

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

_____		)	
SECURITIES AND EXCHANGE		)	
COMMISSION,		)	
		)	
	Plaintiff,	)	C. A. No. 1:10-cv-11751-DPW
		)	
v.		)	
		)	
LOCATEPLUS HOLDINGS CORPORATION,		)	
JON R. LATORELLA, and		)	JURY TRIAL DEMANDED
JAMES C. FIELDS,		)	
		)	
	Defendants.	)	
_____		)	

**FIRST AMENDED COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendants LocatePlus Holdings Corporation (“LocatePlus”), Jon R. Latorella (“Latorella”) and James C. Fields (“Fields” and collectively, “Defendants”):

**SUMMARY**

1. From early 2005 through late 2007, Defendants engaged in two schemes to commit securities fraud by misleading investors about the funding and revenue of two small Massachusetts public companies. In one scheme, LocatePlus, and its officers Latorella and Fields, fraudulently inflated LocatePlus’ publicly-reported revenue. In the other scheme, Latorella and Fields used their control of Paradigm Tactical Products, Inc. (“Paradigm”) to mislead the public about the source of Paradigm’s funding, the nature of its investors, and its revenue, and then profited by selling Paradigm stock when those false public statements caused Paradigm’s share price to increase substantially.

2. From 2005 through 2007, Latorella and Fields were, respectively, the CEO and CFO of LocatePlus, a company that sells personal information for investigative searches. Defendants engaged in securities fraud by fraudulently inflating the company's publicly-reported revenue for at least its fiscal years 2005 and 2006 (the "LocatePlus Scheme"). As part of the LocatePlus Scheme, Latorella and Fields created a fictitious LocatePlus customer called Omni Data Services, Inc. ("Omni Data"). LocatePlus then improperly recognized payments from Omni Data as revenue. The Omni Data payments were not legitimate revenue. For example, in one "round trip" transaction orchestrated by Latorella and Fields, LocatePlus made a \$650,000 payment to an entity controlled by Fields, which then transferred \$600,000 to Omni Data, and Omni Data then paid the \$600,000 back to LocatePlus as purported payment for services. In another transaction, Latorella and Fields transferred at least \$250,000 of the proceeds of unregistered sales of Paradigm stock to Omni Data, which then transferred those funds to LocatePlus, again as payment for purported services. The improper Omni Data payments were included as revenue in LocatePlus' financial statements that were part of quarterly and annual reports for fiscal years 2005 and 2006 that were filed with the Commission. Latorella and Fields, as officers of LocatePlus, signed and certified that these false and misleading reports were accurate.

3. Beginning in 2005, Latorella and Fields also masterminded a fraudulent scheme to manipulate the market for Paradigm stock (the "Paradigm Scheme"). Latorella and Fields, who were a founder and a Director of Paradigm respectively, caused Paradigm to issue shares to brokerage accounts that appeared to be owned by independent investors, but were secretly controlled by Latorella. Latorella and Fields failed to register the sale of these shares as the securities laws require and made misrepresentations to get these shares quoted on a public

exchange. Then, after causing the publication of false press releases in an attempt to increase Paradigm's stock price, Latorella sold the shares he secretly controlled into the public market at an artificially inflated price, again in unregistered transactions. Some of the proceeds of these sales were transferred to Omni Data, and used to fund payments to LocatePlus.

4. By engaging in the conduct alleged herein, LocatePlus violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

5. In addition, by engaging in the conduct alleged herein, Latorella and Fields violated Sections 5 and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5, and Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2 thereunder. Furthermore, Latorella and Fields aided and abetted LocatePlus' violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

6. Based on these violations, the Commission seeks the following relief against the Defendants: (i) entry of permanent injunctions prohibiting all Defendants from engaging in future violations of the sections of the securities laws that they have violated in connection with the conduct described herein; (ii) an order requiring all Defendants to disgorge their ill-gotten gains and pay pre-judgment interest; (iii) an order requiring all Defendants to pay appropriate civil monetary penalties (iv) an order barring Latorella and Fields from serving as officers or directors of a public company; and (v) an order permanently barring Latorella and Fields from participating in any offering of a penny stock.

**JURISDICTION AND VENUE**

7. The Commission brings this action pursuant to the enforcement 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)]. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1331, 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. §§78u(e) and 78aa].

