



taken both individually and collectively, they falsely suggested that Neurotech was an active, viable company with an imminent revenue stream.

2. At or about the time that he made and/or caused Neurotech to make the foregoing false statements, B. Artz, the company's chairman, chief executive officer ("CEO") and chief financial officer ("CFO"), signed and certified Neurotech's Commission filings and reviewed the company's press releases. In or about that same period, L. Artz, the company's vice president, also signed the filings and prepared the press releases.

3. From at least 1999 through 2002, B. Artz and L. Artz received common stock and options as compensation from Neurotech. In addition, in at least 2001 and 2002, during the period they made and/or caused Neurotech to make the foregoing false statements, B. Artz and L. Artz sold significant amounts of Neurotech common stock into the open market. However, each of them failed to file with the Commission required statements indicating changes in their beneficial ownership of Neurotech stock.

4. By engaging in the acts and practices alleged in this Complaint, Defendants Neurotech, B. Artz and L. Artz violated the federal securities laws. Specifically, Defendant Neurotech violated Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. Defendants B. Artz and L. Artz violated Sections 10(b) and 16(a) of the Exchange Act and Rules 10b-5 and 16a-3 thereunder, and aided and abetted Neurotech's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, and Defendant B. Artz additionally violated Rule 13a-14 thereunder.

5. Unless enjoined, the Defendants are likely to commit such violations in the future. Accordingly, the Commission seeks: (i) entry of permanent injunctions prohibiting Defendants

from further violations of the relevant provisions of the federal securities laws; (ii) civil monetary penalties against all of the Defendants; (iii) disgorgement of ill-gotten gains by Defendants B. Artz and L. Artz, plus prejudgment interest thereon; (iv) an officer and director bar against Defendants B. Artz and L. Artz; and (v) penny stock bars against Defendants B. Artz and L. Artz.

### **JURISDICTION**

6. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] and certain of the transactions, acts, practices and courses of business alleged herein occurred within the Eastern District of New York.

7. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

### **DEFENDANTS**

8. Neurotech was incorporated as a Delaware corporation in 1983 and currently is located in B. Artz's home in Roslyn, New York. For at least a portion of the period of alleged misconduct, Neurotech also had an office in Glen Cove, New York. Neurotech is purportedly in the business of marketing rapid deployment healthcare systems, including prefabricated hospitals, in developing countries. Neurotech's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act, and traded over-the-counter under the symbol "NEKDA" until it was removed from the OTC Bulletin Board in November 2002 for failing to make timely filings with the Commission. On December 11, 2000, the Commission issued a cease-and-desist order, by consent, against Neurotech based, in part, upon L. Artz's negligent misrepresentation of material facts concerning certain Turkish "bank guarantees."

Securities Act. Rel. No. 7926.

9. B. Artz, age 80, is a resident of Roslyn, New York and has been chairman and CEO of Neurotech since 1994 and CFO since 2000. As of November 2002, the last time Neurotech disclosed his holdings in a Commission filing, B. Artz owned approximately 19.4 million shares of Neurotech stock, or about 11.5 percent of the company's outstanding shares.

10. L. Artz, age 54, is a resident of Glen Head, New York and has been the vice president and a director of Neurotech since 1994. He is the son of B. Artz. As of November 2002, the last time Neurotech disclosed his holdings in a Commission filing, L. Artz owned approximately 17.4 million shares of Neurotech stock, or about 10.4 percent of the company's outstanding shares. On December 11, 2000, the Commission issued a cease-and-desist order, by consent, against L. Artz based, in part, upon his negligent misrepresentation of material facts concerning certain Turkish "bank guarantees." Securities Act. Rel. No. 7926.

### **NEUROTECH'S FALSE STATEMENTS**

11. During the period from at least May 1999 through January 2003, Neurotech made a number of false statements in its Commission filings and press releases concerning certain purported Indonesian "bank guarantees."

