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**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PACKETPORT.COM, INC., RONALD DURANDO,
PACKETPORT, INC., MICROPHASE, CORP.,
ROBERT H. JAFFE, GUSTAVE DOTOLI, IP EQUITY,
INC., M. CHRISTOPHER AGARWAL, THEODORE
KUNZOG, and WILLIAM COONS III,

Defendants.

Case No. _____

COMPLAINT

PRELIMINARY STATEMENT

Plaintiff Securities and Exchange Commission (“Commission” or “SEC”) alleges:

1. Defendants PacketPort.com, Inc. (“PacketPort.com”), Ronald Durando (“Durando”), PacketPort, Inc., Microphase Corp. (“Microphase”), Robert H. Jaffe (“Jaffe”), Gustave Dotoli (“Dotoli”), IP Equity, Inc. (“IP Equity”), M. Christopher Agarwal (“Agarwal”), and Theodore Kunzog (“Kunzog”) executed a fraudulent “pump and dump” market manipulation scheme, aided and abetted by defendant William Coons III (“Coons”), involving the illegal sale of PacketPort.com common stock from about December 14, 1999, into February 2000. The scheme included, among other acts, acquiring majority control of a failed and indebted public company,

changing the company's name, laundering restrictive legends from stock certificates representing restricted and affiliate-owned stock, pumping up the trading price of the company's stock through false publicity, and selling restricted stock to the public at artificially-inflated prices for large profits. Coons, a stockbroker, served as the primary outlet for the pump and dump, selling about 90% of the restricted shares distributed in the manipulation scheme. Durando, Jaffe, Dotoli, Agarwal, and Kunzog aided and abetted each other in executing the scheme.

2. Defendants Durando, Jaffe, Dotoli, Agarwal, and Kunzog, aided and abetted by Coons, engaged in illegal insider trading by selling PacketPort.com shares while in possession of material non-public information obtained in breach of a fiduciary duty. Durando, Jaffe, Dotoli, Agarwal, and Kunzog each aided and abetted the others in illegal insider trading.

3. Defendants Durando, PacketPort, Inc., Microphase, Jaffe, Dotoli, IP Equity, Agarwal, Kunzog, and Coons sold restricted PacketPort.com shares in a distribution in violation of registration provisions of federal securities laws.

4. Defendants PacketPort.com, Durando, PacketPort, Inc., Jaffe, and Dotoli failed to make certain disclosures required by federal securities laws. PacketPort.com, aided and abetted by Durando, Jaffe, and Dotoli, filed reports containing false and misleading statements in violation of federal securities laws. Durando, Jaffe, and Dotoli circumvented accounting controls or falsified company books and records in violation of federal securities laws. The defendants' failure to make required disclosures and to file complete and accurate reports concealed the defendants' fraudulent activity.

5. Altogether, the defendants gained more than \$9 million in proceeds from illegal sales of essentially worthless PacketPort.com shares.

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to Sections 20(b) and 20(e) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(e)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)].

7. This Court has jurisdiction of this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e), and 78aa].

8. In connection with the transactions, acts, practices, and courses of business described in this Complaint, each of the defendants, directly or indirectly, has made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange. Certain of the transactions, acts, practices, and courses of business alleged herein occurred within this District, and venue is proper pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act.

DEFENDANTS

9. **PacketPort.com, Inc.**, formerly known as Linkon Corporation, is a publicly owned Nevada corporation with its principal place of business in Norwalk, Connecticut. PacketPort.com's common stock is registered with the Commission pursuant to Exchange Act Section 12(g) and traded in the over-the-counter bulletin board market. PacketPort.com purportedly develops and sells Internet telephony products.

10. **Ronald Durando**, age 48, resides in Nutley, New Jersey. Since about November 26, 1999, Durando has been and continues to be PacketPort.com's chairman, president, chief executive officer ("CEO"), and majority shareholder. Durando invoked his Fifth Amendment privilege against self-incrimination and refused to testify and to provide documents in response to a Commission investigative subpoena.

11. **PacketPort, Inc.** is a private Delaware corporation with its principal place of business in Springfield, New Jersey. PacketPort is not directly engaged in any business other than serving as an investment vehicle for Ronald Durando, its sole shareholder and president. On or about November 26, 1999, PacketPort, Inc. acquired majority control of PacketPort.com, then named Linkon Corporation, giving Durando control of the acquired entity.