8. Venue is proper in this district pursuant to 28 U.S.C. §1391(b)(2), Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Section 27 of the Exchange Act [15 U.S.C. §78aa] because the Defendants are inhabitants of, and transact business in, the District of Massachusetts and because a substantial part of the acts constituting the alleged violations occurred in the District of Massachusetts.

9. In connection with the conduct alleged in this Complaint, Defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

10. Unless enjoined, Defendants will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

**DEFENDANTS**

11. LocatePlus Holdings Corporation is a Delaware corporation with a primary place of business at 100 Cummings Center, Suite 235M, Beverly, Massachusetts, 01915. LocatePlus is engaged in the business of providing online access to public record databases for investigative searches. LocatePlus' stock is registered pursuant to Section 12(g) of the Exchange Act and is currently quoted in the Pink Sheets operated by Pink OTC Markets, Inc. ("Pink Sheets").

12. Jon Latorella is an individual residing in Marblehead, Massachusetts. At all times material to the allegations in this Complaint, Latorella resided in Massachusetts. Latorella was LocatePlus' Chief Executive Officer and President from 2002 until March 2007, and was Chairman of its Board from 2002 to 2008, when he resigned. Latorella was also a founder of Paradigm. He exerted substantial control over Paradigm's operations despite his lack of a formal position with the company.

13. James Fields is an individual residing in Brookline, Massachusetts. At all times material to the allegations in this Complaint, Fields resided in Massachusetts. Fields became LocatePlus' acting Chief Financial Officer beginning in 2003 and became its Chief Executive Officer and Chairman of the Board beginning in 2007 and 2008, respectively. He resigned from LocatePlus in February 2009. From at least August 2002 through mid-2008, Fields was a Director of Paradigm and controlled numerous facets of the company's operations, including matters relating to its finances, its stock, its purported investors, and its press releases. Before it was revoked in 2009, Fields also held a Certified Public Accountant license in Minnesota.

## **FACTUAL ALLEGATIONS**

### **A. The LocatePlus Scheme**

14. In 2005 and 2006, Latorella and Fields were CEO/President and CFO of LocatePlus, respectively. Under their leadership LocatePlus recorded false revenue and made false and misleading public statements about its revenue.

#### **1. The Creation of Omni Data And Its Payments To LocatePlus**

15. Latorella and Fields created a sham LocatePlus customer, Omni Data, to buy purported services from LocatePlus and to make purported payments to LocatePlus.

16. In fact, LocatePlus derived no legitimate revenue during 2005 and 2006 from Omni Data, which – as Latorella and Fields well knew – was merely a sham company.

17. To fund the purported payments from Omni Data to LocatePlus, and thus create the false impression that Omni Data was a revenue source for Locate Plus, Latorella and Fields funneled approximately \$2 million in cash to Omni Data through a series of transactions.

18. One of these transactions was a “round trip” transaction in which LocatePlus made a \$650,000 payment to a trust controlled by Fields called the “Winn Family Trust,” which then transferred \$600,000 to Omni Data. Omni Data then paid LocatePlus \$600,000.

19. Another transaction in the series involved the receipt by an entity controlled by Latorella (called the “Carjon Trust”) of at least \$250,000 of the proceeds from unregistered sales of Paradigm stock. The Carjon Trust transferred that \$250,000 to Omni Data, and then Omni Data paid it to LocatePlus.

20. In total, Latorella and Fields directed approximately \$2 million in cash to Omni Data and Omni Data made approximately \$2 million in payments to LocatePlus, which recognized those payments as revenue.

21. The Omni Data revenue should not have been recognized because the contract between LocatePlus and Omni Data was not legitimate and because the payments from Omni Data did not reflect payment for any products or services provided by LocatePlus to Omni Data.

## **2. LocatePlus’ Misleading Statements About The Omni Data Payments**

22. LocatePlus recorded payments from Omni Data as revenue in its financial statements. LocatePlus’ misleading financial statements were described in press releases and were included in periodic filings with the Commission.

23. For example, on November 16, 2005, LocatePlus issued a press release with its results for the quarter ended September 30, 2005. The release reported record revenues of \$3,005,960. In the release, Latorella attributed LocatePlus' "triple-digit revenue growth" to the Omni Data relationship.

24. The Defendants also made false statements about LocatePlus' revenue in a number of periodic filings with the Commission. Those filings included the following: (1) the Forms 8-K and 8-K/A filed on September 26, and October 17, 2005; (2) the Forms 10-KSB filed on May 11, 2006 for fiscal year 2005 and on May 2, 2007 for fiscal year 2006; and (3) the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 (collectively, the "Fraudulent SEC Filings").

