



U.S. Securities and Exchange Commission

Securities and Exchange Commission Washington, D.C.

Litigation Release No. 17528 / May 22, 2002

Securities and Exchange Commission v. Millennium Financial, Ltd., and Newpont Fiduciaries & Nominees, S.A., Civil Action No. 02 CV 3901 (MBM) (S.D.N.Y.) (filed May 22, 2002)

SEC Sues Millennium Financial, Ltd. for Running an International Boiler Room Operation

Court Orders Freeze of Millennium's Assets

The Honorable Michael B. Mukasey of the Southern District of New York, in response to an emergency action filed today by the SEC, issued an Order temporarily restraining Millennium Financial, Ltd. from violating the antifraud provisions of the federal securities laws. The Court also ordered a freeze of Millennium's assets, an accounting of those assets and other emergency equitable relief. The Commission alleges that Millennium has been running an ongoing international boiler room operation that has defrauded at least 150 investors from over 20 countries out of more than \$2 million. The Commission also sued Newpont Fiduciaries & Nominees, S.A. as a relief defendant, because Newpont received investor funds at the direction of Millennium.

The Commission's Complaint alleges that Millennium made a number of fraudulent statements to investors in connection with the offer and sale of the so-called pre-initial public offering (or "pre-IPO") stocks of at least three U.S. companies — Key Card Communications, Inc., kNutek Holdings, Inc. and Sonic Garden, Inc. The Complaint alleges that, through unsolicited telephone calls and mass mailings, Millennium made fraudulent statements concerning (i) whether and when a U.S. company was going to have an IPO; (ii) whether investors could profitably resell their pre-IPO shares before the IPO; (iii) the price at which the stock would be offered in the IPO itself; and (iv) the price at which the stock would trade shortly after the IPO.

The Commission's Complaint specifically alleges, among other things, that:

- In the case of Key Card, Millennium told potential investors that Key Card would have an IPO within a few months. In fact, Key Card did not have an IPO within the promised timeframe and has never had an IPO.
- Millennium sold Key Card pre-IPO shares to investors for \$5 per share. Millennium fraudulently told investors that they could profitably sell their pre-IPO shares before the IPO for between \$7.50

and \$10 per share.

- Millennium further told investors that the stock would be offered in Key Card's IPO for at least \$10 per share and that trading would soar to \$50 per share in post-IPO trading — representing a 900 percent return relative to an original investment of \$5 per share. These price predictions were baseless.
- Millennium falsely claimed that it is an international financial consulting firm based in Uruguay, with offices in several foreign countries. In fact, Millennium does not have the offices it claims to have in those countries. It has also operated in Ireland without proper authorization from the Central Bank of Ireland.

Documents filed in support of the Commission's Complaint further allege that Millennium has solicited investors on a worldwide basis. Investor funds have come from Australia, Belgium, Denmark, England, France, Germany, Greece, Guernsey, Indonesia, Ireland, Italy, Luxembourg, Malaysia, The Netherlands, New Zealand, Portugal, Saudi Arabia, Scotland, Singapore, Sri Lanka, Sweden, Switzerland, the United States, and the United Arab Emirates. The majority of the known investors are from the United Kingdom and Ireland.

The Court's Order temporarily restrains Millennium from violating the antifraud provisions contained within Section 17(a) of the Securities Act of 1933, and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934. In addition to the asset freeze, the Order also provides the Commission with other emergency equitable relief, including an order directing Millennium to repatriate to the U.S. all funds and assets that it obtained as a result of the activities alleged in the Complaint. The Commission's Complaint ultimately seeks a final judgment ordering permanent injunctive relief, disgorgement and monetary penalties.

The Commission wishes to acknowledge the cooperation and assistance of the regulatory and law enforcement officials of several foreign jurisdictions in connection with this matter.

In order to assist investors, the SEC has released an online brochure on pre-IPO fraud. Entitled "Risky Business: Pre-IPO Investing," the brochure advises investors about the consequences of investing at the pre-IPO stage and provides key questions investors should ask. The brochure is available at <http://www.sec.gov/investor/pubs/preipo.htm>.

The Commission is continuing its investigation in this matter.

▶ [SEC Complaint in this matter](#)

<http://www.sec.gov/litigation/litreleases/lr17528.htm>