

ORIGINAL
JUDGE HOELL

Carmen J. Lawrence (CL-9154)
Regional Director

Attorney for Plaintiff
Northeast Regional Office
SECURITIES AND EXCHANGE COMMISSION
7 World Trade Center
New York, New York 10048
Telephone No.: (212) 748-8035

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GOLDMAN LENDER & CO. HOLDINGS,
BLACKWELL CO., TRADERZ ASSOCIATES
HOLDING INC., SHARON HAROSH and
AMERICO ROBERT GALLO,

Defendants.

98 CIV. 7525

98 Civ. ____ ()

COMPLAINT

FILED
U.S. DISTRICT COURT
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S.D. N.Y.

Plaintiff Securities and Exchange Commission (the "Commission") for its Complaint against defendants Golden Lender & Co. Holdings ("Golden Lender"), Blackwell Co. ("Blackwell"), Traderz Associates Holding Inc. ("Traderz Associates"), Sharon Harosh ("Harosh") and Americo Robert Gallo ("Gallo") (collectively, "Defendants"), alleges as follows:

INTRODUCTION

1. Defendants Gallo and Harosh have fraudulently raised at least \$210,000 from unsuspecting investors through three fraudulent offerings of securities. The three fraudulent offerings occurred from March 1998 to July 1998 and Gallo and Harosh are still attempting to raise money from investors through a fourth offering of securities. Gallo, who is the president of Traderz Associates, directly made misrepresentations to investors concerning, among other things, the risk of investing in Traderz Associates securities, the potential profit investors could expect by purchasing Traderz Associates securities and the use of investors' funds by Traderz Associates. Gallo misappropriated part of the offering proceeds and gave other large sums to colleagues. Harosh, who is the president and secretary of Goldman Lender and the sole proprietor of Blackwell, used several fictitious names, or instructed his agents to use fictitious names, in soliciting investors to purchase the securities of Goldman Lender and Blackwell. Harosh, or his unknown agents, made misrepresentations to investors concerning, among other things, the risk of investing in the securities of Goldman Lender and Blackwell, the potential profit investors could expect by purchasing the securities of Goldman Lender and Blackwell, the use of investors funds by Goldman Lender and Blackwell and the existence of Blackwell securities. Harosh ultimately received all of the money that investors sent to Goldman Lender and Blackwell and deposited those funds into various bank accounts in the names of those entities. Shortly after depositing the investors' funds, Harosh wired a significant part of the funds to offshore bank accounts in Israel and the island of Curacao. Harosh also withdrew in cash a significant part of the remaining proceeds. The investors in each of the three offerings

have not received any securities nor any confirmation of their supposed purchases. The investors have never been refunded their money.

2. In each of the three offerings, investors were told, among other things, that they could purchase securities in a private placement and that those securities would double or triple in value in a few months when the company sold its securities in an initial public offering. A private placement is a sale of securities that is exempt from the registration requirements of the securities laws because the manner in which the securities are offered does not constitute a public offering. Investors in Goldman Lender and Blackwell were sent virtually identical private placement memoranda that contained numerous misrepresentations. For example, the private placement memoranda for Goldman Lender and Blackwell falsely stated that the investors' money would be put into escrow with the law firm Meyers & Maistrow until the securities were sold in the initial public offering. Also, the private placement memoranda for Goldman Lender and Blackwell falsely stated that the balance sheets of these entities had been audited by the accounting firm Van Buren & Hauke LLC, C.P.A.'s ("VB&H"). In fact, Meyers & Maistrow was not acting as an escrow agent for either private placement and VB&H had not audited the balance sheet of either entity. Furthermore, investors in Goldman Lender and Blackwell were told that the principal officers and directors of those entities were registered with the National Association of Securities Dealers ("NASD") and held various NASD licenses. In fact, none of the officers or directors of Goldman Lender or Blackwell has ever been registered with the NASD in any capacity.