25. On September 26, 2005, LocatePlus filed a Form 8-K with the Commission reporting its entry into a definitive material agreement with Omni Data and describing the agreement as a "definitive channel partner agreement with total contract value of \$7.2 million." The Form 8-K was signed by Latorella. A copy of the purported agreement dated January 5, 2005 was attached to the filing as an exhibit. On October 17, 2005, LocatePlus filed a Form 8-K/A with the Commission (signed by Latorella) with another copy of the purported agreement.

26. Latorella knew that the 8-K and 8-K/A were false because Omni Data was a sham.

27. The Fraudulent SEC Filings materially misstated LocatePlus' revenue and contained knowing material misrepresentations about its business relationship with Omni Data. Among other things, for fiscal years 2005 and 2006, the Fraudulent SEC Filings reflected LocatePlus's improper recognition of revenue from Omni Data in the amounts of \$3.6 million

and \$2.7 million, respectively. In addition, the Fraudulent SEC Filings made the following specific material misrepresentations:

- a. Locate Plus' 10QSB/A statement covering the first quarter of Fiscal Year 2005, which was filed on October 24, 2005, stated that revenue from channel partners "increased to \$695,790 from \$127,381, an increase of 446%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.
- b. Locate Plus' 10QSB/A statement covering the second quarter of Fiscal Year 2005, which was also filed on October 24, 2005, stated that revenue from channel partners "increased to \$1,162,813 from \$248,817, an increase of 367%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.
- c. Locate Plus' 10QSB/A statement covering the third quarter of Fiscal Year 2005, which was filed on November 14, 2005, stated that revenue from channel partners "increased to \$1,162,813 from \$197,958, an increase of 532%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10QSB/A failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.



- d. Locate Plus' 10KSB statement covering Fiscal Year 2005, which was filed on May 11, 2006, stated that revenue from channel partners "increased to \$4,358,038 for the year ended December 31, 2005 as compared to \$1,028,650 for the [prior fiscal year] – an increase of 324%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10KSB failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.
- e. Locate Plus' 10QSB statement covering the first quarter of Fiscal Year 2006, which was filed on May 30, 2006, stated that revenue from channel partners "increased to \$1,344,063 from \$695,790, an increase of 93%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the May 30, 2006 10QSB failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.
- f. Locate Plus' 10QSB statement covering the second quarter of Fiscal Year 2006, which was filed on August 16, 2006, stated that revenue from channel partners "increased to \$1,618,637 from \$1,162,637, an increase of 39%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the August 16, 2006 10QSB failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.

- g. Locate Plus' 10QSB statement covering the third quarter of Fiscal Year 2006, which was filed on November 15, 2006, stated that revenue from channel partners "increased to \$1,690,754 from \$1,251,300, an increase of 35%[.]" That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the November 15, 2006 10QSB failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.
- h. Locate Plus' 10KSB statement covering Fiscal Year 2006, which was filed on May 2, 2007, stated that revenue from channel partners "increased to \$5,471,120 for the year ended December 31, 2006 as compared to \$4,358,038 for the [prior fiscal year] – an increase of 25%." That statement is misleading because a significant portion of that revenue total was fictitious Omni Data revenue. Moreover, the 10KSB failed to list the Omni Data contract as a "related party transaction," which was a material omission in light of Latorella's and Fields' direct role in funding Omni Data.

28. Exchange Act Rule 13a-14 requires principal executive and principal financial officers to certify that: (1) Forms 10-K and 10-Q, to the best of their knowledge, include no material misstatements, and omit no material information, and (2) they had disclosed all instances of fraud involving management or others with responsibility over internal accounting controls to the company's audit committee and auditors.

29. Latorella and Fields signed false certifications that were attached to all of the Fraudulent SEC Filings, with the exception of the Form 10KSB filed on May 2, 2007, which was signed only by Fields.

30. At the time they signed these certifications, Latorella and Fields knew that the filings to which the certifications were attached contained material misstatements and omissions concerning the nature of the payments that LocatePlus received from Omni Data and LocatePlus' improper recognition of revenue from Omni Data. Latorella and Fields also knew, at the time they signed these certifications, that they had not disclosed the fictitious customer relationship between LocatePlus and Omni Data, and LocatePlus' improper recognition of revenue from Omni Data, to either LocatePlus' audit committee or auditors.