12. **Microphase Corporation** is a private Connecticut corporation with its principal place of business in Norwalk, Connecticut. It purportedly designs and manufactures electronics for commercial and defense applications. Microphase and PacketPort.com are affiliated entities, with Ronald Durando as the chief operating officer of the former and chief executive officer, chairman, and president of the latter. Microphase leases office space to PacketPort.com.

13. **Robert H. Jaffe**, age 69, resides in Mountainside, New Jersey. Jaffe is an attorney and principal of the Springfield, New Jersey law firm of Robert H. Jaffe & Associates. Jaffe was a director of PacketPort.com from about November 26, 1999 until sometime in late 2000. Jaffe represented Durando in various transactions, including the negotiation and acquisition of PacketPort.com, then named Linkon Corporation, and served as PacketPort.com's special securities counsel. Jaffe invoked his Fifth Amendment privilege against self-incrimination and refused to testify in response to a Commission investigative subpoena.

14. **Gustave Dotoli**, age 70, resides in Nutley, New Jersey. Dotoli has been a director of PacketPort.com since about November 26, 1999. Dotoli invoked his Fifth Amendment privilege against self-incrimination and refused to testify in response to a Commission investigative subpoena.

15. **IP Equity, Inc.** is a private California corporation with its principal offices in San Diego, California. At all relevant times, IP Equity owned and operated Internet Stock News, an Internet-based investment newsletter with the URL <http://www.inernetstocknews.com>. Durando and others retained IP Equity to promote the stock of PacketPort.com.

16. **M. Christopher Agarwal**, age 28, was last known to reside in La Jolla, California. At all relevant times, Agarwal was a director, the president, and a shareholder of IP Equity. Agarwal invoked his Fifth Amendment privilege against self-incrimination and refused to testify in response to a Commission investigative subpoena.

17. **Theodore Kunzog**, age 50, was last known to reside San Diego, California. At all relevant times, Kunzog was a director, the chief financial officer, the securities analyst, and a

shareholder of IP Equity. Kunzog invoked his Fifth Amendment privilege against self-incrimination and refused to testify in response to a Commission investigative subpoena.

18. **William Coons III**, age 35, resides in Hartford, Connecticut. At all relevant times, Coons was a stockbroker associated with Investec Ernst & Company in New York, New York. Coons was Durando's stockbroker. Coons sold PacketPort.com in an unregistered distribution in furtherance of the pump and dump manipulation. He served as the primary outlet for the pump and dump.

FACTS

LINKON: AN INSOLVENT PUBLIC COMPANY

19. In September 1999, defendant PacketPort.com was known as Linkon Corporation ("Linkon"). Linkon was an insolvent public company. It had ceased operations, was in default on \$1.9 million in debt notes, and was subject to an \$802,500 civil judgment. James Scibelli ("Scibelli") and a Scibelli controlled entity, RG Capital Fund, LLC, held the debt notes. RG Capital Fund, LLC also was a major Linkon shareholder. Another Scibelli controlled entity, Linkon Roberts & Green, Inc., held Linkon-issued warrants entitling the holder to purchase one million Linkon common stock shares at a price of \$1.50 per share if exercised on or before October 6, 1999. RG Capital Fund, LLC, Roberts & Green, Inc. and Scibelli are hereafter collectively referred to as the "Scibelli Interests."

20. Linkon's common stock was registered with the Commission pursuant to Exchange Act Section 12(g) and traded on the OTC Bulletin Board. Linkon's stock then traded at about \$0.22 cents per share.

DURANDO ACQUIRES CONTROL OF LINKON AND CHANGES ITS NAME TO PACKETPORT.COM

21. In September 1999, defendant Durando offered to acquire a majority interest in Linkon, subject to shareholder ratification. The shares defendant Durando offered to acquire consisted of: 13.5 million of original-issue restricted Linkon shares to be acquired directly from the

company at \$0.01667 per share; one million restricted shares to be acquired from Charles Castelli, then Linkon's chairman and CEO, and James Linley, a Linkon executive, for \$0.10 per share; and 1.48 million restricted shares to be acquired from the Scibelli Interests for \$0.10 per share.

Durando proposed to acquire his majority interest through PacketPort, Inc., a holding company he formed to effect the acquisition. Durando owned 100% of PacketPort, Inc.'s equity.

22. As part of the proposed acquisition, defendant Durando agreed to extinguish Linkon's outstanding debt. Durando proposed to acquire the \$1.9 million in debt notes from the Scibelli Interests for \$190,000 in cash and 250,000 shares of mPhase Technologies, Inc. ("mPhase"), a publicly-traded company. Durando was, and continues to be, the CEO and a director of mPhase. In addition, Durando offered to settle in full Linkon's \$802,500 judgment debt.

