

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

09-80432

Case No. _____ -Civ- _____

SECURITIES AND EXCHANGE COMMISSION
Plaintiff,
v.
PAUL M. GOZZO and PMG Capital, LLC,
Defendants.

CIV-ZLOCH

**MAGISTRATE JUDGE
SNOW**

STEVEN M. LANIMORE
CLERK U.S. DIST. CT.
S.D. OF FLA - MIA

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FILED BY _____ D.C.

COMPLAINT

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

SUMMARY

1. Paul M. Gozzo ("Gozzo") and PMG Capital, LLC ("PMG Capital") engaged in a manipulation of the markets for the stocks of a number of microcap issuers beginning in or about February 2006 and continuing through at least through December 2007.

2. Gozzo and PMG Capital, in coordination with others, engaged in manipulative practices that misled the markets in order to increase and maintain artificially high prices in the securities of the microcap issuers so that Gozzo and others could sell off their holdings with substantial gains. In total, Gozzo's gains from stock trading and cash payments for services totaled at least \$400,000.

3. By engaging in the foregoing conduct, Gozzo and PMG Capital violated the anti-fraud provisions of the federal securities laws, Section 10(b) of the Securities Exchange Act of

1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]. Injunctions are necessary to ensure that Gozzo and PMG Capital will not continue to violate the foregoing provisions of the federal securities laws.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Venue is proper in this district pursuant to Section 27 of the Exchange Act [Title 15 U.S.C. § 78aa] because Gozzo engaged in certain of the acts complained of in this district.

5. Gozzo and PMG Capital, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

DEFENDANTS

6. Defendant **Paul M. Gozzo**, age 32, is a resident of Jupiter, Florida, and was Managing Director and sole owner of PMG Capital, LLC throughout the relevant period. Gozzo has worked for a number of broker-dealers in a variety of capacities since 1998 and has held Series 7, 24, and 55 licenses at various points between 1999 and 2008.

7. **PMG Capital, LLC** (“PMG Capital”) is a Florida limited liability corporation based in Jupiter, Florida. Gozzo was PMG Capital’s Managing Director and sole employee throughout the relevant period. PMG Capital purported to offer investor relations services and market capitalization support. Some of the accounts in which Gozzo traded were in the name of PMG Capital.

FACTS

A. Agreements to Manipulate the Markets for Microcap Issuers' Stock

8. Beginning in at least January 2006, Gozzo agreed with another individual who was involved with and owned large positions of stock in a number of microcap issuers. Gozzo, through PMG Capital, agreed with this individual to provide "market capitalization support" to increase stock liquidity and market awareness for certain issuers' stock in exchange for cash and shares of the issuers' stock.

9. Subsequently, Gozzo and others acted in concert to manipulate the markets for the stocks of a number of issuers. In coordination with others, Gozzo engaged in a number of practices aimed at misleading the market to increase and maintain artificially high prices so that Gozzo and others could sell off their holdings for substantial gains.

B. "Bid Support"

10. Gozzo engaged in "bid support," by placing orders for issuers' stock for relatively small amounts of shares at prices immediately below the "inside," or highest, bid price posted by market makers.

11. The intended effect of these orders was to absorb sell orders to prevent market sales from causing stock prices to fall significantly. By placing orders at slightly lower prices than the prevailing bid price, Gozzo created an artificial floor for the price of a particular stock and "supported" the prevailing bid.

12. Gozzo placed his orders through different brokerage firms so that market participants would see a substantial number of bids posted, all close to the inside bid, and conclude that there was greater demand for the stocks than truly existed.

13. In one stock, hereinafter “Issuer A,” Gozzo sent an email asking another trader to “please put bids in this in this morning on the following names, but not top bids, away bids.” By asking the other trader not to place a “top bid,” Gozzo was asking the other trader not to place an order at a greater price than the best current bid. The effect of the “away bid” was to have a market maker show an additional bid, but not to change the current best bid on the issuer’s stock posted by a market maker.

14. In another stock, hereinafter “Issuer B,” Gozzo told another trader that “we are going to take that stock and move it up, plus stack some bids lower. . . just in case. . . I hope to move this up well today.” Soon after, Issuer B’s stock price materially increased.

C. Trading in Multiple Accounts

15. Gozzo traded through several different brokerage firms to give the false impression of market depth to those looking at the market using a “Level II” or “Level III” trading service, which identify the market makers that are originating bids.

16. Gozzo placed trades in accounts in the name of himself and accounts in the name of PMG Capital.

17. For instance, between March and August 2006, Gozzo bought and sold 85,000 shares of stock in a company, hereinafter “Issuer C,” using five different accounts with three brokerage firms and producing a net loss.

18. By trading in multiple accounts Gozzo gave the false impression to investors of more participants and liquidity in the market for the stock of Issuer C.

D. Coordinated Trading

19. Gozzo also engaged in coordinated trading in which he and others purchased and quickly sold stocks, resulting in artificially increased trading volume designed to attract interest to the stocks and increase the prices.

