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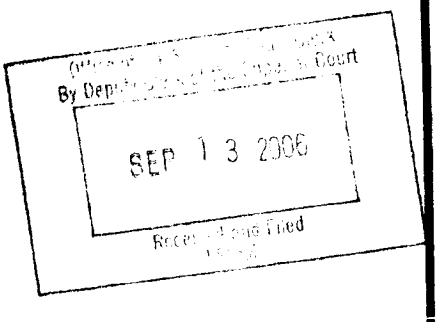


SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION - COUNTY OF ESSEX
Docket No. C-299-06

ANNE MILGRAM, Acting Attorney General of New Jersey, on behalf of FRANKLIN L. WIDMANN, Chief of the New Jersey Bureau of Securities,

Plaintiff,

v.

FRED J. MILLER, ERIC RIEDMAN, AFFILIATED CAPITAL PARTNERS, a Limited Liability Company, CAPSTONE ENERGY Corp., a New Jersey Corporation, COMMERCIAL TECH, LLC, a New Jersey Limited Liability Company, ERIC RIEDMAN & ASSOCIATES, M&R CAPITAL PARTNERS, LLC, a New Jersey Limited Liability Company, TRADERS COMMERCIAL CAPITAL, LLC, a New Jersey Limited Liability Company, TRADERS RESOURCES CAPITAL, LLC, a Delaware Limited Liability Company, GENERAL CAPITAL PARTNERS, LLC, a New Jersey Limited Liability

Civil Action

COMPLAINT

Company, STRATHMORE VENTURE I, LLC, a New Jersey Limited Liability Company, ENVIRONMENTAL FINANCING PARTNERS, LLC, a New Jersey Limited Liability Company, TARGET ENERGY PARTNERS, LLC, a New Jersey Limited Liability Company, ENVIRONMENTAL TECH, LLC, a New Jersey Limited Liability Company, SCI MARK II, INC., a New Jersey Corporation, and M&R FINANCING, L.P.,

Defendants.

Plaintiffs, Anne Milgram, Acting Attorney General of New Jersey, on behalf of Franklin L. Widmann, Chief of the New Jersey Bureau of Securities (the "Bureau"), (collectively, "Plaintiffs") by way of Complaint and upon information, knowledge, and belief state:

JURISDICTION

1. The Bureau is charged with the administration and enforcement of the Uniform Securities Law (1997) of New Jersey, N.J.S.A. 49:3-47 et seq. (the "Securities Law") and has offices at 153 Halsey Street, 6th Floor, Newark, New Jersey 07102.

2. Plaintiffs bring this civil action under the Securities Law for violations of: N.J.S.A. 49:3-52(a) (employing a device, scheme, or artifice to defraud); N.J.S.A. 49:3-52(b) (making false statements of or omitting material facts); N.J.S.A. 49:3-52(c) (engaging in an act, practice, or

course of business that operates as a fraud or deceit); N.J.S.A. 49:3-60 (selling unregistered securities); N.J.S.A. 49:3-56(a) (acting as an agent without registration); and N.J.S.A. 49:3-56(h) (employing unregistered agents).

PARTIES

A. THE INDIVIDUAL DEFENDANTS

3. a. Fred J. Miller ("Miller"): Miller resided or resides at New Jersey and was or is a managing member, general partner, officer, and/or owner of the Miller/Riedman Entities (as defined in paragraph six), which were instrumentalities of the fraudulent scheme alleged in this Complaint.

b. Miller offered and sold securities issued by the Miller/Riedman Entities to investors throughout the United States, including New Jersey.

c. At all relevant times, Miller was unregistered with the Bureau as an agent or broker-dealer.

4. a. Eric Riedman ("Riedman"): Riedman resided or resides at New York and has or had an office for his businesses in Fort Lee, New Jersey.

b. Riedman is or was a managing member, general partner, officer, and/or owner of many Miller/Riedman Entities, which were instrumentalities of the fraudulent scheme alleged in this Complaint.

c. Riedman offered and sold securities issued by the Miller/Riedman Entities to investors throughout the United States for a commission in the form of interests in the Miller/Riedman Entities.

d. Riedman has not been registered with the Bureau as an agent since October of 1999. Riedman was never registered as an agent of any of the Miller/Riedman Entities.

e. Since at least 1990, Riedman represented himself to be a financial planner with "an independent financial planning practice" that provided "financial advisory services to approximately 300 clients . . . and manag[ed] portfolios aggregating more than $20 million."

5. Through Miller and Riedman (collectively, "Defendants"), as alleged in this Complaint, the Miller/Riedman Entities defrauded investors by misrepresenting and omitting material information in selling the securities of the Miller/Riedman Entities and, through their control of the Miller/Riedman Entities, diverting investors' funds for personal use and misappropriating investors' funds to pay other investors and creditors.

