

UNITED STATES DISTRICT COURT  
for the  
SOUTHERN DISTRICT OF FLORIDA

91-6644

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

MARC JOSEPH, :  
MARC JOSEPH, d/b/a :  
FIRST FIDELITY FINANCIAL CORP., :  
LEWIS MILLER, :  
RICHARD A. MALLION, :  
KEVIN L. STEVENS, :  
PAUL COFFEY and :  
RICHARD COFFEY, :

Defendants. :

CIVIL ACTION NO. :  
CIV-MORENO

COMPLAINT FOR PRELIMINARY :  
AND PERMANENT INJUNCTION :  
AND OTHER EQUITABLE RELIEF

AUG 23 1991  
2:45

Plaintiff Securities and Exchange Commission ("Commission"),  
for its Complaint herein, alleges as follows:

STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED

1. Defendants Marc Joseph ("Joseph"), Marc Joseph, d/b/a First Fidelity Financial Corp. ("First Fidelity"), Lewis Miller ("Miller"), Kevin Stevens ("Stevens"), Richard Mallion ("Mallion"), Paul Coffey ("P. Coffey") and Richard Coffey ("R. Coffey") have engaged in, and unless enjoined, will continue to engage in, acts, practices and courses of business which constitute violations of Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78o(a)(1)].

2. Defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey have engaged in, and unless enjoined, will continue to engage in, transactions, acts, practices and courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and

15(c) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(c)] and Rules 10b-5 and 15c1-2 [17 C.F.R. §§ 240.10b-5 and 240.15c1-2] promulgated thereunder.

**JURISDICTION AND VENUE**

3. The Commission is authorized to bring this action pursuant to Section 20(b) of the Securities Act, 15 U.S.C. 77t(b), and Sections 21(d) and 21(e) of the Exchange Act, 15 U.S.C. 78u(d) and 78u(e). This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa]. Violations of federal securities statutes and rules are being alleged.

4. The defendants, directly and indirectly, singly and in concert with others, have made use of, and are using, the means and instrumentalities of interstate commerce; the means and instruments of transportation and communication in interstate commerce, and of the mails, in connection with the transactions, acts, practices and courses of business alleged herein.

5. Certain transactions, acts, practices and courses of business being alleged herein have occurred within the Southern District of Florida. Defendants Joseph and Mallion reside in the Southern District of Florida. First Fidelity's offices are located in the Southern District of Florida.

**NATURE OF RELIEF BEING SOUGHT**

6. Plaintiff, Commission, brings this action pursuant to authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)] to enjoin the defendants from engaging in the transactions, acts, practices and courses of business alleged herein, and from engaging in conduct of similar purport and object, and to obtain certain ancillary and further relief as is necessary and appropriate.

**AUTHORITY FOR PROMULGATED RULES CITED HEREIN**

7. Plaintiff Commission, pursuant to authority conferred upon it by Sections 10(b) and 23(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78w(a)], has promulgated Rule 10b-5 [17 C.F.R. § 240.10b-5], which was in effect at all times relevant hereto, and remains in effect.

8. Plaintiff Commission, pursuant to authority conferred upon it by Sections 15(c) and 23(a) of the Exchange Act [15 U.S.C. §§ 78o(c) and 78w(a)], has promulgated Rule 15c1-2 [17 C.F.R. § 240.15c1-2], which was in effect at all times relevant hereto, and remains in effect.

**THE DEFENDANTS**

9. FIRST FIDELITY has been in operation since at least January 1991 selling securities to members of the investing public. First Fidelity is currently located at 800 Corporate Drive, Suite 220, Fort Lauderdale, Florida. First Fidelity is not registered

as a corporation in Florida. First Fidelity is not and has never been registered with the Commission as a broker-dealer.

10. JOSEPH is and has been First Fidelity's President. Joseph resides in Boynton Beach, Florida. Joseph has never been registered with the Commission as a broker-dealer.

11. MILLER is and has been a salesman at First Fidelity since at least February 1991. Miller has never been registered with the Commission as a broker-dealer.

12. STEVENS is and has been a salesman at First Fidelity since at least February 1991. Stevens has never been registered with the Commission as a broker-dealer.