31. The effect of the Omni Data revenue on LocatePlus' reported results, including its reported channel segment revenue, was material. In fiscal year 2005, the Omni Data revenue represented approximately 31% of LocatePlus' total reported revenue, and approximately 72% of LocatePlus' channel segment revenue. The impact of the Omni Data revenue was also substantial in fiscal year 2006, when it represented 22% of LocatePlus' total reported revenue, and 49% of its channel segment revenue.

32. In or about June 2007, LocatePlus wrote off the portion of the receivable booked as due from Omni Data that was not collected. The remaining Omni Data revenue recognized primarily in 2005 and 2006 is included in the company's current accumulated deficits.

33. In total, LocatePlus falsely reported more than \$6 million in revenue from Omni Data for fiscal years 2005 and 2006 – i.e., over 25% of LocatePlus' total revenue for those two years.

#### **B. The Paradigm Scheme**

34. Paradigm is a Delaware corporation located, at all times material to the allegations in this Complaint, in Georgetown, Massachusetts. Paradigm sold hand-held metal detectors known as "FriskerPros" to law enforcement and security companies. In July 2009,

Paradigm announced that it had completed a reverse merger with Zenergy International, Inc. (“Zenergy”). As a result of the merger, Paradigm changed its name to Zenergy. Paradigm’s (now Zenergy’s) stock has been quoted on the Pink Sheets from August 10, 2005 until present. Paradigm did not file periodic reports with the Commission because the value of its assets and number of equity holders of record were too low to subject it to the Commission’s filing requirements.

35. In or about 2002, Latorella and Fields, among others, founded Paradigm. They used their control over Paradigm to obtain control over unregistered Paradigm shares, to make misleading statements about Paradigm’s revenue to increase its stock price, and to profit from selling the Paradigm shares they controlled at an inflated value.

**1. Misrepresentations Made To Create A Public Market For Paradigm’s Stock**

36. In 2005, Latorella and Fields sought to have Paradigm’s stock quoted in a public market so that the shares could be sold to the public more easily. In order to be quoted on the Pink Sheets (the public market Defendants chose), Paradigm needed a broker-dealer to act as a “market maker” for its stock. Under Exchange Act Rule 15c2-11, a broker-dealer is required to obtain and review certain documents from an issuer such as Paradigm before it seeks regulatory approval to initiate quotes on that issuer’s stock as a market maker. Through the efforts of Latorella and Fields, a prospective market maker (the “Market Maker”) was identified.

37. Latorella and Fields compiled information for, and caused the preparation of, documents that Paradigm provided the Market Maker to support the Market Maker’s application to quote Paradigm’s stock on the Pink Sheets.

38. As a result of Latorella’s and Fields’ actions, many of the documents provided to the Market Maker were false and misleading. For example, in order to give the false impression

that Paradigm was owned by independent unaffiliated investors, Fields and Daniel O’Riordan, a former President of Paradigm,<sup>1</sup> created and gave to the Market Maker a list of so-called Paradigm investors which included the names of 14 trusts. The “trustees” associated with these trusts were people who had personal relationships with Latorella and Fields, such as their girlfriends, and were not actual Paradigm investors. One of the trustees listed was a deceased person whose name was used because it was not found in the national social security registry of dead persons.

39. Fields then created subscription agreements and false checks through which the purported Paradigm investors each claimed to be purchasing blocks of between 2.2 to 4.8 million Paradigm shares for the price of \$0.0125 per share. Latorella and Fields arranged for the trustees of the purported investors to sign these subscription agreements and checks. Some of these false subscription agreements and checks were also provided to the Market Maker. Paradigm did not receive the \$500,000 in proceeds that should have been generated by these purported stock sales.

40. Latorella and Fields knew, should have known, or were reckless in not knowing, that the listed investors had not paid the stated amounts to purchase Paradigm stock.

41. Latorella and Fields knew, should have known, or were reckless in not knowing, that the listed investors were not independent accredited investors, but were instead being used as nominee investors for stock that would remain controlled by Latorella.

42. These false subscription agreements and false checks were dated in 2002 to give the impression that Paradigm’s purported investors had purchased their stock in 2002.

---

<sup>1</sup> O’Riordan has entered a guilty plea, pursuant to a cooperation agreement, to a one-count Information in the District of Massachusetts in connection with the Paradigm-related securities fraud alleged in this Complaint, and is scheduled to be sentenced by the Honorable Mark L. Wolf on December 2, 2010. United States v. O’Riordan, 10 Cr. 10102 (MLW). In addition, on April 20, 2010, the Honorable George A. O’Toole issued an order accepting the settlement of civil securities fraud charges brought by the Commission against O’Riordan in connection with the same conduct. See Final Judgment, dated April 20, 2010, Securities & Exchange Commission v. O’Riordan, 10 Civ. 10550 (GAO).