3. In addition to the above-described violations, in July 1998, several of the investors who had purportedly purchased Goldman Lender securities were again solicited to

purchase shares in Ramtron International Corp. ("Ramtron"), a Delaware corporation that designs, manufactures and sells semiconductor memory chips. Ramtron's stock price is quoted on the NASDAQ National Market System. Investors were told that they could purchase shares of Ramtron at approximately \$2 per share and sell them later that same day through Goldman Lender at approximately double the price. At least two investors agreed to buy Ramtron stock and sent at least \$37,500 to Goldman Lender. These investors never received any Ramtron shares nor did they receive confirmation that they had purchased or sold shares of Ramtron stock and Ramtron's stock transfer agent has no record of any Ramtron shares being held by Goldman Lender or any of the investors who agreed to purchase Ramtron shares through Goldman Lender. None of these investors in Ramtron ever received back any of the funds that they sent to Goldman Lender.

4. The three fraudulent offerings of securities are related. Strikingly similar private placement memoranda, containing extremely similar misrepresentations, were sent to investors in each of the three purported private placements. In addition, all three entities used the same account number at Airborne Express to pay for the shipping of investor checks to a drop-box in Brooklyn, New York. Furthermore, at least one investor was solicited to invest in both Traderz Associates and Blackwell.

5. The Defendants' conduct appears to be ongoing. As recently as late September 1998, Gallo told an investor in Traderz Associates that Gallo had recruited new investors who were contributing additional capital to Traderz Associates.

6. The Defendants have engaged, are engaging, and are about to engage in, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. §77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §240.10b-5.

7. Unless temporarily, preliminarily, and permanently restrained and enjoined, Defendants will continue to engage in the acts, practices, and courses of business described below, and in similar acts, practices, and courses of business.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action, and venue is proper, 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.

9. 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. §78(u)(d), to permanently enjoin Defendants from future violations of the Securities Act and Exchange Act. The Commission also seeks other equitable relief, including a temporary restraining order, preliminary injunction, an order freezing Defendants' assets, an order appointing a temporary receiver for Goldman Lender, an order directing Goldman Lender to repatriate funds transferred abroad, an order directing Defendants to give an accounting of their assets, an order expediting discovery and prohibiting document alteration or destruction, and an order directing Defendants to disgorge the amount of their ill-gotten

gains, plus prejudgment interest, as more fully described below. The Commission also seeks civil 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).

10. Defendants, directly and indirectly, singly and 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, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices and courses of business alleged herein. Many of the transactions, acts, practices and courses of business alleged herein took place in the Southern District of New York, including, but not limited to, misrepresentations made by use of telephones located within the Southern District of New York.

DEFENDANTS

11. **Traderz Associates** was incorporated in Delaware in March of 1997. Traderz Associates' principal place of business is an office at 67 Wall Street, Suite 2411 in New York City, an office suite shared by numerous other companies. As of March 1998, Gallo owned 80 percent of Traderz Associates' stock.

12. **Goldman Lender** was incorporated in Delaware in May of 1998. In June, July and August of 1998, Goldman Lender's principal place of business also was an office at 67 Wall Street, Suite 2411 in New York City. Goldman Lender also has a receptionist at this location.

13. **Blackwell** is a sole proprietorship owned by Harosh. In July 1998, Blackwell's principal place of business was an office at 110 Wall Street in New York City.

14. **Gallo**, age 32, was a registered representative at Montrose Capital Management Ltd. ("Montrose") in New York City until September 1998. Before his employment at Montrose, Gallo was a registered representative at various other broker-dealers beginning in August 1994. Gallo is the President of Traderz Associates and resides in Brooklyn, New York.

15. **Harosh**, age 25, is the President and Secretary of Goldman Lender and the sole proprietor of Blackwell. He resides in Brooklyn, New York.

FACTS

A. GALLO SOLICITS INVESTORS TO PURCHASE THE SECURITIES OF TRADERZ ASSOCIATES

16. In March 1997, Traderz Associates was incorporated in Delaware. Approximately a year later, in late March 1998, Gallo began to solicit investors by telephone to purchase securities in a purported private placement of Traderz Associates securities. Gallo sent investors a private placement memorandum that represented that Traderz Associates was conducting an offering of 500,000 shares of Traderz Associates common stock at \$2 per share (the "Traderz Associates Memorandum").