#### **Background on Purported Indonesian "Bank Guarantees"**

\_\_\_\_\_12. The "bank guarantees" purportedly were issued by BankExim, a state-owned Indonesian bank, to PT Handayani, an Indonesian customer of Neurotech, on October 21, 1998. PT Handayani then purportedly assigned the "bank guarantees" to Neurotech in or about 1999. The "bank guarantees" purportedly had an original maturity date of October 21, 2000, which was later extended to October 21, 2001 and again to December 2002. The "bank guarantees" were

purportedly the equivalent of a promissory note by the bank to pay \$100 million on the maturity date. Neurotech purportedly had an agreement with PT Handayani, pursuant to which Neurotech would build \$100 million worth of \$300 million dollars of hospitals if the “bank guarantees” were collectible at their maturity or could serve as collateral for financing. The “bank guarantees” purportedly were collateralized by real estate with coal and mineral rights owned by PT Handayani that were worth some multiple of the \$100 million.

13. However, the “bank guarantees” were not genuine and had no value. Specifically, on May 21, 2003, Indonesian Bank Mandiri, successor to Bank Exim, the bank which purportedly issued the “bank guarantees,” provided a sworn statement to the Commission staff that, among other things, neither Bank Mandiri nor Bank Exim issued the “bank guarantees” to Neurotech or its customer, PT Handayani, and that the documents purported to originate with the bank are “fraudulent.”

**Misstatements Regarding “Bank Guarantees” in Press Releases and Commission Filings**

14. On May 24, 1999, Neurotech issued a press release in which it claimed that it had over \$300 million in construction contracts and that “Bank guarantees and certificates of deposit have been issued as collateral for the financing of these contracts ... .”

15. On July 26, 2000, Neurotech issued a press release in which it claimed that the “bank guarantees” were a “first payment” for the construction of modular hospitals in Indonesia. Neurotech, however, did not receive any payments of monies for the construction of modular hospitals in Indonesia. In addition, the “bank guarantees” did not constitute a “first payment” because they were not genuine and had no value.

16. On October 13, 2000, Neurotech filed with the Commission its year-end report for the fiscal year ended June 30, 2000 on Form 10-KSB (“2000 Form 10-K”). The 2000 Form 10-K contained an extensive discussion of the “bank guarantees.” Among other things, Neurotech claimed that it was “trying to use these bank guarantees to either receive a discounted amount of the guaranteed amount or to obtain financing using the guarantees as collateral.” Neurotech also claimed in the 2000 Form 10-K that “[s]ince the end of the Company’s fiscal year 2000, the Company has received possession of bank guarantees in the total face amount of \$100 million, with maturity dates in October 2001. The Company currently intends to hold these bank guarantees until maturity, but is seeking to borrow against them in the meantime. ... If the Company is successful in borrowing against the bank guarantees or obtaining their discounted value, the Company believes that it will have sufficient capital to continue operations. There are, however, no assurances that the Company will be successful in this regard.”

17. Also, in the 2000 Form 10-K, Neurotech claimed that “[b]ased on preliminary discussions with financial institutions, the Company believes that the instruments [i.e., the “bank guarantees”] have an estimated present monetary value of between \$60 million and \$70 million.”

18. On November 14, 2000, Neurotech filed with the Commission its quarterly report for the quarter ended September 30, 2000 on Form 10-QSB (“September 2000 Form 10-Q”). The September 2000 Form 10-Q contained language similar to that in the 2000 Form 10-K concerning the “bank guarantees.” In addition, it falsely stated that Charles Schwab, a broker at which Neurotech had an account, was in possession of \$100 million in “bank guarantees” in the quarter. In fact, Charles Schwab returned the “bank guarantees” to Neurotech within 10 days of receiving them in July 2000.

19. On November 11, 2002, Neurotech filed with the Commission a year-end report for the fiscal year ended June 30, 2002 on Form 10-KSB (“2002 Form 10-K”). On January 3, 2003, Neurotech filed an amended 2002 Form 10-K. Both the originally filed and the amended 2002 Form 10-K made a number of false and misleading statements about the validity and potential value of the fraudulent “bank guarantees,” including that “[t]he Company has obtained extensions of maturity on certain bank guarantees in the amount of \$100,000,000 USD from Bank Mandiri, Indonesia with a new maturity on October 10, 2003.”

20. All of the foregoing statements made by Neurotech in its Commission filings and press releases concerning the “bank guarantees” were false and misleading because the “bank guarantees” had no value as they were, in fact, fraudulent.

21. In or about the time that he made and/or caused Neurotech to make the foregoing false statements, B. Artz, the company’s chairman, CEO and CFO, signed and certified Neurotech’s Commission filings and reviewed the company’s press releases.