43. Fields then caused these false documents to be submitted to the Market Maker, and the Market Maker then submitted the documents to the former NASD Regulation, Inc.'s OTC Compliance Unit ("OTC Compliance") with its application to quote the stock.

44. On or about August 10, 2005, regulators approved the Market Maker's request to initiate quotes of Paradigm's stock on the Pink Sheets. That approval was based in part on the purported accredited investor list and other bogus supporting documents that Latorella and Fields caused to be provided to the Market Maker and forwarded to regulators.

## **2. Misrepresentations Made To Obtain Free-Trading Shares And The False Form D**

45. Generally, securities that are sold to the public must be registered with the Commission. Section 4 of the Securities Act [15 U.S.C. §77d] provides certain exemptions from that requirement. One such exemption, Section 4(6) [15 U.S.C. §7d(6)], applies to offers and sales of securities solely to "accredited investors" where the value of the securities offered to such investors does not exceed \$5 million. Issuers of stock may claim this exemption by filing a Form D (as provided by Regulation D, 17 C.F.R. §230.501 *et seq.*) with the Commission.

46. On June 13, 2005, Paradigm filed Form D with the Commission, to provide notice that it was relying on the Section 4(6) registration exemption in connection with a \$500,000 private placement of Paradigm's common stock to a group of accredited investors in two states. The Form D was prepared by Fields using information he knew to be false and at Fields' direction, the false Form D was signed by O'Riordan. Among other things, the Form D falsely represented that Paradigm had received \$500,000 in 2002 from a private offering of its stock to fourteen accredited investors, none of whom beneficially owned 10 percent or more of its stock. In fact, there was no private offering in 2002, no funding and no investors.

47. The false Form D was mailed to the Commission in Washington, D.C. Like other documents filed with the Commission, the false Form D was then uploaded to an electronic database known as EDGAR and was made available to the public via interstate electronic communications networks.

48. Form D required Paradigm to disclose “[e]ach beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.” Paradigm did not disclose any investor as holding a 10% or more interest in its common stock, despite the fact that Latorella was the beneficial owner of more than 10% of its shares. Paradigm’s Form D thus omitted material facts about investors owning 10% or more of its equity securities.

49. Form D also required Paradigm to disclose “the aggregate offering price of securities included in this offering and the total amount already sold.” Paradigm reported that it had raised \$500,000 from the reported offering. Paradigm also filed a Form D Appendix describing the offered stock as having been purchased by one Connecticut accredited investor and 13 Massachusetts accredited investors. These representations by Paradigm were false.

50. At the time he provided information for, and assisted in the preparation of the Form D, Fields knew, should have known, or was reckless in not knowing, that it contained false and misleading information and omitted material facts. He also knew, should have known, or was reckless in not knowing, that Paradigm did not receive \$500,000 from the purported offering, and that the majority of Paradigm’s outstanding stock was ultimately controlled by Latorella, whose name was not listed in the Form D. Nevertheless, Fields caused the Form D to be filed with the Commission.

51. Upon information and belief, Latorella also knew, should have known, or was reckless in not knowing, that the Form D that Paradigm filed with the Commission contained false and misleading information, and omitted material facts. Specifically, he knew, should have known, or was reckless in not knowing that the Form D did not disclose his beneficial ownership of the majority of Paradigm's shares and that Paradigm did not receive \$500,000 from the purported offering.

52. Latorella and Fields knew, should have known, or were reckless in not knowing, that the false and misleading Form D was filed with the Commission to make it appear that Paradigm had been funded by a group of independent unaffiliated investors.

53. Latorella and Fields also knew, should have known, or were reckless in not knowing, that Paradigm used the fraudulent Form D as support for its efforts to obtain a Market Maker to provide quotes on the Pink Sheets to facilitate the sale of its stock to the public.

54. On or about the date that the Form D was filed, Fields instructed O'Riordan to sign Paradigm stock certificates that were falsely backdated to June 2002. Under Commission Rule 144 [17 C.F.R. §230.144 *et seq.*], securities obtained directly from an issuer are subject to resale limitations for certain periods of time (in the case of Paradigm shares, three years). The fact that a certificate is subject to resale limitations is noted as a restrictive legend on the face of that stock certificate issued by a stock transfer agent. Fields instructed O'Riordan to sign Paradigm stock certificates that were backdated so that it appeared that the purported accredited investors had obtained their Paradigm shares three years earlier, and thus the time period of any resale restriction had expired, so the stock certificates did not require a restrictive legend on their face.