B. THE MILLER/RIEDMAN ENTITY DEFENDANTS

6. The defendants pled by Plaintiffs in paragraphs seven through twenty, collectively hereinafter referred to as the "Miller/Riedman Entities," were operated by Defendants as a

single economic enterprise and as Defendants' alter egos because Defendants, among other things, commingled funds among the Miller/Riedman Entities and diverted funds to themselves for personal use.

1. Defendants' Alter-Ego Entities

7. Capstone Energy Corp. ("Capstone Energy"): Capstone Energy was a New Jersey corporation that had or has a principal place of business at 2100 Linwood Avenue, Fort Lee, New Jersey. Riedman maintained and operated Capstone Energy solely for personal use, including for the management of his personal finances. Often, Riedman diverted investors' and Miller/Riedman Entities' funds to Capstone Energy and, from there, withdrew or spent the diverted funds for personal use.

8. Commercial Tech, LLC ("Commercial Tech"): Commercial Tech is a New Jersey limited liability company that has or had a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey. Miller maintained and operated Commercial Tech solely for personal use, including for the management of his personal finances. Often, Miller diverted investors' and Miller/Riedman Entities' funds to Commercial Tech and, from there, withdrew or spent the diverted funds for personal use.

9. Eric Riedman & Associates ("ER Associates"): ER Associates is an unincorporated financial planning business

owned and operated by Riedman that has or had offices at 617 West End Avenue, New York, New York; 510 Madison Avenue, New York, New York; 120 Charlotte Place, Englewood Cliffs, New Jersey; 17 North Avenue, Norwalk, Connecticut; 355 West 39th Street, New York, New York; and P.O. Box 1133, Fort Lee, New Jersey.

2. The Day-Trading Entities

10. M&R Capital Partners, LLC ("M&R"): M&R is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

11. Affiliated Capital Partners, LLC ("ACP"): ACP is a limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

12. Traders Commercial Capital, LLC ("TCC"): TCC is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

13. Traders Resources Capital, LLC ("TRC"): TRC is a Delaware limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632. TRC was or is the managing member of TCC.

14. General Capital Partners, LLC ("GCP"): GCP is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632 and also operated or operates from 510 Madison Avenue, New York, New York.

15. Strathmore Venture I, LLC ("Strathmore"): Strathmore is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

3. Other Entity Defendants

16. Environmental Financing Partners, LLC ("EPS"): EPS is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

17. Target Energy Partners, LLC ("Target Energy"): Target Energy is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

18. Environmental Tech, LLC ("Entech"): Entech is a New Jersey limited liability company that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

19. Sci Mark II, Inc. ("SciMark II"): SciMark II is a New Jersey corporation that had or has a principal place of

business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632.

20. M&R Financing, L.P. ("M&R Financing"): M&R Financing is a New Jersey limited partnership that had or has a principal place of business at 120 Charlotte Place, Englewood Cliffs, New Jersey 07632. Miller and Riedman were the general partners of M&R Financing.

FACTS

A. DEFENDANTS' FRADULENT SCHEME AND SALE OF UNREGISTERED SECURITIES

21. From 1997 to 2002, in Englewood Cliffs, New Jersey, Defendants fraudulently sold unregistered securities issued by the Miller/Riedman Entities.

22. The Miller/Riedman Entities, which Defendants operated as a single economic enterprise, engaged in a variety of business activities, including day-trading, health-care consulting, real estate, oil-and-gas speculation, and non-hazardous waste facilities.

23. The securities issued by the Miller/Riedman Entities and fraudulently sold to, from, and within New Jersey by Defendants included:

a. promissory notes that matured in one or two years, promised to pay interest at a rate of at least 12% per year, and promised investors a percentage of profits;

b. ownership units of certain Miller/Riedman Entities that promised investors a percentage of profits;

c. partnership and membership interests of Miller/Riedman Entities that promised investors a percentage of profits; and

d. shares of stock of Miller/Riedman Entities.

24. Investors were passive and Defendants completely controlled the Miller/Riedman Entities.

25. The securities issued by the Miller/Riedman Entities were not registered with the Bureau, exempt from registration, or federal covered securities.

26. Defendants were unregistered with the Bureau as agents of the Miller/Riedman Entities or as broker-dealers to sell securities issued by the Miller/Riedman Entities to, from, or within New Jersey.

27. In offering and selling securities, the Miller/Riedman Entities, through Defendants, falsely stated to investors that investors' funds would be used for a specific Miller/Riedman Entity and failed to disclose to investors that funds would be misappropriated to pay: (a) other investors; (b) Defendants' personal expenses; and (c) other Miller/Riedman Entities' debt.

28. For instance, Defendants diverted investors' funds from the Miller/Riedman Entities to pay Riedman's

obligations under $800,000.00 of promissory notes Riedman had issued from 1990 to 2001 (the "Riedman Promissory Notes").