22. In or about the time that he made and/or caused Neurotech to make the foregoing false statements, L. Artz, the company’s vice president, signed the Commission filings, and prepared the press releases.

23. B. Artz and L. Artz knew, or recklessly disregarded, that at the time they made and/or caused Neurotech to make the foregoing statements, the “bank guarantees” were not genuine, and that Neurotech’s statements concerning “bank guarantees” in Commission filings and press releases were false.

24. Among other things, during the period of the Defendants’ alleged misstatements, B. Artz and L. Artz failed to verify the authenticity of the “bank guarantees” with the Indonesian

bank that purportedly issued them, despite (a) L. Artz's frequent visits to Indonesia; (b) Neurotech's and L. Artz's previous Commission sanction in 2002 related to Turkish "bank guarantees;" and (c) B. Artz's repeated expression of concern to L. Artz about the authenticity of the "bank guarantees" because of the degree of corruption in Indonesia. In addition, L. Artz was aware that Wellington Capital Corporation, a financial consulting firm hired by Neurotech in 2000, had not been successful in confirming the value or authenticity of the "bank guarantees" in or about 2000 and thereafter.

#### **Background on Neurotech Construction Contracts**

25. Beginning in 1998, Neurotech entered into contracts or "letters of understandings" with Indonesian, Chinese and South American companies and governmental entities to build hospitals and educational facilities. Most of the agreements required Neurotech's customers to obtain financing for the projects, and did not require payment of any type of deposit. In addition, L. Artz has admitted that the contract payment provisions were unenforceable.

#### **Misstatements Regarding Construction Contracts in Press Releases and Commission Filings**

26. During the period from at least 1999 through 2002, Neurotech made a number of false statements in its Commission filings and press releases concerning the foregoing contracts or "letters of understandings." Specifically, the filings and press releases were false and misleading because, taken both individually and collectively, they falsely suggested that Neurotech was an active, viable company with an imminent revenue stream.

27. On October 27, 1999, November 8, 1999, May 31, 2000, June 7, 2000, July 17, 2000, July 31, 2000, August 1, 2000 and other occasions, Neurotech issued press releases

announcing the signing of various foreign construction projects that described the projects and their alleged value, as well as their projected start and completion dates.

28. The November 8, 1999 press release stated that the total value of all contracts that Neurotech had entered into to date was \$471 million and falsely suggested that this was revenue Neurotech expected to receive when, in fact, Neurotech had no legal and/or practical means of enforcing most of the contracts, most of which were purportedly with Chinese governmental and other entities.

29. The October 27, 1999, June 7, 2000 and July 17, 2000 press releases were false and misleading because Neurotech failed to disclose in them that it had made misrepresentations regarding the availability of financing from an entity called the World Council of Peoples for the United Nations to induce its customers to enter into the construction contracts.

30. As of March 2003, the vast majority of customers who had signed the above-announced contracts with Neurotech had not obtained financing. In addition, Neurotech had received no payments under the vast majority of these contracts. Thus, there was no basis upon which Neurotech could claim any significant revenue stream from these contacts.

31. On February 8, 2001, March 14, 2001, April 23, 2001, July 11, 2001 and July 24, 2001, Neurotech issued press releases describing a number of new contracts the company had signed, including several in connection with its purported joint venture with China Chen South America Construction Contracting, which Neurotech characterized as one of China's largest multinational conglomerates. The contracts, which purportedly were worth hundreds of millions of dollars, included contracts for the construction of hospitals, schools, a university, a hospital ship and housing facilities. However, none of the parties ever funded the China Chen joint

venture which China Chen ended with its resignation in October 2001.

32. The July 11, 2001 press release announced that the “order backlog” for one of its purported joint ventures was \$675 million. Neurotech, however, never realized any significant revenue from the “order backlog” mentioned in the July 11, 2001 press release.

33. On April 22, 2002, Neurotech issued a press release entitled “Neurotech Announces Most Exciting Quarter in Company’s 18 Year History.” The release stated that Neurotech had received initial payments on a hospital project (Ren De) and that the “company has an aggregate back order in excess of \$3,700,000,000 with over \$3 billion in China.” However, Neurotech collected only \$5.5 million in revenue from the \$3.7 billion in construction contracts it claimed to have entered into as of April 2002.