55. By August 2005, Latorella and Fields caused the transfer of backdated Paradigm stock certificates to brokerage accounts they had caused to be opened in the names of some of the trusts that were Paradigm's purported investors. These stock certificates were issued as "free trading" or "unrestricted" Paradigm stock certificates because the three year time period of their resale restriction had purportedly expired. Because these Paradigm shares did not bear a restricted legend, they could be freely sold to the public.

56. Latorella and/or Fields controlled the brokerage accounts where the unrestricted Paradigm stock certificates were deposited.

57. Beginning in or about August 2005 and continuing through March 2006, Latorella and/or Fields directed the sale of approximately 2 million shares of Paradigm's stock from the trusts' brokerage accounts into the public market for proceeds of approximately \$956,000.

58. No registration statements for any of these sales of Paradigm stock to the public were filed with the Commission, so these sales were unregistered sales of stock.

59. Some of the proceeds of these sales of Paradigm stock were used to fund Omni Data's payments to LocatePlus.

### **3. Misrepresentations Concerning Paradigm's Revenues**

60. In the second half of 2005, Paradigm issued press releases that contained misrepresentations pertaining to Paradigm's historical and increasing sales revenues. Between August 8, 2005 and September 19, 2005 Paradigm's stock climbed from \$2.32 per share to an all-time high of \$5.62.

61. For example, Paradigm's stock price increased from \$2.85 per share to \$3.15 per share over the two day period following an August 18, 2005 announcement that its revenues grew 80 % as compared to the prior fiscal year.

62. Latorella and/or Fields provided the sales and revenue numbers that were included in the August 18 press releases and in another 2005 press release. Latorella and Fields knew, should have known, or were reckless in not knowing, that Paradigm had only sold a very limited amount of product, far below the amount required to support the sales and revenue claims made in these press releases.

63. The misrepresentations about sales, revenue and profitability contained in the 2005 press releases were material, and were made to inflate the price of Paradigm's stock.

**First Claim for Relief**  
**(Violation of Section 17(a) of Securities Act By all Defendants)**

64. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 63 above as if set forth fully herein.

65. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state a material fact necessary to make the statements not misleading; or (c) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

66. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**Second Claim for Relief**  
**(Violation of Section 10(b) of Exchange Act and Rule 10b-5 By All Defendants)**

67. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 63 above as if set forth fully herein.

68. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material fact(s) necessary to make the statements made not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon certain persons.

69. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, 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].

**Third Claim for Relief**  
**(Aiding and Abetting LocatePlus' Violation of Section 10(b) of Exchange Act  
and Rule 10b-5 By Latorella and Fields)**

70. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

71. LocatePlus' annual, quarterly and current reports to the Commission covering fiscal years 2005 and 2006 knowingly and materially misstated the company's revenue and contained knowing material misrepresentations about the company's business relationship with Omni Data. Specifically, these fraudulent reports included the Forms 10-KSB filed on May 11, 2006 and May 2, 2007 for fiscal years 2005 and 2006, the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 covering the first three quarters of fiscal years 2005 and 2006, and the Forms 8-K and 8-K/A filed on September 26 and October 17, 2005. As a result, LocatePlus violated 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].

72. As set forth above, Latorella and Fields each signed one or more of LocatePlus'

materially misleading public filings, and they knew, or were reckless in not knowing, that those public filings contained false and misleading statements about the Omni Data relationship and about LocatePlus' revenues.

73. Latorella and Fields provided knowing and substantial assistance to LocatePlus in making materially misleading public filings.

74. By engaging in the conduct described above, Latorella and Fields each aided and abetted LocatePlus' violations of 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].

**Fourth Claim for Relief**  
**(Violation of Section 13(a) of Exchange Act and**  
**Rules 12b-20, 13a-1, 13a-11 and 13a-13 By LocatePlus)**

75. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

76. LocatePlus' annual, quarterly and current reports to the Commission on Forms 10-K, 10-Q and 8-K covering fiscal years 2005 and 2006 materially misstated the company's revenue and contained material misrepresentations about the company's business relationship with Omni Data. Specifically, these fraudulent reports included the Forms 10-KSB filed on May 11, 2006 and May 2, 2007 for fiscal years 2005 and 2006, the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 covering the first three quarters of fiscal years 2005 and 2006, and the Forms 8-K and 8-K/A filed on September 26 and October 17, 2005.