17. Traderz Associates, according to the Traderz Associates Memorandum, was attempting to raise \$1 million in an offering exempt from the registration requirements of the Securities Act pursuant to Regulation D, Rule 504 of the Securities Act. The Traderz Associates Memorandum stated that \$250,000 of the \$1 million proceeds of the offering was expected to be used to acquire a securities broker-dealer registered with the Commission.

Another \$580,000 of proceeds, according to the Traderz Associates Memorandum, was expected to be used as “net capital” and “working capital” and \$165,000 was expected to be used to pay for office space, supplies, and legal and other fees. The Traderz Associates Memorandum described Traderz Associates as having \$477,500 in assets, consisting primarily of \$475,000 in cash.

18. The Traderz Associates Memorandum described Gallo as Traderz Associates’ Chairman of the Board and President. Gallo was further described as having “been in the securities industry since 1994 with involvement in securities trading, sales management and investment banking;” and as having served as a director of Meridian Equities and “owned and operated franchise [sic] of Smith, Benton & Hughes.”

19. Gallo solicited investors to buy Traderz Associates common stock at \$2 per share between March and May of 1998. Gallo told these investors that Traderz Associates stock would be sold to the public a few months later at a price not less than \$5 per share. In effect, an investor who purchased Traderz Associates shares and held them until the public offering was told that he or she would more than double his or her money in a few months.

20. Gallo lacked any reasonable basis for making price predictions for Traderz Associates securities given that Traderz Associates was a development stage company with limited assets and no stock price history.

21. Gallo and Traderz Associates collected over \$40,000 from investors. Gallo deposited the investors’ checks into a Traderz Associates’ account at the Bank of New York.

22. Traderz Associates and Gallo never intended to conduct an initial public offering for Traderz Associates as they represented to investors. Traderz Associates never filed any registration statement with the Commission for a public offering of securities. Traderz Associates also never conducted an initial public offering. Traderz Associates would have had to have filed a registration statement with the Commission several months before an initial public offering was planned.

23. Gallo misappropriated and misused investors' funds. In fact, when one investor confronted Gallo in September 1998 and demanded to know what had happened to his money, Gallo accurately told the investor that the money collected for Traderz Associates securities had not been invested in Traderz Associates. In fact, Gallo paid himself out of the offering proceeds and gave other large sums to colleagues and friends.

24. On October 8, 1998, Gallo told one investor that Gallo is currently raising funds from new investors for another private placement of securities.

**B. "COHEN" SOLICITS INVESTORS TO PURCHASE
THE SECURITIES OF GOLDMAN LENDER**

25. Harosh incorporated Goldman Lender in May 1998 and caused himself to be appointed Goldman Lender's president and secretary. That same month he established an office for Goldman Lender at 67 Wall Street in New York City.

26. Harosh sought to conceal Goldman Lender's real business. In the application he completed to obtain office space at 67 Wall Street, Harosh misrepresented Goldman Lender's

business as “retail.” In contrast, in an application he completed to open up a bank account, Harosh described Goldman Lender’s business as wholesale clothing.

27. Beginning in late June 1998, an individual who identified himself as Richard Cohen (“Cohen”) telephoned numerous investors, offering to sell them Goldman Lender units at \$2 per unit. Cohen claimed to be a “Senior Account Executive” and a principal of Goldman Lender.

28. Cohen offered to sell investors Goldman Lender units, consisting of one share of Goldman Lender common stock and one warrant to purchase one share of Goldman Lender common stock (“Goldman Units”), at \$2 per Goldman Unit. Cohen told investors that the components of the Goldman Units were being registered with the Commission and would be sold to the public in September 1998 at \$5 per share and \$1 per warrant. In addition, Cohen told investors that all funds received by Goldman Lender for Goldman Units in the private placement would be put into escrow with an escrow agent. Cohen said that if Goldman Lender was unable to register its common stock and warrants with the Commission for sale to the public, the funds invested in the private placement would be returned to all investors, with interest. Thus, investors who purchased Goldman Units in June or July of 1998 and held them until the public offering would purportedly triple their money in a few months, supposedly with little risk.