23. Also as part of the proposed acquisition, defendant Durando demanded the cancellation of all warrants and options held by the Scibelli Interests. However, on or about October 8, 1999, despite his stated demand, Durando asked the Linkon board to extend the exercise period of the Scibelli Interests' warrants for another year. The board did so.

24. Also as part of the proposed acquisition, Durando demanded that the Linkon board nominate Durando, Jaffe, and Dotoli as management's nominees to replace the current board members at the next shareholder's meeting. The board did so.

25. On or about October 28, 1999, Linkon filed with the Commission a proxy statement prepared by defendant Jaffe. The proxy statement disclosed defendant Durando's acquisition proposal and sought shareholder approval. The proxy statement falsely stated that there were no outstanding options and warrants.

26. On or about November 24, 1999, Durando signed on behalf of PacketPort, Inc. a stock purchase agreement with the Scibelli Interests to acquire 1.48 million restricted Linkon shares and \$1.9 million in Linkon debt notes held by the Scibelli Interests. PacketPort, Inc. was the sole purchaser in the stock purchase agreement. The purchases were contingent upon

shareholder ratification of defendant Durando's acquisition proposal. Jaffe represented Durando in negotiations with the Scibelli Interests leading to the stock purchase agreement.

27. On or about November 26, 1999, Linkon's shareholders ratified defendant Durando's change of control acquisition proposal. Durando became a controlling person of Linkon with beneficial ownership of about 60% of Linkon's outstanding shares acquired, or unconditionally contracted to be acquired, by defendant PacketPort, Inc.

28. On or about November 26, 1999, defendants Durando, Dotoli, and Jaffe, were elected to Linkon's board of directors. With Durando and his associates, Jaffe and Dotoli, comprising the entire Linkon board, Durando achieved full control of the company. Durando also became Linkon's chairman and CEO.

29. On November 29, 1999, defendants PacketPort, Inc. and Durando announced in a press release the shareholder approval of PacketPort, Inc.'s acquisition of a majority of Linkon's outstanding stock and the election of a new board of directors.

30. Neither defendant Durando nor his holding company, PacketPort, Inc., filed a Schedule 13D report prior to or within ten days after the majority acquisition. Such a filing was required by the Exchange Act.

31. Defendants Durando, Jaffe, and Dotoli each failed to file Form 3 reports of beneficial ownership of securities within ten days of becoming directors of Linkon. Such filings were required by the Exchange Act.

32. On or about December 3, 1999, defendant Durando, through PacketPort, Inc., completed his acquisition of 1.48 million Linkon shares and the \$1.9 million in Linkon debt notes from the Scibelli Interests. The Scibelli Interests delivered the shares, in stock certificates endorsed in blank, to defendant Jaffe, for the benefit of Durando. On the same day, Durando resold 1.2 million of the shares to defendant IP Equity for \$0.10 cents per share, and gave IP Equity an option to buy 3,000,000 Linkon shares at about \$0.0433 per share. At this time, Linkon was trading for about \$0.85 to \$1.15 per share.

33. On or about December 7, 1999, at the request of defendant Durando, the Scibelli Interests assigned their warrants for one million Linkon shares to defendant PacketPort, Inc. The Scibelli Interests did not know that Linkon's board had extended the exercise period of the warrants. The Scibelli Interests transferred the warrants to PacketPort, Inc. for no consideration in the belief that the warrants had expired and were worthless.

34. On or about December 9, 1999, Linkon executed a 3-for-1 reverse stock split and changed its name to PacketPort.com, Inc. Thus, three Linkon shares were the equivalent of one PacketPort.com share.

35. On or about December 10, 1999, defendant PacketPort.com announced in a press release that it had changed its name from Linkon Corporation to PacketPort.com, Inc., that it had executed a 3-for-1 reverse split of its common stock, and that it was trading post-split under the symbol "PKPT" on the OTC Bulletin Board.

36. Durando, Jaffe, and Dotoli, each as an officer or a director or both of PacketPort.com, owed a duty of trust and confidence to the company and its shareholders. This duty included a duty to act only in the best interests of the company and its shareholders and to refrain from using confidential information about the company for personal gain.