13. MALLION is and has been a salesman at First Fidelity since at least January 1991. Mallion currently resides at 115 Lake Emerald Drive, #106, Oakland Park, Florida. Mallion is currently twenty-six years of age. Mallion worked as a registered representative at various broker-dealers from in or about April 1988 until he commenced his association with First Fidelity. Mallion has never been registered with the Commission as a broker-dealer.

14. P. COFFEY is and has been a salesman at First Fidelity since at least February 1991. P. Coffey has never been registered with the Commission as a broker-dealer.

15. R. COFFEY is and has been a salesman at First Fidelity since at least March 1991. R. Coffey has never been registered with the Commission as a broker-dealer.

**RELEVANT SECURITIES**

16. Tradux Corp. ("Tradux"), formerly known as Alpha Omega Capital Corp., is a Delaware corporation that was incorporated on or about May 4, 1987. Tradux is currently located at 1280 S.W. 36th Avenue, Pompano Beach, Florida. Tradux is in the business of developing computer software which translates languages. The common stock of Tradux is traded in the Over-The-Counter market, and prices are reported only in the "pink sheets."

17. Advisors Capital Technology Corp. ("Advisors"), is a New York corporation, incorporated on June 12, 1984, located at 1180 S.W. 36th Avenue, Pompano Beach, Florida. Advisors used to be in the business of developing computer software which translates languages. On or about June 30, 1989, Advisors entered into an agreement with Tradux whereby Advisors sold its language translation software subsidiary to Tradux. Advisors is traded on the Over-The-Counter market, however, since April 25, 1990, there have been no market makers in Advisors securities listed in the "pink sheets." Since June 1991, Advisors has been a non-operating company, with no employees and virtually no available cash.

**FIRST FIDELITY'S OPERATIONS AS AN UNREGISTERED BROKERAGE FIRM**

18. Since at least January 1991, salesman at First Fidelity, including but not limited to defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey ("salesmen defendants"), have solicited members of the investing public through long distance telephone calls in an effort to induce them to purchase the securities of Tradux and/or Advisors.

a. Upon contacting members of the investing public, individuals associated with First Fidelity, including but not limited to the salesmen defendants, disclosed to these individuals that they were employed by First Fidelity.

b. Upon contacting members of the investing public, individuals associated with First Fidelity, including but not limited to the salesmen defendants, recommended that the individuals purchase Tradux or Advisors stock.

c. Many members of the investing public that were contacted and solicited to purchase Tradux and/or Advisors securities by individuals associated with First Fidelity, including but not limited to the salesmen defendants, were elderly and retired.

d. Individuals associated with First Fidelity, including but not limited to the salesmen defendants, contacted, solicited and sold Tradux and/or Advisors securities to members of the investing public from a wide variety of states including, but not limited to, Alabama, California, Colorado, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Texas and Wisconsin.

e. Investors were not asked any questions regarding their financial situation, investment objectives or prior investment experience by individuals associated with First Fidelity, including but not limited to the salesmen

defendants, prior to or subsequent to their purchases of Tradux and/or Advisors securities through First Fidelity.

f. Individuals associated with First Fidelity, including but not limited to the salesmen defendants, often sent promotional literature regarding Tradux and/or Advisors to members of the investing public subsequent to their purchases of Tradux and/or Advisors securities. [See 19 below.]

g. On numerous occasions, individuals associated with First Fidelity, including but not limited to the salesman defendants, used high pressure sales tactics and misrepresentations to induce members of the investing public to purchase Tradux and/or Advisors securities. [See f 19,20 below.]

h. When members of the investing public verbally assented to purchase Tradux and/or Advisors securities from First Fidelity, they were often sent a purchase confirmation invoice.

i. Purchasers of Tradux and/or Advisors securities were instructed by individuals associated with First Fidelity, verbally and/or in their purchase confirmation invoices, to send checks made payable to First Fidelity in order to pay for their purchases.

j. After investors paid for their Tradux and/or Advisors securities, they received stock certificates representing the securities purchased.

k. Some investors were able to sell the Tradux and/or Advisors securities they had purchased at First Fidelity through First Fidelity.

l. At least 177 investors purchased over 345,600 shares of Tradux common stock through First Fidelity from in or about January 1991 to the present. Investors purchased these shares at prices ranging from \$.55 per share to \$1.00 per share.

m. At least 40 investors purchased over 751,500 shares of Advisors common stock through First Fidelity from in or about March 1991 to the present. Investors purchased these shares at prices ranging from \$.25 per share to \$1.25 per share.

n. First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, are not, and have never been, registered with the Commission as broker-dealers.