29. If an investor did not immediately agree to buy Goldman Units, and did not immediately reject Cohen’s offer, Cohen sent the investor a form letter that repeated the statements made by Cohen concerning the purported future public offering and the use of an

escrow account (a "Form Letter"). Although the investors who received Form Letters had not agreed to purchase Goldman Units, each Form Letter to those investors "confirmed" a purchase of a specified amount of Goldman Units. It also "confirmed" that Goldman Lender's common stock and warrants would be sold "on the day it [sic]" are sold to the public at \$5.00 per share and "no less than \$1.00" per warrant. Finally, the Form Letter stated, "[i]f by any chance this company does not come public within the next forty-five to sixty days you will receive a full refund of your initial investment . . . and an additional amount of money based on the interest rate which has not yet been determined."

30. Cohen also sent a private placement memorandum to investors who had expressed an interest in Goldman Units. That memorandum, dated March 5, 1998, offered 500,000 shares of Goldman Lender common stock (the "Goldman Lender Memorandum"). There is no reference in the Goldman Lender Memorandum to any Goldman Lender warrants being offered for sale to investors, contrary to what Cohen said. The Goldman Lender Memorandum is very similar to the Traderz Associates Memorandum.

31. The Goldman Lender Memorandum described Goldman Lender as a company with a single office, at 67 Wall Street, and "very limited operations to date." According to the memorandum, Goldman Lender had no assets other than \$296,000 in cash. However, according to the Goldman Lender Memorandum, the company planned to buy an existing securities broker-dealer registered with the Commission, and would act as a holding company for that broker-dealer. According to the Goldman Lender Memorandum, Goldman Lender planned to use Bear Stearns & Co. Inc. ("Bear Stearns"), one of the largest clearing brokers in

the United States, as the clearing broker for the broker-dealer Goldman Lender planned to purchase.

32. Goldman Lender, according to the Goldman Lender Memorandum, was seeking to raise \$1 million in an offering exempt from the registration requirements of the Securities Act pursuant to Regulation D, Rule 504 of the Securities Act. The Goldman Lender Memorandum stated that \$150,000 of the \$1 million proceeds of the offering was expected to be used to acquire a broker-dealer. Another \$770,000 of proceeds, according to the Goldman Lender Memorandum, was expected to be used as "capital" and \$80,000 was expected to be used to pay for office space, supplies, and legal and other fees.

33. The Goldman Lender Memorandum repeatedly stated that an escrow fund, for which the law firm Meyers & Maistrow would act as escrow agent, had been established for investor funds from the private placement, until at least a minimum of \$50,000 was deposited in the account. In the event that the minimum was not reached, the money was to be refunded to the subscribers.

34. The Goldman Lender Memorandum also included a purported "Independent Auditor's Report" from VB&H to "The Board of Directors and Stockholders of Goldman Lender & Co. Holdings" dated May 4, 1998 (the "Audit Report"). The Audit Report said that VB&H had audited a Goldman Lender balance sheet dated May 4, 1998 and that the balance sheet "presents fairly, in all material respects, the financial position of Goldman Lender . . . as of May 4, 1998 in conformity with generally accepted accounting principles."

35. The Goldman Lender Memorandum also described Sherman Goldman and Joseph Lender as Goldman Lender's "primary [d]irectors and [e]xecutive [o]fficers." More specifically, Sherman Goldman had "been in the securities industry since 1985 with involvement in securities trading, sales management and investment banking," according to the Goldman Lender Memorandum. The Goldman Lender Memorandum also stated that Sherman Goldman served as "a Director of U.S. Securities and Futures Corp.," had "owned and operated franchise [sic] of his own," and was "registered with the NASD [and had] [S]eries 63, 7, 24, [and] 27 licenses." Joseph Lender "had been employed in the securities industry since 1992" and was "registered with NASD [and had] [S]eries 7, 63 and 24 licenses."