77. LocatePlus thus failed to file with the Commission such financial reports as the Commission has prescribed, and LocatePlus failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was

necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

78. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

**Fifth Claim for Relief**  
**(Aiding and Abetting LocatePlus' Violation of Section 13(a) of Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 By Latorella and Fields)**

79. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

80. LocatePlus' annual, quarterly and current reports to the Commission on Forms 10-K, 10-Q and 8-K covering fiscal years 2005 and 2006 materially misstated the company's revenue and contained material misrepresentations about the company's business relationship with Omni Data. Specifically, these fraudulent reports included the Forms 10-KSB filed on May 11, 2006 and May 2, 2007 for fiscal years 2005 and 2006, the Forms 10-QSB and 10-QSB/A filed on October 24, 2005, November 14, 2005, May 30, 2006, August 16, 2006, and November 15, 2006 covering the first three quarters of fiscal years 2005 and 2006, and the Forms 8-K and 8-K/A filed on September 26 and October 17, 2005. LocatePlus thus failed to file with the Commission such financial reports as the Commission has prescribed, and LocatePlus failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made, in light of the circumstances in which they were made, not misleading. As a result, LocatePlus has violated Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

81. As set forth above, Latorella and Fields each signed one or more of LocatePlus' materially misleading public filings, and they knew, or were reckless in not knowing, that those public filings contained false and misleading statements about the Omni Data relationship and about LocatePlus' revenues.

82. Latorella and Fields provided knowing and substantial assistance to LocatePlus in making materially misleading public filings.

83. As a result, Latorella and Fields each aided and abetted LocatePlus' violations of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

**Sixth Claim for Relief**  
**(Violation of Section 13(b)(2)(A) of Exchange Act By LocatePlus)**

84. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

85. LocatePlus maintained false and misleading books, records and accounts which, among other things, materially overstated the company's revenue for fiscal years 2005 and 2006 by improperly recognizing revenue from Omni Data. Its books, records and accounts thus failed accurately and fairly to reflect the transactions and dispositions of the assets of LocatePlus.

86. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

**Seventh Claim for Relief**  
**(Aiding and Abetting LocatePlus' Violation of Section 13(b)(2)(A) of Exchange Act By Latorella and Fields)**

87. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

88. LocatePlus maintained false and misleading books, records and accounts which,

among other things, materially overstated the company's revenue for fiscal years 2005 and 2006 by improperly recognizing revenue from Omni Data. Its books, records and accounts thus failed accurately and fairly to reflect the transactions and dispositions of the assets of LocatePlus. As a result, LocatePlus violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

89. Latorella and Fields created a false customer relationship between LocatePlus and Omni Data, orchestrated LocatePlus' receipt of fraudulent revenue from Omni Data and caused LocatePlus improperly to recognize funds that were received from Omni Data as revenue. They thus knew, or were reckless in not knowing, that LocatePlus' books, records and accounts were false and misleading and failed accurately and fairly to reflect the transactions and dispositions of the assets of LocatePlus.

90. Latorella and Fields provided knowing and substantial assistance to LocatePlus in maintaining false and misleading books, records and accounts.

91. As a result, Latorella and Fields each aided and abetted LocatePlus' violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

**Eighth Claim for Relief**  
**(Violation of Section 13(b)(2)(B) of Exchange Act By LocatePlus)**

92. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

93. LocatePlus failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that LocatePlus' transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

94. As a result, LocatePlus has violated, and unless enjoined will continue to violate, Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

**Ninth Claim for Relief**  
**(Aiding and Abetting LocatePlus' Violation of Section 13(b)(2)(B)  
of Exchange Act By Latorella and Fields)**

95. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

96. LocatePlus failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that LocatePlus' transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles. As a result, LocatePlus has violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

97. Latorella and Fields created a false customer relationship between LocatePlus and Omni Data, orchestrated LocatePlus' receipt of fraudulent revenue from Omni Data and caused LocatePlus improperly to recognize funds that were received from Omni Data as revenue. They thus knew, or were reckless in not knowing, that LocatePlus had not devised and maintained a system of internal accounting controls sufficient to provide reasonable assurances that LocatePlus' transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

98. Latorella and Fields provided knowing and substantial assistance to LocatePlus in failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions at LocatePlus were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

99. As a result, Latorella and Fields each aided and abetted LocatePlus' violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

**Tenth Claim for Relief**  
**(Violation of Section 13(b)(5) of Exchange Act and Rule 13b2-1 By Latorella and Fields)**



100. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

101. Both Latorella and Fields created a fictitious customer relationship between LocatePlus and Omni Data, orchestrated LocatePlus' receipt of fraudulent revenue from Omni Data, disguised the nature of the payments that LocatePlus received from Omni Data, and caused LocatePlus improperly to recognize payments that were received from Omni Data as revenue.