29. In addition, Defendants diverted investors' funds for their personal use, such as paying rent, cable bills, telephone bills, Miller's children's college tuition, and credit card bills.

30. From 1996 to 2002, Defendants diverted approximately $705,000.00 to Miller and $530,000.00 to Riedman of the Miller/Riedman Entities' funds for their personal use.

31. The following are specific examples of Defendants' fraudulent sale of unregistered securities and diversion and misappropriation of funds.

B. DEFENDANTS' DAY-TRADING SECURITIES OFFERINGS

32. From 1997 to 2002, the Miller/Riedman Entities, through Defendants, fraudulently offered and sold the unregistered securities issued by their day-trading businesses to investors throughout the United States, including New Jersey, from 120 Charlotte Place, Englewood Cliffs, New Jersey (the "Englewood Cliffs Remote Investment Center").

1. The M&R Securities Offering

33. Through Defendants, M&R offered and sold "ownership units" of M&R using a Private Placement Memorandum ("PPM") dated March 1, 1997, which falsely represented that M&R provided day traders with funding and sophisticated day-trading

technology through the Englewood Cliffs Remote Investment Center in exchange for fees and a percentage of the day traders' gains.

34. During 1997, M&R, through Defendants, raised $75,000.00 through the sale of M&R ownership units to at least five investors.

35. An M&R ownership unit entitled an investor to a percentage of M&R's profits.

36. Defendants controlled M&R. M&R's investors were passive, with no operational control of M&R.

37. In offering and selling the M&R ownership units, M&R, through Defendants, misrepresented and omitted material information to investors by:

a. falsely stating that investors' funds would fund M&R's business operations;

b. falsely stating that Defendants already owned the day-trading equipment needed for M&R's business operations and that "[b]y utilizing the state of the art systems provided by the General Managers, [M&R's] traders may have their orders executed in a matter of seconds";

c. falsely stating that no more than "$25,000.00" of the investors' funds would be used for startup costs, including day-trading equipment;

d. falsely stating that M&R would "invest substantially all of its capital in entities managed by unaffiliated-persons who will trade the funds so invested and share in the profits and losses";

e. failing to disclose that investors' funds would be misappropriated to pay other investors;

f. failing to disclose that investors' funds would be diverted to pay Defendants' personal debt;

g. failing to disclose that investors' funds would be diverted for Defendants' personal use;

h. failing to disclose that investors' funds and the assets of M&R would be misappropriated to fund Defendants' other businesses; and

i. failing to disclose that Defendants intended to declare M&R a failed business and misappropriate investors' funds and M&R's assets, including day-trading technology, to Defendants' other businesses.

38. Contrary to the representations in the M&R PPM, the proceeds from the sale of the M&R ownership units were used to purchase day-trading equipment and not invested with day traders.

39. As part of Defendants' fraudulent scheme, in 1998, Defendants ceased operating M&R, began operating and soliciting investors for ACP, an entity that operated for similar business purposes and from the same location as M&R, and misappropriated M&R's funds and assets, including M&R's day-trading technology, to ACP.

40. Additionally, Defendants misappropriated $40,500.00 from M&R to ACP. From ACP's bank account, Defendants misappropriated M&R's funds to ACP's business and for personal use.

2. The ACP Securities Offering

41. From the Englewood Cliffs Remote Investment Center, in early 1998, Defendants began operating ACP as a branch office of Carlin Equities Corp. ("Carlin"), a broker-dealer registered in the Central Registration Depository under number 31295.

42. As a branch office of Carlin, ACP provided Carlin's traders with administrative services and day-trading technology.

43. In return, Carlin paid ACP commissions based on the number of trades originating from the Englewood Cliffs Remote Investment Center.

44. In or about August 1998, Defendants began offering and selling promissory notes and membership interests issued by ACP (collectively, the "ACP Securities").

45. Most ACP promissory notes matured in one or two years, promised to pay interest at a rate of 12% per year, promised investors a percentage of ACP's profits, and included an option to exchange the unpaid principal portion for a membership interest in ACP.

46. ACP membership interests promised investors a percentage of ACP's profits.

47. ACP's managing members, including Miller and Riedman, controlled ACP. ACP's investors were passive, with no operational control of ACP.

48. From August 1998 to April 1999, Defendants raised $290,000.00 by selling ACP Securities to eleven investors.

49. From January 2000 to December 2000, Defendants raised $457,400.00 by selling ACP Securities to over thirty investors.

50. In total, from August 1998 to May 2001, Defendants raised over $1 million by selling ACP Securities.

51. As a commission for selling ACP Securities, Riedman received an ownership interest in ACP.

a. Material Misrepresentations and Omissions in Connection with the Sale of ACP Securities

52. In offering and selling ACP Securities, Defendants only provided investors with a four page description of ACP's business plan, ACP's "Operating Agreement," a term sheet, a subscription protocol, an investment questionnaire, and a cover letter (collectively, the "ACP Written Materials").

