name Raj Nanvaan when speaking with investors. Since July 1998, Singh has been a registered representative of Baxter Banks & Smith, Ltd. ("Baxter Banks"), a registered broker-dealer, and is currently branch manager of Baxter Banks' branch office in Flushing, New York.

#### **THE RELIEF DEFENDANTS**

14. A. Andrescu, age 48, is Andrescu's mother and lives in Massapequa, New York. A. Andrescu received at least \$19,500 from the NNPD Escrow accounts.

15. J. Andrescu, age 52, is Andrescu's father and lives in Massapequa, New York. J. Andrescu received at least \$9,900 from the NNPD Escrow accounts.

16. Magic Knits, a knitting business, is a New York corporation with facilities in Brooklyn, New York. Magic Knits is wholly owned by J. Andrescu. Magic Knits has received at least \$66,000 from the NNPD Escrow accounts.

### **OTHER RELEVANT ENTITY**

17. NNPD, a New York corporation, was formed in 1996 by Neil and Nada Srbu (collectively, the "Srbus") -- long time friends of the Andrescu -- as a vehicle through which to operate the Srbus' sweater finishing business. Nada Srbu was the president and sole shareholder of NNPD. Neil Srbu was the secretary and treasurer of NNPD. NNPD had never been profitable and, during the Relevant Period, owed approximately \$30,000 in back payroll taxes. NNPD securities have never been registered with the Commission.

### **DEFENDANTS' FRAUDULENT OFFER AND SALE OF NNPD SECURITIES**

18. During late 1996 and early 1997, Andrescu told the Srbus that he was opening his own brokerage firm and offered to raise money for NNPD. Given NNPD's financial difficulties, the Srbus doubted whether Andrescu would be successful in raising money. Nevertheless, the Srbus agreed to allow Andrescu to try and, at Andrescu's request, gave him NNPD's corporate book and seal. Andrescu then drafted, or directed others to draft, a PPM that described the terms of the NNPD Offering purportedly as a private placement made pursuant to the Regulation D, Rules 505 and 506, exemptions from the registration requirements of Section 5 of the Securities Act, 17 C.F.R. §§ 230.505, 230.506. The PPM is internally inconsistent about the size of the NNPD offering, as the PPM states that the offering was for only \$1 million but also represents that the offering was for 500,000 shares at \$4 per share, which equals \$2 million.

19. During the Relevant Period, Renaissance employed as many as fifteen registered representatives and as many as six cold-callers at any one time. All of the registered representatives and cold-callers sat in one large room equipped with desks and telephones. To convince customers to open accounts with Renaissance, Andrescu and Randhawa trained

Renaissance representatives initially to solicit customers to open accounts and invest in well-known stocks. Once customers had opened accounts with Renaissance, however, Andrescu, Brower, Coates, Randhawa, Singh and others began calling those investors and soliciting them to buy stock in the NNPD Offering.

20. When investors agreed to invest in the NNPD Offering, Andrescu, Randhawa, Brower, Coates and Singh, orally, and through letters confirming investments in the NNPD Offering, instructed investors to make their checks payable, or to wire their money, to NNPD Escrow. The purpose of this instruction was to lead investors to believe that their investments were being paid into an escrow account when, in fact, investor funds were being deposited into Andrescu-controlled NNPD Escrow accounts.

21. Once investors sent their money to the NNPD Escrow account, Andrescu, Randhawa, Brower, Coates and Singh, directly or indirectly, sent investors an NNPD stock certificate that, while purportedly signed by the Srbus in their roles as officers of NNPD, was forged by Andrescu or by someone at his direction.

***Oral Misrepresentations Made to Solicit Investments in the NNPD Offering***

22. In soliciting investors over the telephone to purchase stock in the NNPD Offering, Andrescu, Brower, Coates, Randhawa, and Singh represented to investors that:

- a) NNPD was planning an IPO of its common stock within three to six months;
- b) investors who purchased NNPD stock for \$4 per share in the private placement would be able to sell that stock for at least \$10 per share in the IPO; and

- c) if the NNPD IPO did not commence at \$10 per share, Renaissance would return investor funds, plus interest.

23. The statements to investors contained in Paragraph 22 were materially false and misleading because: (a) there was no reasonable basis in fact for the representations that NNPD would be able to conduct an IPO of its stock within three to six months; (b) there was no reasonable basis in fact for the representation that investors would be able to sell NNPD stock for at least \$10 per share; and (c) there was no reasonable basis in fact for the representation that Renaissance would be able to return investor funds if the IPO did not take place, because Andrescu was spending investor funds as they came in.

24. Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh knew, or were reckless in not knowing, that the representations set forth in Paragraph 22 were false and misleading.

*Misrepresentations Contained in the PPM*

25. Upon soliciting investors to invest in the NNPD Offering, Andrescu, Brower, Coates, Randhawa, Singh, and others, sent, or directed others to send, the PPM to investors. The PPM contains additional misrepresentations about the NNPD Offering. Specifically, the PPM fraudulently represents, among other things, that:

- a) the PPM had been prepared by NNPD;
- b) funds raised in the NNPD Offering would be deposited into an escrow account, and held there until they were utilized by NNPD;



- c) NNPD's future revenues for 1998, 1999, 2000, 2001, and 2002 would be \$1.8 million, \$2.25 million, \$2.81 million, \$3.51 million, and \$4.39 million, respectively;
- d) approximately 74.5% of the NNPD Offering proceeds would be used by NNPD to purchase new equipment and as working capital; and
- e) no more than 10% of the amount raised in the NNPD Offering would be used to pay commissions or finders fees in connection with the offering.