36. At least four investors sent at least \$18,000 to Goldman Lender to buy Goldman Units.

37. In fact, many of the representations made by Cohen or contained in Goldman Lender's Form Letter and the Goldman Lender Memorandum were false or misleading. First, there was no reasonable basis for predicting that Goldman Units would be worth \$6 per unit a few months after the private placement given that Goldman Lender was a development stage company with limited assets and no stock price history.

38. Second, contrary to what Cohen stated, Goldman Lender and Harosh never intended to conduct an initial public offering for Goldman Lender. Goldman Lender never filed any registration statement with the Commission for a public offering of securities.

39. Third, contrary to what was stated in the Goldman Lender Memorandum, there was no escrow account holding investor funds for which Meyers & Maistrow was the escrow agent. The Bank of New York, the bank specified in the Goldman Lender Memorandum, did not

maintain an escrow account for Goldman Lender's private placement and was never requested to do so.

40. Fourth, VB&H never audited Goldman Lender's balance sheet, as stated in the Goldman Lender Memorandum. The independent audit report included in the Goldman Lender Memorandum is a sham. No one at VB&H has heard of Goldman Lender or its purported principals.

41. Fifth, Goldman Lender was not planning to use Bear Stearns as its clearing broker, as stated in the Goldman Lender Memorandum.

42. Finally, Sherman Goldman and Joseph Lender, the individuals listed in the Goldman Lender Memorandum as principals of the company, appear to be wholly fictitious. The Sherman Goldman and Joseph Lender described in the Goldman Lender Memorandum are not registered with the NASD and do not have the NASD licenses stated in the Goldman Lender Memorandum.

C. "THOMAS" SOLICITS INVESTORS TO PURCHASE BLACKWELL SECURITIES

43. Harosh established Blackwell as a sole proprietorship in June of 1998. He obtained a business certificate from the State of New York for Blackwell on June 15, 1998. On June 23, 1998, Harosh entered into a lease on a basement office located at 8510 Bay 16th Street in Brooklyn, New York. The lease for the apartment stated that the office would be used for "tele marketing services." Harosh set up several telephone lines, including a toll-free telephone

line for Blackwell investors, at the basement office. Harosh also established at least two bank accounts in Blackwell's name.

44. In July 1998, individuals identifying themselves as "Steven Thomas" or "Brian Stevens" (collectively, "Thomas") telephoned numerous investors, offering to sell them Blackwell units in a private placement.

45. Thomas offered to sell investors Blackwell units, consisting of one share of Blackwell common stock and one warrant to buy one share of Blackwell common stock ("Blackwell Units"), at \$2 per unit. Thomas told the investors that Blackwell Units would be sold to the public soon after the private placement for \$4. Thus, investors who purchased Blackwell Units and held them until the public offering would in effect double their money in a few months.

46. Other representations concerning Blackwell and the private placement were made to investors in a private placement memorandum for 2,500,000 shares of Blackwell common stock dated March 5, 1998 (the "Blackwell Memorandum"). That memorandum is very similar to the Goldman Lender Memorandum.

47. Blackwell, according to the Blackwell Memorandum, was seeking to raise \$5 million in an offering exempt from the registration requirements of the Securities Act pursuant to Regulation D, Rule 505 of the Securities Act. The Blackwell Memorandum stated that \$1.5 million of the \$5 million proceeds of the offering was expected to be used to acquire a broker-dealer. Another \$3 million of proceeds, according to the Blackwell Memorandum, was

expected to be used as "capital" and \$500,000 was expected to be used to pay for office space, supplies, and legal and other fees.

48. The Blackwell Memorandum described Blackwell as a New York Corporation with an office at 220 West 19th Street in New York City, and assets consisting of \$4 million of cash. The Blackwell Memorandum stated that Blackwell planned to buy an existing securities broker-dealer registered with the Commission, and would act as a holding company for that broker-dealer.