53. In offering and selling the ACP Securities, ACP, through Defendants, misrepresented and omitted material information to investors by:

a. falsely stating that investors' funds would be used for ACP's business;

b. falsely stating in May 2002 solicitation letters the financial condition and success of ACP by representing, among other things, that ACP was formed "in May of 1999 and [since then] . . . ha[d] grown from 2 traders to 33 traders . . . generating approximately $200,000.00 in monthly revenues";

c. failing to disclose that ACP lost $134,370.00 in 1998 and $495,558.00 in 1999;

d. failing to disclose the intended use of the proceeds of the ACP Securities;

e. failing to disclose the financial condition of ACP and the makers of the ACP promissory notes;

f. failing to disclose the purported failure of ACP's predecessor, M&R;

g. failing to disclose any of the risks carried by the ACP Securities;

h. failing to disclose that investors' and ACP's funds would be diverted for Defendants' personal use;

i. failing to disclose that investors' and ACP's funds would be misappropriated to Defendants' other businesses; and

j. failing to disclose that investors' and ACP's funds would be misappropriated to pay other investors, including investors of Defendants' other businesses.

b. Diversion and Misappropriation of Investors' and ACP's Funds

54. Unbeknown to investors, ACP, through Riedman, diverted ACP's funds to pay Riedman Promissory Notes holders and for his personal use by: (a) from November 1997 to August 2000, diverting over $400,000.00 to pay, among other things, Riedman Promissory Note holders; and (b) from November 1997 to August 2000, diverting ACP's funds to pay his personal expenses, such as his cable bill, rent, and credit card bills.

55. Unbeknown to investors, ACP, through Defendants, misappropriated ACP's funds to other Miller/Riedman Entities by: (a) in June 1998, misappropriating $75,000.00 of ACP's funds to M&R Financing and other unrelated businesses; and (b) in July 2000, misappropriating over $5,000.00 to SciMark II.

3. The TCC Securities Offering

56. From 1999 to 2002, using several different PPMs, Defendants offered and sold securities issued by TCC from the Englewood Cliffs Remote Investment Center.

57. The TCC PPMs represented that TCC funded day traders in exchange for a percentage of the day traders' gains and earned income by providing day traders with consulting and administrative services.

58. Initially, in late 1999, Defendants sold $323,000.00 of TCC promissory notes to fifteen investors. These initial TCC promissory notes matured in one year, promised to pay interest at a rate of 12% per year, promised investors a percentage of TCC's profits, and were "convertible," meaning the unpaid principal amount was exchangeable for a partnership interest in TCC.

59. Most of the initial TCC promissory notes holders converted their unpaid principal into TCC partnership interests (the "TCC Securities"), which Defendants began selling in late 2000.

60. The TCC Securities promised investors a percentage of TCC's profits.

61. TCC's investors were passive with no operational control of TCC.

62. From January 16, 2001 to January 16, 2002, Defendants raised over $1.6 million by selling TCC securities to at least twenty-five investors.

63. In total, from 1999 to 2002, Defendants raised over $2 million by selling TCC Securities to thirty investors.

64. As a commission for selling the TCC Securities, Riedman received an ownership interest in TCC.

a. Material Misrepresentations and Omissions in Connection with the Sale of TCC Securities

65. In selling and offering the TCC Securities, TCC, through Defendants and the TCC PPMs, misrepresented and omitted material information by:

a. falsely stating that over eighty-seven percent of TCC's funds would be invested in securities by traders;

b. falsely stating that less than six percent of TCC's funds would be used for "operations, marketing and infrastructure requirements, as well as for other general business purposes";

c. failing to disclose the risks carried by the TCC Securities;

d. failing to disclose that investors' and TCC's funds would be diverted for Defendants' personal use;

e. failing to disclose that investors' and TCC's funds would be misappropriated to other Miller/Riedman Entities; and

f. failing to disclose that investors' and TCC's funds would be misappropriated to pay other investors, including investors of other Miller/Riedman Entities.

b. Diversion and Misappropriation of Investors' and TCC's Funds

66. Contrary to the representations in the TCC PPMs, TCC invested less than half of the investors' funds in day-trading joint ventures.

67. In fact, by October 2001, Defendants had sold almost $1.6 million of TCC securities, but had only invested $587,000.00 with day traders.

68. Unknown to investors, TCC, through Defendants, misappropriated TCC's funds to other Miller/Riedman Entities by, among other things, misappropriating over $150,000.00 to ACP from August 1999 to May 2002. From ACP's bank account, Defendants diverted and misappropriated TCC's funds to other Miller/Riedman Entities.