**"BOILER ROOM" TECHNIQUES,  
HIGH PRESSURE SALES AND MATERIAL MISREPRESENTATIONS**

**False Statements Regarding the  
Operations and Plans of Tradux and Advisors**

19. Since at least January 1991, defendants Miller, Mallion, Stevens, P. Coffey and R. Coffey have been making numerous misrepresentations and omissions of material facts to induce prospective investors to purchase Tradux and/or Advisors stock. The misrepresentations and omissions of material facts made by defendants Miller, Mallion, Stevens, P. Coffey and R. Coffey include the following:



a. Misrepresentations and Omissions Concerning Advisors

- (1) Defendants Stevens, P. Coffey and R. Coffey failed to disclose to prospective investors the true market price of the Advisors common stock;
- (2) Defendants Stevens, P. Coffey and R. Coffey falsely represented to prospective investors that Advisors stock was currently trading at between \$.25 and \$.50 per share, when, in fact, no registered broker-dealers were marketing the stock, nor had any broker-dealer made a market in the stock since about April 1990;
- (3) Defendants Stevens, P. Coffey and R. Coffey falsely represented to prospective investors that the Advisors stock will reach between \$.35 and \$2.00 per share within 2-3 months after their investment, when, in fact, no market for Advisors stock existed, Advisors had no operations, and accordingly, there was no reasonable basis for such price predictions;
- (4) Defendant P. Coffey falsely represented to prospective investors that Advisors stock was currently listed or would be listed on NASDAQ within the near future (e.g., within two weeks to three months), when, in fact, Advisors had not reapplied for such listing after being delisted from NASDAQ on or about October 11, 1989, nor did it have enough active market makers to qualify for such listing, and accordingly, there was no reasonable basis for such representations;

- (5) Defendants Stevens, P. Coffey and R. Coffey falsely represented to prospective investors that Advisors was currently in the software (or language) translation business, when, in fact, Advisors had discontinued that business by at least June 1989, the company had no employees or cash and was no longer operating, and accordingly, there was no reasonable basis for such representations;
- (6) Defendant Stevens falsely represented to prospective investors that Advisors was currently negotiating to sell software packages to major automobile dealers such as Ford Motor Co., and General Motors ("GM"), when, in fact, Advisors was no longer in the business of selling such software;
- (7) Defendant P. Coffey distributed to at least one prospective investor through the mails a Consolidated Statement of Income and Retained Earnings ("Consolidated Income Statement") concerning Advisors which falsely portrayed Advisors as an on-going business entity, when in fact, Advisors had no operations; and
- (8) Defendants Stevens, P. Coffey and R. Coffey failed to disclose to prospective investors in Advisors that Cannon, Advisors' then current president, had been convicted of tax fraud and grand larceny in 1985 and 1987, respectively, had been barred by the Commission from association with any regulated entity in the

securities industry in 1987, and had been enjoined from further violating the antifraud provisions of the federal securities laws in 1988.

b. Misrepresentations and Omissions Concerning Tradux

- (1) Defendants Miller, Mallion, Stevens and P. Coffey failed to disclose to prospective investors the true market price of the Tradux common stock;
- (2) Defendants Miller, Stevens and P. Coffey falsely represented to prospective investors that Tradux stock was currently trading at between \$.75 and \$1.50 per share, when, in fact, the stock was trading at between \$.26 and \$.75 per share, and registered broker-dealers primarily sold the stock to investors at about \$.44 per share;
- (3) Defendants Miller, Mallion and Stevens falsely represented to prospective investors that the Tradux stock would reach \$1.50 to \$2.50 per share within 2-3 months after their investment, when, in fact, no broker-dealer had sold the stock for more than \$.75 per share within the last six months; Tradux had incurred a net loss of approximately \$372,000 for fiscal year 1990, Tradux had incurred additional losses of \$62,430 and had an accumulated deficit retained earnings of \$412,800 by March 31, 1991, and accordingly, there was no reasonable basis for such price predictions;