20. For instance, Gozzo coordinated with a number of individuals in manipulating the market for a stock, hereinafter "Issuer D." He told them in an email, "although I am not quarterbacking this one, I will be there too, you can count on bid support to show depth, as well as market buying, especially the first two weeks. If you all want to reconnect Thursday to talk about the first day days . . . so we can assess what has been going on and what we need to do next."

21. At times Gozzo arranged "matched" trades in which he and others purchased and sold stocks in concert. "Matched" orders are orders for the purchase/sale of a security that are entered with the knowledge that orders of substantially the same size, at substantially the same time and price, have been or will be entered by the same or different persons for the sale/purchase of such security. This trading was done for the manipulative purposes of: (1) artificially increasing market activity in the traded stock; (2) misleading the market that genuine investors were buying for legitimate investment purposes; and (3) artificially propping up the stock price of the traded security.

22. To ensure that the market prices of the issuers stock remained artificially inflated, Gozzo and others coordinated their trading so as not sell too much stock into the market. They also provided buy-side support for a stock when there were too many other retail investors selling it. Another trader emailed Gozzo the group's strategy in Issuer C, "I suggest that we have a plan to gradually tick up [Issuer C] each day. I will keep the press releases going. . . You

[Gozzo] handle the day to day strategy, and let me know what you need me to do. I will buy when you tell me to, so you be the general in this area and I will follow your directions.”

23. With regard to another stock, hereinafter “Issuer E,” Gozzo told another trader, “I think the goal should be to sell 10,000 shares a minimum, every day, however, some days with higher volume, we can sell 5 times that, so I will be in constant contact.”

24. Through this coordinated trading and other manipulative practices, Gozzo and others manipulated the prices of issuer securities to artificially high levels, deriving illegal trading profits by selling their stock while the stock was artificially inflated.

E. Coordinating with Others who Controlled the Float

25. As the scheme progressed, Gozzo received enough of one issuer’s stock to take part in group efforts to control the “float”—the total shares of a particular stock publicly owned and available for trading.

26. Another trader orchestrated a reverse merger whereby Issuer E would become a public company by merging into a public traded shell company. Gozzo and the other trader agreed to split almost the entire float of Issuer E’s stock. The other trader explained, “the structure is 20 million shares outstanding, 5 million in the float and 15 million restricted. We own all but 32,000 in the float.”

27. Gozzo and others were able to exercise dominion and control over the market of Issuer E’s shares, permitting Gozzo and others to limit the supply of Issuer E’s stock and through coordinated trading to maintain artificially high prices and volume in Issuer E’s stock.

F. The Manipulation Continues

28. Gozzo continued to manipulate the market for several issuers' stock, even though other traders had ended their involvement with the issuers after liquidating substantial amounts of stock. In those instances, Gozzo received stock and/or cash from the companies for investor relations services but continued to manipulate the market for those stocks while purportedly providing legitimate services.

29. For instance, Gozzo arranged a trade between two other individuals in which 900,000 shares of a particular company's stock, hereinafter "Issuer F," changed hands below the market price without the trade being reported to the market. Had the trade been reported, the size of the trade and the discounted price would have caused the market price to fall. In an email message, Gozzo expressed his happiness about the trade and that it was not reported to the market: "[I]t did not hit the tape which is even better. I am fired up!!!!"

CLAIM
Violations of Exchange Act Section 10(b)
and Exchange Act Rule 10b-5 thereunder

30. The Commission realleges and incorporates by reference Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

31. Between approximately February 2006 and continuing through at least through December 2007, Gozzo and PMG Capital, directly or indirectly, by use of the means or instruments of interstate commerce, or of the mails, or of a facility of a national securities exchange, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of a material fact or omitted 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; or (c) engaged in acts, transactions, practices, or courses of business which

operated or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of securities.

32. By engaging in the conduct alleged above, Gozzo and PMG Capital violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j (b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

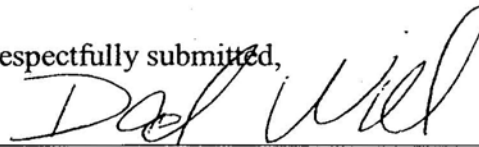
PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully prays that this Court:

- (a) Pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)],
permanently enjoin defendants Gozzo and PMG Capital from violating Section 10(b)
of the Exchange Act [15 U.S.C. § 78j (b)] and Exchange Act Rule 10b-5 [17 C.F.R. §
240.10b-5] thereunder;
- (b) pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u (d)] prohibit
Gozzo and PMG Capital from participating in an offering of penny stock as defined
by Exchange Act Section 3(a)(51) [15 U.S.C. § 78c (a)51] and Rule 3a-51 thereunder
[17 C.F.R. § 240.3a51-1];
- (c) order Gozzo to disgorge, with prejudgment interest, all ill-gotten gains,
compensation, and benefits by virtue of the conduct alleged herein; and
- (d) grant such other relief as the Court may deem just and appropriate.

Dated: March 16, 2009

Respectfully submitted,



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Daniel Chaudoin
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