69. In 2002, Defendants misappropriated approximately $150,000.00 of TCC's funds to GCP, a Miller/Riedman Entity purportedly created to replace ACP.

70. As a consequence of these and other misappropriations, by 2001, Defendants had misappropriated $771,461.00 of TCC's $1,538,2534.00 purported net worth to

Miller/Riedman Entities, rather than investing such funds with day traders as represented to investors in the TCC PPMs.

71. Also, Defendants diverted TCC's funds for personal use.

72. From 1999 to early 2002, Miller diverted approximately $389,000.00 from TCC for his personal use.

73. Additionally, Defendants diverted TCC's funds to themselves through alter-ego entities.

74. In 2001 and 2002, Defendants diverted $19,700.00 from TCC to Capstone Energy for Riedman's his personal use.

75. From late 1999 to May 2002, Miller diverted $200,000.00 from TCC to Commercial Tech for Miller's personal use.

76. On TCC's internal accounting records, Miller misstated nearly all transfers from TCC to Commercial Tech as loans to ACP.

C. DEFENDANTS' OTHER SECURITIES OFFERINGS

77. In addition to the day-trading securities offerings, Defendants offered and sold securities of their other businesses.

1. The SciMark Securities Offering

78. From 1993 to 1996, Riedman solicited investors for SciMark, a failing healthcare consulting businesses owned by third parties.

79. In selling $200,000.00 of limited partnership interests of SciMark to eight investors, Riedman falsely represented that the investment was "extra secure" with "essentially no risk." These original SciMark investors lost all of the funds they invested with SciMark.

80. In 1996, Riedman purchased the economically-distressed SciMark for $15,000.00, renamed the corporation "SciMark II," incorporated it under the laws of New Jersey, and relocated it the Englewood Cliffs Remote Investment Center.

81. From 1996 to 2000, from the Englewood Cliffs Remote Investment Center, Riedman sold approximately $150,000.00 of SciMark II shares of stock (the "SciMark II Securities") to investors and, in some instances, promissory notes that promised to pay interest at a rate of 12% per year and matured in one year.

82. In addition to selling SciMark II Securities for money, Riedman sold SciMark II securities in exchange for investors' existing promissory notes issued by SciMark II, SciMark, and, in some instances, by Riedman.

83. From December 1997 to May 1998, Riedman sold SciMark II Securities to twelve investors through solicitation letters and documents summarizing SciMark II's business plan (the "SciMark II Written Materials").

84. SciMark II's investors were passive with no operational control.

85. The SciMark II Written Materials misrepresented and omitted material information by:

a. falsely stating that SciMark II was a viable "healthcare marketing and consulting firm";

b. falsely stating that "[a]s of September 30, 1997 [SciMark II] ha[d] an estimated value of $500,000.00";

c. falsely stating that SciMark II would "double or triple in value during the next two to three years";

d. falsely stating that SciMark II was "in an excellent position to grow";

e. failing to disclose the true worth and financial condition of SciMark II;

f. failing to disclose that the SciMark II Securities were not registered with the Bureau;

g. failing to disclose the risks of the SciMark Securities; and

h. failing to disclose that SciMark II's predecessor had failed.

86. Contrary to Riedman's representations in the SciMark II Written Materials, SciMark was a failing business, which lost $91,190.00 in 1997.

87. Furthermore, contrary to Riedman's representation that SciMark II was worth $500,000.00, in 1997 SciMark was only worth $179,531.00.

88. By 2000, SciMark II ceased operating due to its poor financial condition.

2. The Texas Waste Disposal Facility Securities Offering

89. Crossroads Environmental Corp. ("Crossroads") was a Texas corporation owned by third parties that possessed a permit from a Texas regulatory body to operate a non-hazardous waste disposal facility.

90. From 1996 to 2000, Defendants solicited investors for a venture involving Crossroads's non-hazardous waste disposal facility (the "Crossroads Venture").

91. Defendants solicited investors for the Crossroads Venture through certain Miller/Riedman Entities, including EPS, Entech, and Target Energy (collectively, the "Miller/Riedman Crossroads Entities").

92. The Miller/Riedman Crossroads Entities operated from the Englewood Cliffs Remote Investment Center.

93. Under an existing note and agreement with Crossroads, the Miller/Riedman Crossroads Entities loaned funds to Crossroads in exchange for an assignment of the Crossroad Venture's profits.

94. From May 1, 1997 to May 1, 1998, Defendants raised $436,400.00 by selling the Crossroads Securities to thirty-one investors.

95. In total, from April 1997 to December 1998, Defendants raised over $1.4 million by selling securities issued by the Miller/Riedman Crossroads Entities (the "Crossroads Securities"), including promissory notes and "Net Profit Interests."

96. Most of the Crossroads promissory notes promised to pay interest at a rate of 12% per year and matured in three years and five months.