- (4) Defendants Miller and Stevens falsely represented to numerous investors and prospective investors that Tradux stock would be listed on the NASDAQ within the near future (e.g., within two weeks to three months), when, in fact, Tradux had not applied for such listing since its original application was denied by NASDAQ in March 1990, and accordingly there was no reasonable basis for such representations;
- (5) Defendants Miller and Stevens falsely represented to numerous prospective investors that they were being solicited because Tradux needed additional shareholders to qualify for NASDAQ listing, when, in fact, Tradux had more than enough shareholders to meet that particular NASDAQ listing requirement;
- (6) Defendant Miller falsely represented to at least one prospective investor that Tradux would be listed on "the board", when, in fact, Tradux had not applied for such listing on NASDAQ or an exchange;
- (7) Defendants Miller and Stevens falsely represented that Tradux had on-going negotiations to sell software packages to major corporations including AT&T and GM, when, in fact, these corporations had not entered into any contracts or serious negotiations with Tradux;
- (8) Defendant Mallion misrepresented to at least one prospective investor in January 1991 that he had received material, non-public information in confidence from a

"high insider" of Tradux concerning an impending merger with Teleoptics, when, in fact, there was no reasonable basis for such representations; and

- (9) Defendants Miller and Stevens disseminated to at least two different investors a Consolidated Income Statement concerning Tradux, which contained identical figures as reflected on Advisors' Consolidated Income Statement, and which contained figures that were materially different than previously reported by Tradux on filings with the Commission for the same periods (i.e., the figures grossly overstated Tradux's revenues, income before taxes and earnings per share by approximately \$1,500,000, \$810,773 and \$.172, respectively).

20. Some examples of specific misrepresentations and omissions by the salesmen defendants include the following:

a. In or about early March 1991, Miller told investor Julius Chosy ("Chosy") that Tradux needed additional shareholders to get listed on the "board." Based on Miller's representations, on or about March 27, 1991, Chosy agreed to purchase 1,000 shares of Tradux at \$1.00 per share. Tradux has never been listed on an exchange.

b. In or about early April 1991, Stevens told investor Larry Meyer ("Meyer") that Advisors was in the software translation business. Stevens further told Meyer that Advisors had already sold a number of software packages to a major automotive company like General Motors or Ford, and was

currently in negotiations to sell more. Based on Stevens' representations, Meyer agreed to purchase 10,000 shares of Advisors at \$.25 per share. In fact, by April 1991, Advisors was not an operating company and had sold its language translation software subsidiary in or about June 1989.

c. In or about January 1991, Mallion told investor Dan Blossfeld ("Blossfeld") that he had confidential information from individuals "high up" in Tradux that the company was about to "go public through a merger with a company called Teleoptics." Based on Mallion's representations, Blossfeld agreed to purchase 4,000 shares of Tradux at \$.55 per share. At the time that Mallion made these statements to Blossfeld, Tradux was already a public company. The merger never occurred.

d. In or about early April 1991, P. Coffey told investor John Heikkila ("Heikkila") that Advisors was going to be listed on NASDAQ in four or five weeks. He further told Heikkila that Advisors had already applied for listing and that it was just a matter of time before Advisors would be listed. P. Coffey also told Heikkila that Advisor's listing on NASDAQ would cause a dramatic increase in the price of Advisors' stock. Based on P. Coffey's representations, Heikkila agreed to purchase 10,000 shares of Advisors stock at \$.25 per share on or about April 9, 1991. There was no reasonable basis for P. Coffey's statements. Advisors is not

currently listed on NASDAQ and has not reapplied since it was delisted on October 11, 1989.