34. In various Commission filings during the period from at least 1999 through 2002, including its Form 10-KSB for the fiscal year ended June 30, 1999 (filed on January 31, 2000) (1999 Form 10-K), its Form 10-QSB for the quarter ended March 31, 2000 (filed on May 22, 2000) (March 2000 Form 10-Q), its September 2000 Form 10-Q (filed on November 14, 2000) (September 2000 Form 10-Q), its Form 10-QSB for the quarter ended March 31, 2001 (filed on May 21, 2001) (March 2001 Form 10-Q), its Form 10-KSB for the fiscal year ended June 30, 2001 (filed on October 15, 2001) (2001 Form 10-K), and its Form 10-QSB for the quarter ended March 31, 2002 (filed on May 20, 2002) (March 2002 Form 10-Q), Neurotech made misrepresentations concerning its construction contracts similar to those made in the press releases described in paragraphs 26-28 and paragraphs 30-32 above.

35. The foregoing statements made by Neurotech in its Commission filings and press releases concerning its construction contracts were false and misleading because they falsely

suggested that Neurotech was an active, viable company with an imminent stream of substantial revenues.

36. In or about the time that he made and/or caused Neurotech to make the foregoing false statements, B. Artz, the company's chairman, CEO and CFO signed and certified Neurotech's Commission filings and reviewed the company's press releases.

37. In or about the time that he made and/or caused Neurotech to make the foregoing false statements, L. Artz, the company's vice president, signed the Commission filings and prepared the press releases.

38. B. Artz and L. Artz knew, or recklessly disregarded, that at the time they made and/or caused Neurotech to make the foregoing statements concerning Neurotech's construction contracts, the statements were false and misleading. Contrary to what the foregoing statements suggested, B. Artz and L. Artz knew, or recklessly disregarded, that at the time the statements were made, Neurotech was *not* an active, viable company with an imminent stream of substantial revenues. Among other things, B. Artz and L. Artz knew, or recklessly disregarded, that (a) Neurotech had no legal and/or practical means of enforcing most of the contracts, most of which were purportedly with Chinese governmental and other entities, and (b) Neurotech had only collected \$5.5 million in revenue from the \$3.7 billion in construction contracts it claimed to have entered into as of April 2002.

#### **Stock Sales and Failure to Make Required Change of Beneficial Ownership Filings**

39. For the fiscal years 1999 through 2001, B. Artz and L. Artz received compensation in the form of Neurotech common stock valued at approximately \$975,000 and \$863,000, respectively. During that period, B. Artz and L. Artz each also received options for

1.7 million Neurotech shares, which were not valued in the company's filings.

40. For fiscal year 2002, during the period they made and/or caused Neurotech to make the foregoing false statements, B. Artz and L. Artz each accrued unpaid salaries of approximately \$400,000 and were each issued options for 1.5 million shares valued at the time at approximately \$90,000.

41. During 2001 and 2002, during the period he made and/or caused Neurotech to make the foregoing false statements, B. Artz sold 1,017,220 shares of Neurotech common stock, realizing proceeds of approximately \$135,059.

42. During 2002, during the period he made and/or caused Neurotech to make the foregoing false statements, L. Artz sold 950,000 shares of Neurotech common stock, realizing proceeds of approximately \$56,303.

43. As officers or directors of a public company, B. Artz and L. Artz were required to file with the Commission statements indicating changes in their beneficial ownership of Neurotech stock, but failed to do so since at least 1997 to date.

44. On January 3, 2003, Neurotech filed the amended 2002 Form 10-K with the Commission. The filing contained the following statement: "Management believes that all relevant parties have failed to file any [changes in beneficial ownership] reports required under Section 16(a) of the Securities Exchange Act of 1934 since 1997 and the company has been unable to reconstruct what filings should have been made in prior periods."

**FIRST CLAIM**  
**Against All Defendants**  
**[Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder]**

45. The Commission repeats and incorporates by reference the allegations in paragraphs 1-44 of the Complaint as if set forth fully herein.

46. By reason of the foregoing, defendants directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated as a fraud or deceit upon certain persons, as set forth above, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

47. As a result, defendants violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

48. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss or significant risk of substantial loss to other persons, within the meaning of Section 21(d)(3) of the Exchange Act. Therefore, Defendants are subject to imposition of significant civil penalties.