97. The Crossroads "Net Profits Interest" entitled investors to a percentage of the Miller/Riedman Crossroads Entities' profits under the agreement with Crossroads.

98. Purchasers of the Crossroads Securities were passive.

3. The M&R Financing Securities Offering

99. In or about mid-1996, Defendants created and began selling securities issued by M&R Financing.

100. Specifically, Defendants sold limited partnership interests of M&R Financing and promissory notes issued by M&R Financing (the "M&R Financing Securities").

101. The M&R Financing promissory notes matured in eight to twelve months and promised to pay interest at a rate of 12% per year.

102. From December 1996 to April 1998, Defendants raised approximately $355,000.00 by selling M&R Financing Securities to eighteen investors.

103. In offering and selling the M&R Financing Securities, M&R Financing, through Defendants, falsely represented to investors that investors' funds would be used to purchase an existing New York corporation "engaged in the business of accounts receivable and investor financing [and] factoring and arranging for letters of credit in favor of domestic companies doing business with foreign suppliers."

104. Instead, Defendants diverted and misappropriated M&R Financing's funds to themselves and to other Miller/Riedman Entities.

105. For instance, Defendants misappropriated $98,000.00 from M&R Financing to ACP.

106. Additionally, Miller diverted at least $61,000.00 from M&R Financing for personal use by diverting $11,000.00 to Commercial Tech and $50,000.00 directly to himself.

107. In 1997 and 1998, Miller diverted funds from M&R Financing to pay costs associated with his child's college education.

108. Likewise, from 1996 to 1998, Defendants diverted $100,000.00 from M&R Financing to Riedman.

SECURITIES LAW VIOLATIONS

FIRST COUNT
(as to Miller, Riedman, M&R, ACP, TCC, TRC, SciMark II, M&R Financing, Commercial Tech, Capstone Energy, ER Associates) Violations of N.J.S.A. 49:3-52(a) for Employing a Device, Scheme, or Artifice to Defraud

109. Plaintiffs repeat the allegations in paragraphs 1 through 108 as if set forth fully herein.

110. The M&R ownership units, ACP Securities, TCC promissory notes, TCC Securities, SciMark Securities, and M&R Financing Securities (the "Miller/Riedman Securities") are notes, stocks, investment contracts, transferable shares, or other evidence of indebtedness defined as "securities" under N.J.S.A. 49:3-49(m) that Defendants offered and sold to, from, or within New Jersey.

111. In offering and selling the Miller/Riedman Securities, M&R, ACP, TCC, SciMark II, and M&R Financing (the "Miller/Riedman Issuers"), through Defendants and their directors, officers, members, employees, partners, agents, and all other persons acting in concert therewith, knowingly or recklessly employed devices, schemes, or artifices to defraud investors in violation of N.J.S.A. 49:3-52(a). Such violations of N.J.S.A. 49:3-52(a) are specifically alleged in this Complaint and include, but are not limited to, the following:

a. misrepresenting and omitting material information in connection with the offer and sale of the Miller/Riedman Securities;

b. operating the Miller/Riedman Entities as a single economic enterprise to defraud investors by, among other things, commingling the funds of the Miller/Riedman Entities and misappropriating funds among the Miller/Riedman Entities;

c. purposely misstating information on the accounting records of certain Miller/Riedman Entities to hide Defendants' diversion of funds for their personal use; and

d. diverting Miller/Riedman Entities' funds for Defendants' personal use.

112. Defendants employed devices, schemes, or artifices to defraud investors, as alleged in this Complaint, to, among other things, pay personal debt, other investors, Riedman Promissory Note holders, and their personal expenses.

113. Each instance that the Miller/Riedman Issuers, through Defendants and others as alleged above, employed a device, scheme, or artifice to defraud an investor was a separate violation of N.J.S.A. 49:3-52(a) and is separate cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

SECOND COUNT
(as to Miller, Riedman, M&R, ACP, TCC, TRC, SciMark II, M&R Financing, Commercial Tech, Capstone Energy, ER Associates) Violations of N.J.S.A. 49:3-52(b) for Making Materially False Statements and Omitting Facts Necessary to Make Statements Not Misleading

114. Plaintiffs repeat the allegations in paragraphs 1 through 113 as if set forth fully herein.

115. The Miller/Riedman Securities are notes, stocks, investment contracts, transferable shares, or other evidence of indebtedness defined as "securities" under N.J.S.A. 49:3-49(m) that Defendants offered and sold to, from, or within New Jersey.