26. The statements to investors contained in Paragraph 25 were materially false and misleading because: (a) the PPM had not been prepared or reviewed by NNPD; (b) instead of being deposited into and retained in an escrow account, investor funds were deposited into and diverted from a checking account of NNPD Escrow, a company controlled by Andrescu; (c) the revenue projections lacked any reasonable basis in fact, and continued to be used in 1999, after NNPD had operated at a loss in 1998; (d) Defendants never intended to pay 74.5% of the offering proceeds to NNPD; and (e) Andrescu agreed to pay, and paid, Brower, Coates, Randhawa, and Singh \$1.00 to \$1.50 per share of NNPD stock sold, or 25% to 37.5% of the offering proceeds, as compensation for selling NNPD stock.

27. Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh knew, or were reckless in not knowing, that the PPM contained false and misleading representations.

***Additional Misrepresentations Made to Conceal the Fraud and Continue the Offering***

28. When investors in the NNPD Offering complained about delays in the promised NNPD IPO, Renaissance, Andrescu, Randhawa, and Singh made material misrepresentations to conceal the fraud and to allow the fraudulent NNPD Offering to continue. Specifically,

- a) Singh told investors that NNPD was attempting to expand its marketing capabilities by obtaining an 800 telephone number and creating an internet web site that would drive the IPO higher than \$10 per share.
- b) Randhawa and Singh told investors that it was taking more time than expected to obtain the necessary “license certification” from the Commission and the NASD.
- c) Andrescu and Singh told investors that, due to market conditions, it was a poor time for IPOs in general.
- d) Andrescu told investors that NNPD was attempting to merge with another company and the merger would cause the IPO price to increase.

29. Each of the statements described in Paragraph 28 was materially false and misleading and were made simply to allay concerns raised by investors.

30. Renaissance, NNPD Escrow, Andrescu, Randhawa and Singh knew, or were reckless in not knowing, that each of the representations or omissions, described in Paragraph 28 was false and misleading.

## **FIRST CLAIM FOR RELIEF**

### **Violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act, and Rule 10b-5 Thereunder**

**(Against Defendants Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh)**

31. The Commission repeats and realleges the allegations contained in Paragraphs 1 through 30 by reference as if fully set forth herein.

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

33. As part of and in furtherance of this violative conduct, Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa and Singh, directly or indirectly, made the representations alleged in Paragraphs 22 and 28, above, and sent the NNPD PPM containing the material misrepresentations alleged in Paragraph 25, above, to investors.

34. The false statements and omissions made by Defendants, more fully described in Paragraphs 22, 25, and 28, above, were material.

35. The Defendants knew, or were reckless in not knowing, that the material misrepresentations, more fully described in Paragraphs 22, 25, and 28, above, were false or misleading.

36. By reason of the acts, omissions, practices, and courses of business set forth in this Complaint, Defendants have violated and, unless restrained and enjoined, will again violate, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5.

### **SECOND CLAIM FOR RELIEF**

#### **Violations of Sections 5(a) and 5(c) of the Securities Act**

(Against Defendants Renaissance, NNPD Escrow, Andrescu,  
Brower, Coates, Randhawa, and Singh)

37. The Commission realleges and incorporates Paragraphs 1 through 30 by reference as if fully set forth herein.

38. Defendants Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh, directly and indirectly, singly and in concert, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available.

39. By reason of the foregoing, Defendants Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh, violated and, unless restrained and enjoined, will again violate, Sections 5(a) and 5(c) of the Securities Act.

### **THIRD CLAIM FOR RELIEF**

#### **Unjust Enrichment**

(Against Relief Defendants A. Andrescu, J. Andrescu, and Magic Knits)

40. The Commission realleges and incorporates Paragraphs 1 through 30 by reference as if fully set forth herein.

41. None of the Relief Defendants provided NNPD with any consideration for the money paid to them from the proceeds of sales of NNPD stock.

42. The Relief Defendants obtained proceeds of Defendants' sale of NNPD stock under circumstances in which it is not just, equitable, or conscionable for the Relief Defendants to retain those funds. As a consequence of the foregoing, the Relief Defendants have been unjustly enriched.

#### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff respectfully requests that this Court:

##### **I.**

Enter a Final Judgment permanently enjoining Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh, their officers, agents, servants, employees, attorneys-in-fact, 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, directly or indirectly, Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5.

**II.**

Enter a Final Judgment permanently enjoining Renaissance, NNPD Escrow, Andrescu, Brower, Coates, Randhawa, and Singh, their officers, agents, servants, employees, attorneys-in-fact, 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, directly or indirectly, Sections 5(a) and (c) of the Securities Act.

**III.**

Enter a Final Judgment requiring each of the Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

**IV.**

Enter a Final Judgment requiring each of the Relief Defendants to disgorge funds equal to the amount by which they were unjustly enriched.

**V.**

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

**VI.**

Enter a Final Judgment directing each of the Defendants to file with this Court and serve upon the Commission verified written accountings.

**VII.**

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

**DEMAND FOR JURY TRIAL**

Plaintiff, pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, hereby demands  
a trial by jury for all issues so triable.

Dated: March 27, 2000  
New York, New York

Respectfully Submitted,



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