**SECOND CLAIM**  
**Against Defendant Neurotech**  
**[Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13**  
**thereunder]**

49. The Commission repeats and incorporates by reference the allegations in paragraphs 1-44 of the Complaint as if set forth fully herein.

50. As set forth above, Neurotech's periodic reports filed with the Commission from at least 1999 through January 2003 were materially false and misleading.

51. As a result, Neurotech violated and, unless enjoined, will continue to violate Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

**THIRD CLAIM**  
**Against Defendants B. Artz and L. Artz**  
**[Aiding and Abetting Neurotech's Violations of Section 13(a) of the Exchange Act and**  
**Rules 12b-20, 13a-1 and 13a-13 thereunder]**

52. The Commission repeats and incorporates by reference the allegations in paragraphs 1-44 of the Complaint as if set forth fully herein.

53. As set forth above, Neurotech's periodic reports filed with the Commission from at least 1999 through January 2003 were materially false and misleading.

54. As set forth above, Defendant B. Artz, the company's chairman, CEO and CFO signed and certified Neurotech's Commission filings. Defendant L. Artz, the company's vice president, signed the Commission filings.

55. By reason of the foregoing, Defendants B. Artz and L. Artz knew, or recklessly disregarded, that Neurotech engaged in improper and illegal conduct, and provided knowing and substantial assistance to Neurotech in making its materially false and misleading Commission filings.

56. As a result, Defendants B. Artz and L. Artz each aided and abetted and, unless enjoined, will continue to aid and abet, Neurotech's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

**FOURTH CLAIM  
Against Defendant B. Artz  
[Violations of Rule 13a-14 thereunder]**

57. The Commission repeats and incorporates by reference the allegations in paragraphs 1-44 of the Complaint as if set forth fully herein.

58. As set forth above, Neurotech's periodic reports filed with the Commission from at least 1999 through January 2003 were materially false and misleading.

59. As set forth above, Defendant B. Artz, the company's chairman, CEO and CFO certified Neurotech's Commission filings.

60. As a result, B. Artz violated and, unless enjoined, will continue to violate Exchange Act Rule 13a-14 thereunder.

**FIFTH CLAIM  
Against Defendants B. Artz and L. Artz  
[Violations of Section 16(a) of the Exchange Act and Rule 16a-3 thereunder]**

61. The Commission repeats and incorporates by reference the allegations in paragraphs 1-44 of the Complaint as if set forth fully herein.

62. As set forth above, from at least 1999 through 2002, B. Artz and L. Artz each received from Neurotech, and sold into the open market, significant amounts of Neurotech common stock, and yet failed to file with the Commission required statements indicating changes in their beneficial ownership of Neurotech stock.

63. As a result, B. Artz and L. Artz violated and, unless enjoined, will continue to violate Section 16(a) of the Exchange Act and Rule 16a-3 thereunder.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court issue a final judgment:

**I.**

Permanently enjoining Defendants Neurotech, B. Artz and L. Artz from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**II.**

Permanently enjoining Defendant Neurotech from violating, directly or indirectly, Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

**III.**

Permanently enjoining Defendants B. Artz and L. Artz from aiding and abetting violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

**IV.**

Permanently enjoining Defendant B. Artz from violating, directly or indirectly, Exchange Act Rule 13a-14 thereunder.

**V.**

Permanently enjoining Defendants B. Artz and L. Artz from violating, directly or indirectly, Section 16(a) of the Exchange Act and Rule 16a-3 thereunder.

**VI.**

Ordering Defendants Neurotech, B. Artz and L. Artz to pay civil money penalties pursuant

to Section 21(d)(3) of the Exchange Act in amounts to be determined by the Court.

**VII.**

Ordering Defendants B. Artz and L. Artz to disgorge all of the ill-gotten gains, including the proceeds of all stock sales, plus prejudgment interest thereon, they obtained during the period of their misconduct, as described above.

**VIII.**

Barring, pursuant to Section 21(d)(2) of the Exchange Act, Defendants B. Artz and L. Artz from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act.

**IX.**

Ordering a penny stock bar against Defendants B. Artz and L. Artz, pursuant to the Court's equitable powers and/or Section 603 of the Sarbannes-Oxley Act of 2002.

**X.**

Order such other relief as the Court deems just and proper.

Respectfully submitted,

---

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