e. On or about March 21, 1991, R. Coffey told investor Sterling Carrington ("Carrington") that Advisors was a good company with excellent potential. Based on R. Coffey's representations, Carrington agreed to purchase 2,500 shares of Advisors stock at \$.25 per share. In fact, by March 21, 1991, Advisors was not an operating company.

f. On or about May 28, 1991, Miller told investor Roy Bronderslev ("Bronderslev"), that he expected the price of Tradux stock to go up to \$2.00 per share "right off the go." Based on Miller's representations, Bronderslev agreed to purchase 500 shares of Tradux at \$1.00 per share. Since May 1, 1991, the highest price at which a Tradux market maker sold Tradux stock was \$.75 per share. Most customers during that period purchased the stock at \$.44 per share. Miller made the above prediction to Bronderslev without any reasonable basis in fact.

g. In or about late May 1991, Miller told investor George Widemark ("Widemark") that he could get a "special deal" on Tradux stock and "buy it for \$1.00 per share." Miller further told Widemark that the stock was trading higher, but that Widemark could buy it at \$1.00 if he acted within the next few days. Based on Miller's representations, Widemark agreed to purchase 500 shares of Tradux at \$1.00 per share in or about the last week of May 1991. Since May 1,

1991, the highest price at which a Tradux market maker sold Tradux stock was \$.75 per share.

h. In or about February 1991, Stevens told investor Richard Hugh ("Hugh") that the price of Tradux "would shoot up from \$1.00 per share to \$2.25 per share by June 1991." Based on Stevens' representations, Hugh agreed to purchase 2,000 shares of Tradux at \$1.00 per share. Since February 1, 1991, the highest price at which a Tradux market maker purchased Tradux stock was \$.75 per share. Stevens made the above prediction to Hugh without any reasonable basis in fact.

i. In or about February 1991, Stevens told Anthony Salvi ("Salvi") that Tradux was currently selling at approximately \$.875 per share; but that within a short time, perhaps a couple of months, Tradux would be selling at \$1.50 per share." Based on Stevens' representations, Salvi agreed to purchase 1,000 shares of Tradux. Since February 1, 1991, the highest price at which a Tradux market maker sold Tradux stock was \$.75 per share and the highest price at which a Tradux market maker purchased Tradux stock was \$.75 per share. Most customers purchased the security at \$.44. Stevens lied about the current trading price of Tradux and made the above prediction to Salvi without any reasonable basis in fact.

j. In or about January 1991, Mallion told investor Tim Knight ("Knight") that Tradux was about to merge with another company and that once the merger was announced the price would triple. Based on Mallion's representations, Knight purchased



1,500 shares of Tradux at \$.55 per share on or about January 25, 1991. Since January 1991, the highest price at which a Tradux market maker purchased Tradux stock was \$.75 per share. Mallion made the above prediction to Knight without any reasonable basis in fact.

k. In or about June 1991, investor Dan Blossfeld informed Mallion that he wanted to sell the Tradux stock that he had previously purchased through Mallion at First Fidelity. Mallion suggested that Blossfeld hold off selling because Tradux would go up to \$1.50 per share "within the next two or three months." As a result of Mallion's representations, Blossfeld decided not to sell his Tradux stock. Since May 1 1991, the highest price at which a Tradux market maker purchased Tradux stock was \$.75 per share. Mallion made the above prediction to Blossfeld without any reasonable basis in fact.

l. In or about late February 1991, a few weeks after investor Claude Nelson ("Nelson") had purchased shares of Tradux from P. Coffey for \$.75 per share, P. Coffey told Nelson that "Tradux had increased in price to \$.875 per share" Based on P. Coffey's representations, Nelson agreed to purchase an additional 2,500 shares of Tradux at \$.875 per share on or about February 27, 1991. In fact, since February 1, 1991, the highest price at which a Tradux market maker sold Tradux stock was \$.75 per share.

m. In or about early April 1991, P. Coffey told Heikkila that Advisors would be listed on NASDAQ within four to five weeks, and that once the listing occurred the price of the "stock would immediately trade between \$.50 and \$1.00 per share." Based on P. Coffey's representations, Heikkila agreed to purchase 10,000 shares of Advisors stock at \$.25 per share. Since January 1, 1990, no brokerage firm has listed a bid or ask price for Advisors common stock in the pink sheets. P. Coffey made the above prediction to Heikkila without any reasonable basis in fact.