49. The Blackwell Memorandum described William Blackwell, of 125 Central Park South, New York City, and Charles Blaire, of 404 West End Avenue, New York City, as Blackwell's "primary [d]irectors and [e]xecutive [o]fficers." More specifically, the Blackwell Memorandum described William Blackwell as having "been in the securities industry since 1975 with involvement in securities trading, sales management and investment banking" and had "also owned and operated franchise [sic] of his own. He is registered with the NASD [and has] [S]eries 63, 7, 24 [and] 27 licenses." Charles Blaire had "been employed in the securities industry since 1978," and was "registered with NASD [and had] [S]eries 7, 63 and 24 licenses."

50. The Blackwell Memorandum also contained the exact same representations as the Goldman Lender Memorandum about an escrow fund and the audit of Blackwell's balance sheet. The Blackwell Memorandum repeatedly stated that an escrow fund, for which the law firm Meyers & Maistrow would act as escrow agent, had been established for investor funds from the Blackwell private placement. The Blackwell Memorandum also included a purported

"Independent Auditor's Report" from VB&H, which stated that VB&H had audited Blackwell's balance sheet as of May 4, 1998, and opined that the balance sheet fairly presented the financial position of Blackwell as of May 4, 1998 in conformity with generally accepted accounting principles.

51. Based on Thomas' representations and the representations in the Blackwell Memorandum, investors sent Blackwell checks totaling over \$125,000 to purchase Blackwell Units.

52. In reality, the Blackwell private placement was phony and many representations made by Thomas or contained in the Blackwell Memorandum were false or misleading. First, Blackwell is a sole proprietorship owned by Harosh, not a corporation. Accordingly, Blackwell had no securities that could be sold to investors or that could double in value in a few months. Blackwell also could not conduct an initial public offering of securities at any time. Thomas lacked any reasonable basis for making price predictions for Blackwell securities to investors given that Blackwell was a development stage company with limited assets and no stock price history.

53. Blackwell and Harosh never intended to conduct an initial public offering for any purported Blackwell securities.

54. Second, there was also no escrow account holding investor funds for which Meyers & Maistrow was the escrow agent.

55. Third, VB&H did not audit Blackwell's balance sheet, as stated in the Blackwell Memorandum, and the independent audit report included in the Blackwell Memorandum is phony.

56. Finally, there is no William Blackwell who resides at 125 Central Park South in New York City or a Charles Blaire who resides at 404 West End Avenue in New York City. Nor are such persons registered with or licensed by the NASD.

**D. COHEN SOLICITS INVESTORS TO PURCHASE
THE COMMON STOCK OF RAMTRON**

56. In the second half of July 1998, an individual identifying himself as Cohen telephoned investors who had previously purchased Goldman Units, offering to sell them Ramtron common stock. Cohen told those investors that Goldman Lender owned shares of Ramtron stock and that although Ramtron shares were then trading on the market at approximately \$4 per share, the investors could purchase Ramtron shares from Goldman Lender at \$2 per share. Cohen suggested that investors buy Ramtron stock from Goldman Lender and then instruct Goldman Lender to sell the stock the same day on the market, so that the investor would reap a quick, large, and riskless profit. At least two investors told Cohen to buy and sell Ramtron stock in one day and sent more than \$37,000 to Goldman Lender to buy Ramtron stock.

57. The offers to sell Ramtron stock were a sham. The investors who agreed to buy and sell Ramtron stock never received any securities nor did they receive any confirmation that such transactions were made. None of the investors in Ramtron ever received back their funds from Goldman Lender, nor did they receive any statement that such funds would be forthcoming or would be kept in an account on their behalf.

58. Goldman Lender had no arrangements to clear securities transactions, either directly or through another brokerage firm. As a result, it would have been extremely difficult, if not impossible, for Goldman Lender to sell Ramtron common stock to investors and then resell the shares that same day to other investors.

59. Furthermore, no Ramtron stock had been held during the relevant time period by Goldman Lender or Harosh, or by the investors who agreed to buy and sell Ramtron stock.

E. HAROSH OBTAINED INVESTOR FUNDS FROM GOLDMAN LENDER AND BLACKWELL AND WIRED THE FUNDS OVERSEAS

60. Goldman Lender fraudulently obtained over \$50,000 from investors in connection with the sale of Goldman Units and Ramtron common stock. Blackwell fraudulently obtained over \$125,000 from investors in connection with the sale of Blackwell Units.