116. In offering and selling the Miller/Riedman Securities, the Miller/Riedman Issuers, through Defendants and their directors, officers, members, employees, partners, agents, and all other persons acting in concert therewith, made materially false or misleading statements and omitted material facts to investors in connection with the offer and sale of securities in violation of N.J.S.A. 49:3-52(b). Such violations of N.J.S.A. 49:3-52(b) are specifically alleged in this Complaint and include, but are not limited to, the following:

a. falsely stating that investors' funds would be used by Miller/Riedman Entities for business purposes;

b. failing to disclose the risks of the Miller/Riedman Securities;

c. failing to disclose that Defendants would divert investors' and Miller/Riedman Entities' funds to pay Riedman Promissory Note holders;

d. failing to disclose that investors' and Miller/Riedman Entities' funds would be diverted for Defendants' personal use;

e. failing to disclose that investors' and the Miller/Riedman Entities' funds would be misappropriated to pay other investors;

f. failing to disclose that funds would be misappropriated among the Miller/Riedman Entities;

g. falsely stating that over eighty-seven percent of TCC's funds would be invested in securities by traders;

h. falsely stating that less than six percent of the TCC's funds would be used for "operations, marketing and infrastructure requirements, as well as for other general business purposes";

i. falsely stating that SciMark II was a viable "healthcare marketing and consulting firm"; and

j. falsely stating that M&R Financing would purchase an existing New York corporation "engaged in the business of accounts receivable and investor financing [and] factoring and arranging for letters of credit in favor of domestic companies doing business with foreign suppliers."

117. Each materially false or misleading statement was a separate violation of N.J.S.A. 49:3-52(b) and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

118. Each omission necessary to make a material statement not false or misleading was a violation of N.J.S.A. 49:3-52(b) and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

THIRD COUNT
(as to Miller, Riedman, M&R, ACP, TCC, TRC, SciMark II, M&R Financing, Commercial Tech, Capstone Energy, ER Associates) Violations of N.J.S.A. 49:3-52(c) For Engaging in Any Act, Practice, or Course of Business that Operated as a Fraud or Deceit Upon Any Person In Connection with a Securities Transaction

119. Plaintiffs repeat the allegations in paragraphs 1 through 118 as if set forth fully herein.

120. The Miller/Riedman Securities are notes, stocks, investment contracts, transferable shares, or other evidence of indebtedness defined as "securities" under N.J.S.A. 49:3-49(m) that Defendants offered and sold to, from, or within New Jersey.

121. In offering and selling the Miller/Riedman Securities, the Miller/Riedman Issuers, through Defendants and their directors, officers, members, employees, partners, agents, and all other persons acting in concert therewith, knowingly or recklessly engaged in acts, practices, or courses of business that operated as a fraud or deceit on investors.

122. Defendants engaged in the fraudulent or deceitful conduct alleged in this Complaint to, among other things, pay personal debt, other investors, Riedman Promissory Note holders, and personal expenses.

123. Defendants' fraudulent or deceitful conduct in violation of N.J.S.A. 49:3-52(c) is alleged throughout this

Complaint, including, but not limited to, in paragraphs 111 and 116.

124. Each fraudulent or deceitful action was a separate violation of N.J.S.A. 49:3-52(c) and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

FOURTH COUNT
(as to Miller, Riedman, M&R, ACP, TCC, TRC, SciMark II, M&R Financing, ER Associates, EPS, Target Energy, and Entech)
Offering and Selling Unregistered Securities In Violation of N.J.S.A. 49:3-60

125. Plaintiffs repeat the allegations in paragraphs 1 through 124 as if set forth fully herein.

126. The Miller/Riedman Securities and the Crossroads Securities are notes, stocks, investment contracts, transferable shares, or other evidence of indebtedness defined as "securities" under N.J.S.A. 49:3-49(m) that Defendants offered and sold to, from, or New Jersey.

127. Neither the Miller/Riedman Securities nor the Crossroads Securities were registered with the Bureau under N.J.S.A. 49:3-61 (registration of securities by qualification), N.J.S.A. 49:3-61.1 (registration of securities by coordination), or N.J.S.A. 49:3-61.2 (registration of securities by notification) and did not qualify for any of the registration exemptions under N.J.S.A. 49:3-50. Nor were the Miller/Riedman

Securities and the Crossroads Securities federal covered securities pursuant to N.J.S.A. 49:3-60.1.

128. In selling and offering the Miller/Riedman Securities and the Crossroads Securities to, from, or within the State of New Jersey, the Miller/Riedman Issuers, Miller/Riedman Crossroads Entities, and Defendants violated N.J.S.A. 49:3-60.

129. Each offer to sell and sale was a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

FIFTH COUNT
(as to Miller, Riedman, M&R, ACP, TCC, TRC, SciMark II, M&R Financing, ER Associates, EPS, Target Energy, and Entech) Employing Unregistered Agents In Violation of N.J.S.A. 49:3-56(h)

130. Plaintiffs repeat the allegations set forth in paragraphs 1 through 129 as if set forth fully herein.

131. The Miller/Riedman Securities and the Crossroads Securities are notes, stocks, investment contracts, transferable shares, or other evidence of indebtedness defined as "securities" under N.J.S.A. 49:3-49(m) that Defendants offered and sold to, from, or within the State of New Jersey.