n. On or about March 21, 1991, R. Coffey told Carrington that he would be getting a "special deal" on the price of Advisors stock because he was a former stockholder of the company and could purchase the stock "directly from the corporation for \$.25 per share." Based on R. Coffey's representations, Carrington purchased 2,500 shares of Advisors at \$.25 per share. Since January 1, 1990, no brokerage firm has listed a bid or ask price for Advisors common stock in the pink sheets.

o. On or about April 15, 1991, R. Coffey told Carrington that Advisors stock "was now trading at \$.40 per share and was confident that it would go to the \$1.00 range soon." He further told Carrington that "he only had 2,500 shares left, but Carrington could buy it at \$.25 per share because he was a prior shareholder." Based on R. Coffey's representations, Carrington purchased an additional 2,500

shares of Advisors stock at \$.25 per share. Since January 1, 1990, no brokerage firm has listed a bid or ask price for Advisors common stock in the pink sheets. R. Coffey made the above prediction to Carrington without any reasonable basis in fact.

Techniques Designed to Induce Hasty Investment Decisions

21. Defendants Miller, Stevens and P. Coffey knowingly used various techniques to rush customers into making hasty and ill considered investment decisions. For example:

a. On or about May 28, 1991, Miller told Bronderslev that he could get a special deal and purchase Tradux stock for \$1.00 per share if he acted quickly. Based on Miller's representations, Bronderslev agreed to purchase 500 shares of Tradux at \$1.00 per share.

b. In or about February 25, 1991, Stevens called Salvi and recommended that he purchase Tradux stock. During this conversation, Stevens told Salvi "that he only calls people once and, if they don't take advantage of the opportunity, he never calls again." Stevens further told Salvi that "he would be selling stock in the future for other companies similar to Tradux and, when they came along, he would not let Salvi in on the deals if he had not purchased Tradux." During this conversation, Salvi agreed to purchase 1,000 shares of Tradux stock.

c. On or about July 18, 1991, P. Coffey told Heikkila that he had a new stock which he was recommending. P. Coffey

told Heikkila that this company was going to be listed on NASDAQ soon at \$10.00 per share, but that Heikkila could buy it at \$9.00 per share currently if Heikkila acted quickly.

**FIRST CAUSE OF ACTION**

**BROKER-DEALERS' FAILURE TO REGISTER WITH THE COMMISSION PURSUANT TO SECTION 15(b) OF THE EXCHANGE ACT [15 U.S.C. § 78o(b)] IN VIOLATION OF SECTION 15(a) OF THE EXCHANGE ACT [15 U.S.C. § 78o(a)]**

22. Paragraphs 1 through 21 are realleged and incorporated herein by reference.

23. From in or about January 1991 to the present, defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, by use of the mails and the means or instrumentalities of interstate commerce, while acting as broker-dealers and engaged in the business of effecting transactions in securities for the accounts of others otherwise than through a national securities exchange, effected transactions in, or induced or attempted to induce the purchase or sale of, securities [other than an exempted security or commercial paper, banker's acceptances, or commercial bills] without registering as a broker-dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)], including but not limited to the allegations contained in paragraphs 9 through 21, above.

24. By reason of the foregoing, defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, directly and indirectly, have violated, and unless enjoined, will continue to violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

SECOND CAUSE OF ACTION

FRAUD, VIOLATIONS OF SECTION 17(a)  
OF THE SECURITIES ACT [15 U.S.C. § 77q(a)]

25. Paragraphs 1 through 21 are realleged and incorporated herein by reference.

26. From in or about January 1991 to the present, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, directly and indirectly, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce, and the mails, have been, and are now:

- a. knowingly employing devices, schemes, and artifices to defraud;
- b. obtaining money or property by means of untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- c. engaging in transactions, practices and courses of business which operated or would operate as a fraud or deceit upon the purchasers;

including, but not limited to, employing the devices, schemes and artifices to defraud, making the misrepresentations and omissions of material facts, and engaging in the transactions, practices and courses of business, described in paragraphs 10 through 21 above.