61. Cohen and Thomas instructed investors to send funds to be invested in Goldman Lender, Blackwell and Ramtron securities to an Airborne Express box registered in a phony name. More specifically, Cohen and Thomas sent investors Airborne Express return shipping labels. Those shipping labels were not addressed to Goldman Lender's or Blackwell's office on Wall Street but to a box at Airborne Express in Brooklyn, New York. That box was registered to "Jennifer Gallow" at 1590 Dahill Road in Brooklyn. In fact, there is no Jennifer Gallow who resides at that address; it is Harosh's address.

62. In July 1998, Harosh signed a Blackwell check made payable to Airborne Express for \$1,000. That check represented payment to Airborne Express for, among other things, packages sent to investors by Cohen and Thomas containing the Blackwell Memorandum and

Goldman Lender Memorandum and packages with checks that were sent by investors to the Airborne Express box in Brooklyn.

63. Harosh received all of the investors' checks that were sent to the Airborne Express box and deposited those checks in four banks in New York City. Goldman Lender maintained bank accounts at Fleet Bank ("Fleet") and at Republic National Bank of New York ("Republic"), where Harosh was listed as the President of Goldman Lender; and Blackwell maintained bank accounts at Chase Manhattan Bank ("Chase"), at Apple Bank for Savings, and at the Dime Savings Bank of New York ("Dime"). Many investors noted on their checks that the checks were payments for the securities of Goldman Lender, Blackwell or Ramtron.

64. Harosh misappropriated or otherwise misused the funds raised from investors. Soon after he deposited the checks from investors who had agreed to purchase Goldman Lender, Ramtron or Blackwell securities, Harosh withdrew at least \$16,000 of the funds in cash for himself. Harosh also caused at least \$55,000 to be wired to individuals in Israel and at least \$80,000 to a corporate account in the island of Curacao. None of these actions have anything to do with the stated use of proceeds in the private placement memoranda.

CLAIMS FOR RELIEF

VIOLATIONS OF SECTION 17(a) OF THE SECURITIES ACT AND SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER

65. The Commission realleges and incorporates by reference the allegations contained in paragraphs 1 through 64 above.

66. Defendants, directly or indirectly, singly or in concert, in the offer or sale, or in connection with the purchase or sale, of securities by use of the means or instruments of

transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, or the facilities of a national securities exchange: (a) employed devices, schemes and artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact or omissions 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) engaged in transactions, acts, practices and courses of business that operated as a fraud or deceit upon purchasers of securities and other persons.

67. As part of this illegal conduct, Gallo and Traderz Associates made misrepresentations of material fact to investors in the sale of Traderz Associates stock. Gallo and Traderz misrepresented to investors that Traderz Associates stock, which Gallo offered to sell to them at \$2 per share, would be sold in an initial public offering a few months later at a price not less than \$5 per share.

68. As part of the illegal conduct, Harosh and Goldman Lender also made misrepresentations and omissions in the sale of Goldman Lender and Ramtron securities. Those included: (1) Goldman Lender securities were being registered with the Commission and would be sold to the public in three months for triple the current price; (2) Meyers & Maistrow controlled an escrow account that would hold investor funds from the private placement; (3) VB&H had audited Goldman Lender's balance sheet; (4) the principals of Goldman Lender were registered with the NASD and had certain NASD licenses; and (5) Goldman Lender was planning to have its broker-dealer subsidiary clear trades through Bear Stearns. Finally, several

investors were also told that they could buy Ramtron stock at \$2 per share from Goldman Lender and sell it on the market the same day at approximately \$4 per share.

69. Similarly, as part of the illegal conduct, Harosh and Blackwell made misrepresentations and omissions in the sale of Blackwell securities. Those included: (1) Blackwell had securities it could sell to investors; (2) Blackwell securities were being registered with the Commission and would be sold to the public in three months for double the current price; (3) Meyers & Maistrov controlled an escrow account that would hold investor funds from the private placement; (4) VB&H had audited the Blackwell's balance sheet; and (5) the principals of Blackwell were registered with the NASD and had certain NASD licenses.