132. Defendants represented the Miller/Riedman Issuers and Miller/Riedman Crossroads Entities in effecting or attempting to effect transactions in the unregistered securities issued by the Miller/Riedman Issuers and Miller/Riedman Crossroads Entities to, from, or within New Jersey and thus

acted as agents as defined by N.J.S.A. 49:3-49(b) without being registered.

133. In offering and selling the Miller/Riedman Securities and the Crossroads Securities, the Miller/Riedman Issuers and Miller/Riedman Crossroads Entities employed unregistered agents in effecting or attempting to effect transactions in unregistered securities to, from, or within New Jersey in violation of N.J.S.A. 49:3-56(h).

134. Each instance of employing an unregistered agent was a separate violation of N.J.S.A. 49:3-56(h) and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

SIXTH COUNT
(as to Miller and Riedman)
Acting as Unregistered Agents In Violation of N.J.S.A. 49:3-56(a)

135. Plaintiffs repeat the allegations set forth in paragraphs 1 through 134 as if set forth fully herein.

136. Defendants represented the Miller/Riedman Issuers and Miller/Riedman Crossroads Entities in effecting or attempting to effect transactions in the unregistered securities issued by the Miller/Riedman Issuers and Miller/Riedman Crossroads Entities to, from, or within New Jersey and thus acted as agents as defined by N.J.S.A. 49:3-49(b) without being registered.

137. Defendants each acted as agents, as defined by N.J.S.A. 49:3-49(b), without being registered.

138. Each time Defendants acted as an unregistered agent was a separate violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of a civil monetary penalty under N.J.S.A. 49:3-70.1.

DEMAND FOR RELIEF

WHEREFORE, Plaintiffs respectfully pray for the following relief:

(a) findings that the defendants engaged in the conduct alleged in this Complaint;

(b) finding that such acts and practices constituted violations of the Securities Law;

(c) entry of a judgment against each of the defendants imposing joint and several liability for violations of the Securities Law;

(d) affording each purchaser of the securities issued by the Miller/Riedman Entities the option of rescinding such purchase and obtaining a refund of monies paid, plus interest and expenses incidental to

effecting the purchase in accordance with N.J.S.A. 49:3-69(a)(2);

(e) requiring the defendants to disgorge all profits and/or funds gained through violations of the Securities Law under N.J.S.A. 49:3-69(a)(2);

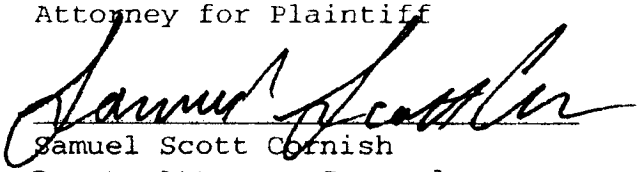
(f) assessing and imposing a civil monetary penalty on the defendants for each separate violation of the Securities Law in accordance with N.J.S.A. 49:3-70.1;

(g) enjoining the issuance, sale, offer for sale, promotion, purchase or distribution of any security issued by any defendant and any predecessor, successor, director, officer, member, employee, partner, agent, subsidiary, affiliate or anyone acting on their behalf under N.J.S.A. 49:3-69(a)(2);

(h) enjoining the defendants or anyone acting on their behalf from violating the Securities Law in any manner whatsoever; and

(i) affording Plaintiffs and affected third parties with any additional relief that the Court deems just and equitable.

ANNE MILGRAM
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Plaintiff

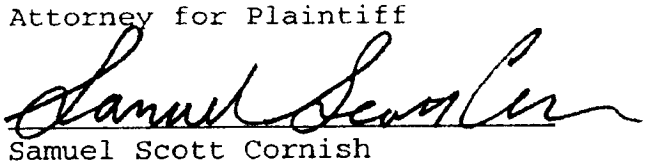
By: 
Samuel Scott Cornish
Deputy Attorney General

Dated: September 13, 2006

RULE 4:5-1 CERTIFICATION

I certify that the Bureau has not initiated any other civil action in any court of this State against Defendants and is not now engaged in any arbitration proceeding against Defendants, nor is any other civil action or arbitration proceeding contemplated. I certify that, at this time, Plaintiff is unaware of any other party that should be joined in this action.

ANNE MILGRAM
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Plaintiff

By: 
Samuel Scott Cornish
Deputy Attorney General

Dated: September 13, 2006

DESIGNATION OF TRIAL COUNSEL

Deputy Attorney General Samuel Scott Cornish is hereby designated as trial counsel for this matter.

ANNE MILGRAM
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Plaintiff

By: Samuel Scott Cornish
Samuel Scott Cornish
Deputy Attorney General

Dated: September 13, 2006