27. By reason of the foregoing, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, and each of them, singly and in

concert, directly and indirectly, have violated, and unless enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CAUSE OF ACTION

FRAUD, VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT, 15 U.S.C. [15 U.S.C. 78(j)(b)] AND RULE 10b-5, [17 C.F.R. 240 10b-5] THEREUNDER

28. Paragraphs 1 through 21 are realleged and incorporated herein by reference.

29. From in or about January 1991 to the present, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, directly and indirectly, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and the mails, have been and are now, knowingly;

a. employing devices, schemes and artifices to defraud;

b. obtaining money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c. engaging in acts, practices and courses of business which operate as a fraud or deceit;

including but not limited to, the fraudulent practices described in paragraphs 10 through 21, above.

30. By reason of the foregoing, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, and each of them, singly and in concert, directly or indirectly, have violated, and unless enjoined

will continue to violate, Section 10(b) of the Exchange Act, [15 U.S.C. 78(j)], and Rule 10b-5 [17 C.F.R.240.10b-5], thereunder.

**FOURTH CAUSE OF ACTION**

**FRAUD BY A BROKER-DEALER, VIOLATIONS OF SECTION 15(c) OF  
THE EXCHANGE ACT [15 U.S.C. § 78o(c)] AND  
RULE 15c1-2 [17 C.F.R. § 240.15c1-2] THEREUNDER**

31. Paragraphs 1 through 21 are realleged and incorporated herein by reference.

32. From in or about January 1991 to the present, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, directly and indirectly, while acting as brokers or dealers, have been making use of the mails and the means and instrumentalities of interstate commerce to effect transactions in securities or to induce or attempt to induce the purchase or sale of any securities (other than commercial paper, bankers' acceptances or commercial bills) otherwise than on a national securities exchange of which they are members, by means of manipulative, deceptive or other fraudulent devices or contrivances, and by knowingly engaging in acts, practices and courses of business which operated and are currently operating as a fraud or deceit upon persons, and by making untrue statements of material facts and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and such statements or omissions being made with knowledge or reasonable grounds to believe that they are untrue or misleading, including, but not limited to, the statements, acts, practices and courses of business, described in paragraphs 1 through 21 above.

33. By reason of the foregoing, defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, and each of them, singly and in concert, directly and indirectly, have violated, and unless enjoined, will continue to violate, Section 15(c) of the Exchange Act [15 U.S.C. § 78o(c)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2] thereunder.

WHEREFORE, Plaintiff Commission respectfully requests that this Court issue:

1. An Order finding that the defendants committed the acts alleged herein.

2. A temporary restraining Order, a preliminary injunction and a permanent injunction restraining and enjoining defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, their agents, servants, employees and attorneys-in-fact, and each of them, and those persons in active concert or participation with them, directly and indirectly, or aiding and abetting one another, from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)], by making use of the mails and the means or instrumentalities of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, securities [other than an exempted security or commercial paper, banker's acceptances, or commercial bills], while acting as a broker or dealer, without registering as a broker-dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].



3. A temporary restraining order, a preliminary injunction, and a permanent injunction, restraining and enjoining defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, their agents, servants, employees and attorneys-in-fact, and each of them, and those persons in active concert or participation with them, directly and indirectly, or aiding and abetting one another, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, by, making use of any means or instruments of transportation or communication in interstate commerce, or any means or instrumentalities of interstate commerce, or the mails, or any facility of any national securities exchange, in the offer or sale of any security, or in connection with the purchase or sale of any security, and knowingly:

- a. employing devices, schemes, and artifices to defraud;
- b. obtaining money or property by means of untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- c. engaging in transactions, acts, practices and courses of business which operated or would operate as a fraud or deceit upon any person.