70. Defendants made the above-described misrepresentations and omissions knowingly or with reckless disregard for their truth.

71. The above-described information misrepresented or omitted by Defendants, or their agents, was material because it would have been important to a reasonable investor in deciding whether or not to purchase Traderz Associates, Goldman Lender, Ramtron or Blackwell securities.

72. As part of the illegal conduct, Gallo misappropriated and misused investors' funds that were raised in the purported private placement of Traderz Associates' securities and Harosh misappropriated and misused investors' funds that were raised in the purported private placements of Goldman Lender and Blackwell's securities. Harosh also misappropriated investors' funds obtained through the purported sale of Ramtron securities.

73. By reason of the foregoing, Defendants violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and unless enjoined

and restrained, will continue to violate those provisions by engaging in the same or similar acts, practices, and courses of business.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Grant a temporary restraining order and an injunction, preliminarily during the pendency of this action and permanently thereafter, restraining and enjoining Defendants, their subsidiaries, officers, directors, agents, servants, employees, and attorneys-in-fact, and all persons in active concert or participation with them, 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 thereunder.

II.

Order that, pending a hearing and determination of the Commission's application for a Preliminary Injunction, Goldman Lender, Blackwell, Traderz Associates, Harosh and Gallo, and their officers, agents, banks, debtors, bailees, servants, employees, attorneys and those persons and entities in active concert or participation with them who receive actual notice of such order by personal service, facsimile service or otherwise shall hold and retain within their control, and otherwise prevent any withdrawal, transfer, pledge, encumbrance, assignment, dissipation, concealment, or other disposal of any assets, funds, or other properties (including, but not limited

to, money, real or personal property, securities and choses in action), wherever situated, currently held by them or under their control for, on behalf of, or for the direct or indirect benefit of Goldman Lender, Blackwell, Traderz Associates, Harosh, and Gallo, provided, however, that Harosh and Gallo shall be allowed reasonable living expenses, to the extent agreed to by the Commission or ordered by this Court.

III.

Order that a receiver be appointed for defendants Traderz Associates, Goldman Lender and Blackwell, and that defendant Goldman Lender repatriate all assets, monies, funds, securities, and real or personal property transferred or moved outside the territory of the United States.

IV.

Order the Defendants to file with this Court and serve upon plaintiff Commission, within five business days, a verified written accounting, signed by the Defendants under penalty of perjury, listing and describing: (a) all assets, liabilities and property currently held directly or indirectly by or for the benefit of Goldman Lender, Blackwell, Traderz Associates, Harosh, or Gallo, including, but not limited to, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount; (b) all money, property, assets, and other income received by Goldman Lender, Blackwell, Traderz Associates, Harosh, or Gallo, or for their direct or indirect benefit, in or at any time from March 1, 1997, to the date of the accounting, describing the source, amount, disposition and

current location of each item listed; (c) all money, property or assets transferred to Goldman Lender, Blackwell, Traderz Associates, Harosh, or Gallo by investors from March 1, 1997, to the date of the accounting, and the disposition of such money, property or assets; and (d) the names and last known addresses of all bailees, debtors, or other persons or entities currently holding any assets, funds or property of Goldman Lender, Blackwell, Traderz Associates, Harosh, or Gallo; provided, however, that if this accounting is not provided in five days, and a temporary receiver is appointed, that the temporary receiver shall file the aforesaid accounting within 30 days.

V.

Order Defendants to disgorge the amount of their ill-gotten gains, plus prejudgment interest, or such other and further amount as the Court may find appropriate.

VI.

Order 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)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

VII.

Grant such other relief as this Court may deem just or appropriate.

Dated: October 22, 1998


CARMEN J. LAWRENCE (CL-9154)
Regional Director

Edwin H. Nordlinger
Henry Klehm III
Robert G. Heim
Robert S. De Leon

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
7 World Trade Center -13th Floor
New York, New York 10048
Telephone No.: (212) 748-8035