102. Latorella and Fields thus knowingly circumvented or knowingly failed to implement a system of internal accounting controls, and knowingly falsified, directly or indirectly, or caused to be falsified, books, records and accounts of LocatePlus that were subject to Section 13(b)(2)(A) of the Exchange Act, [15 U.S.C. §78m(b)(2)(A)].

103. As a result, Latorella and Fields have violated, and unless enjoined will continue to violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. §78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. §240.13b2-1].

**Eleventh Claim for Relief**  
**(Violation of Exchange Act Rule 13b2-2 By Latorella and Fields)**

104. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 33 above as if set forth fully herein.

105. Latorella and Fields provided false documents concerning the fictitious customer relationship between LocatePlus and Omni Data to LocatePlus' auditors. They also signed false management representation letters that were provided to LocatePlus' auditors.

106. Latorella and Fields, directly or indirectly, made or caused to be made materially false or misleading statements to LocatePlus' accountant, or omitted to state or caused another person to omit to state material facts necessary in order to make the statements made, in light of

the circumstances under which they were made, not misleading to LocatePlus' accountant, in connection with the audit of LocatePlus' financial statements for fiscal years 2005 and 2006, and the preparation of Forms 10-K and 10-Q that were to be filed with the Commission during fiscal years 2005 and 2006.

107. By reason of the foregoing, Latorella and Fields each violated, and unless enjoined will continue to violate, Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2].

**Twelfth Claim for Relief**  
**(Violation of Section 5 of Securities Act by Latorella and Fields)**

108. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 13 and 34 through 63, above as if set forth fully herein.

109. Latorella and Fields directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, or the mails, to offer to sell or to sell Paradigm's securities, or to carry or cause Paradigm's securities to be carried through the mails or in interstate commerce for the purposes of sale or delivery after sale.

110. No registration statement has been filed with the Commission or has been in effect for any of the Paradigm securities that Latorella and Fields caused to be sold or offered for sale.

111. By engaging in the conduct described above, Latorella and Fields have violated, and unless enjoined will continue to violate, Section 5 of the Securities Act [15 U.S.C. §77e].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court enter an order:

A. Permanently enjoining LocatePlus from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Sections 10(b), 13(a), and 13(b)(2)(A) and (B) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B)] and Rules 10b-5,

12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13];

B. Permanently enjoining Latorella and Fields from violating, directly or indirectly, Sections 5 and 17(a) of the Securities Act [15 U.S.C. §§77e and 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B), (b)(5)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13b2-1, and 13b2-2 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.13b2-1, 240.13b2-2];

C. Requiring all Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

D. Requiring all Defendants to pay appropriate civil monetary 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)];

E. Prohibiting Latorella and Fields from acting as officers or directors of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. §78I] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. §78o(d)], pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)];

F. Permanently barring Latorella and Fields from participating in any offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. §77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. §78u(d)(6)];

G. Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

H. Granting such other and further relief as the Court deems just and proper.

**JURY DEMAND**

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

/s/ Kathleen Burdette Shields  
Rua M. Kelly (BBO No. 643351)  
Kathleen Burdette Shields (BBO No. 637438)  
33 Arch Street, 23rd Floor  
Boston, Massachusetts 02110  
Telephone: (617) 573-8941 (Kelly direct)  
Facsimile: (617) 573-4590  
E-mail: kellyru@sec.gov

Dated: November 10, 2010

**CERTIFICATE OF SERVICE**

I, Kathleen Burdette Shields, hereby certify that on November 10, 2010 a copy of the foregoing First Amended Complaint was filed electronically with the Court's ECF system. Notice will be sent electronically to the registered participants identified on the Notice of Electronic Filing, and paper copies will be sent to those indicated as non-registered participants on November 10, 2010.

/s/ Kathleen Burdette Shields  
Kathleen Burdette Shields