4. A temporary restraining order, a preliminary injunction and a permanent injunction restraining and enjoining defendants Miller, Stevens, Mallion, P. Coffey and R. Coffey, their agents, servants, employees and attorneys-in-fact, and each of them, and those persons in active concert or participation with them, directly and indirectly, singly or in concert with, or aiding and abetting one another, from violating Section 15(c) of the Exchange Act [15 U.S.C. § 78o(c)] and Rule 15c1-2 [17 C.F.R. § 240.15c1-2] thereunder, by, while engaged in business as a broker-dealer, making use of the mails or the means and instrumentalities of interstate commerce, to effect transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than commercial paper, bankers' acceptances, or commercial bills), otherwise than on a national securities exchange of which they are a member, by means of any manipulative, deceptive or fraudulent device or contrivance, or by knowingly engaging in acts, practices and courses of business which would operate as a fraud or deceit upon any persons, or by making untrue statements of material facts and omissions of material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, which statement or omissions are made with knowledge or reasonable grounds to believe that they are untrue or misleading.

5. An order enjoining, restraining and directing defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, and their officers, agents, servants, employees and

attorneys, and those persons in active concert or participation with them, and each of them, to 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 money, real or personal property, securities, choses in action or property of any kind whatsoever) of the defendants currently held by them or under their control, whether held in their names or for their direct or indirect beneficial interest, wherever situated; and directing each of the financial or brokerage institutions, bailees, debtors or any other persons or entities holding any such assets, funds, or other properties of the defendants, to hold and retain within their control such assets, funds, or other properties and prohibit their removal, withdrawal, transfer or disposal; except upon an order of this Court, for the ordinary and necessary living expenses of the defendants based on a showing by them to the Court of the reasonableness of the amounts to be released.

6. An Order requiring the defendants to make an accounting of:

a. any and all of their current assets, funds, or other properties held in any of their names, or in which they have a direct or indirect beneficial interest, or over which they maintain control, wherever situated, stating the location, value, and disposition of each such asset, fund, and other property;

b. each account with any financial or brokerage institution maintained in their name, or for their direct or indirect beneficial interest, or over which they maintain control, and the names and last known addresses of all bailees, debtors, and other persons and entities which have held or are holding any of their assets, funds or other properties, in or at any time from January 1, 1991 to the present;

c. the disposition of all funds, assets or other properties removed or transferred from each account, bailee, debtor or other persons or entities identified in subparagraph b. above, from January 1, 1991 to the present; and

d. all profits, payments or other benefits to the defendants which directly or indirectly resulted from transactions or agreements involving the securities of Tradux and Advisors from January 1, 1991 to the present.

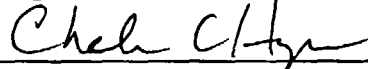
7. An Order enjoining and restraining defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey, and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, from tampering with, mutilating, altering, erasing, destroying or otherwise disposing of any and all books, records, documents, files, correspondence, disks or any other recordings of any type, however created, produced or stored, relating to, pertaining to, or referring to First Fidelity, Tradux or Advisors, the offer, purchase or sale of securities by First

Fidelity, its employees, agents or officers, or any financial transactions by the defendants, or transactions of which the defendants are a party.

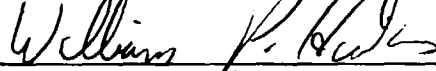
8. A Final Judgment requiring defendants First Fidelity, Joseph, Miller, Stevens, Mallion, P. Coffey and R. Coffey to disgorge any and all profits derived, directly or indirectly, from the violations alleged herein, plus pre-judgment interest, and requiring the defendants to pay civil penalties pursuant to Section 21 of the Exchange Act, 15 U.S.C. 78(t); and

9. An Order granting such other and further relief as the Court may deem just and equitable.

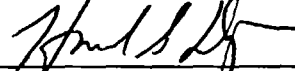
Respectfully submitted,



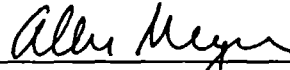
Charles C. Harper  
Florida Bar No. 177607



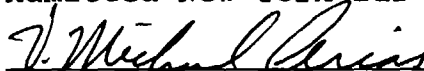
William P. Hicks  
Florida Bar No. 3376441



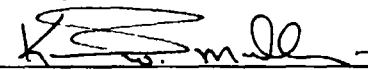
Howard S. Dargan  
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Allen Meyer  
Admitted New York Bar March 1989



V. Michael Arias  
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Keith W. Miller  
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Dated: Miami, Florida  
August 9, 1991

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