REMOVAL OF RESTRICTIVE LEGENDS FROM SHARE CERTIFICATES

37. Durando, with the assistance of Jaffe, Dotoli, and others, took steps to remove restrictive legends from the restricted shares Durando acquired from the Scibelli Interests, from Castelli, from Linley, and from the exercise of warrants. Restrictive legends on share certificates warn prospective purchasers that the shares are restricted securities, that is, that the shares cannot legally be offered or sold to the public.

Scibelli Interests Shares

38. Pursuant to his September 1999 majority acquisition proposal, Durando acquired 1.48 million restricted Linkon shares from the Scibelli Interests. On or about December 3, 1999, the Scibelli Interests delivered the share certificates endorsed in blank to defendant Jaffe.

39. On or about December 10, 1999, defendant Jaffe gave PacketPort.com's transfer agent legended stock certificates representing the Linkon shares Durando acquired from the Scibelli Interests. Jaffe instructed the transfer agent to reissue the Linkon shares as post-reverse split PacketPort.com shares in unlegended certificates, as follows:

- (a) 400,000 PacketPort.com shares in one stock certificate in the name of IP Equity;
- (b) 58,334 PacketPort.com shares in one stock certificate in the name of First-Euro Union Securities, Ltd. of Nevis, West Indies;
- (c) 20,000 PacketPort.com shares in one stock certificate in the name of Thomas Investments of Nevis, West Indies; and
- (d) 15,000 PacketPort.com shares in one stock certificate in the name of TLI Industries, Inc. of Springfield, New Jersey.

40. First-Euro Union Securities, Ltd. is a Durando-owned or controlled offshore company.

41. Thomas Investments is a Dotoli-owned or controlled offshore company.

42. TLI Industries, Inc. is a Jaffe-controlled New Jersey entity with Jaffe's law office as its principal place of business. Jaffe had authority to sell, assign, and transfer securities held by TLI Industries, Inc.

43. Defendant Jaffe made misrepresentations to the transfer agent to obtain reissue of restricted shares in unlegended certificates. Jaffe falsely represented, in sum and substance, that the Scibelli Interests were the owners and transferors of the shares and had held the shares for more than two years, and that the transferees set forth in paragraph 39, above, were acquiring directly from a non-affiliate who had held the shares for more than the required holding period.

44. Defendant Jaffe knew that Durando beneficially owned the shares through PacketPort, Inc. Jaffe represented Durando in negotiations with the Scibelli Interests resulting in Durando's acquisition of the Scibelli Interests' shares. On or about December 3, 1999, Jaffe received delivery of the shares on behalf of Durando's holding company, PacketPort, Inc. As a director of PacketPort.com and legal counsel for Durando, Jaffe knew that Durando was

PacketPort.com's controlling shareholder, chairman, and CEO and, thus, was an affiliate of the issuer. At the time he made false representations to the transfer agent, Jaffe was an attorney with more than 15 years of experience in securities law.

45. Purportedly acting as an officer of PacketPort, Inc., Dotoli gave Jaffe an "assignment" power—a document purporting to give Jaffe the right to assign to certain investors some or all of the shares PacketPort, Inc. agreed to acquire from the Scibelli Interests. The "assignment" power was purportedly executed and dated on November 24, 1999, the date the PacketPort, Inc. stock purchase agreement with the Scibelli Interests was signed, making it appear that Jaffe's assignees were acquiring directly from the Scibelli Interests.

46. On or about December 13, 1999, the transfer agent reissued the restricted shares Durando acquired from the Scibelli Interests to Durando's transferees as set forth in paragraph 39, above. None of the reissued certificates bore restrictive legends.

47. Durando's transferees, IP Equity, First-Euro Union Securities Ltd., Thomas Investments, and TLI Industries, Inc. received restricted shares because they acquired the shares in a private transaction from Durando, an affiliate of the issuer. The transferees were statutory underwriters of the shares because they offered and resold the shares to the public without holding the shares for one year. The Securities Act prohibits an underwriter from offering or selling securities except pursuant to registration.

Castelli Shares

48. Pursuant to his September 1999 majority acquisition proposal, Durando acquired at least 750,000 restricted Linkon shares from Castelli.

49. On or about December 15, 1999, defendant Jaffe sent to the transfer agent legended stock certificates representing 1,800,000 restricted Linkon shares in the name of Castelli with instructions that the shares be reissued as 600,000 post-reverse-split PacketPort.com shares in unlegended certificates in the name of Castelli. The shares represented by these certificates included at least 750,000 shares that defendant Durando had acquired from Castelli.

50. Defendant Jaffe falsely represented to the transfer agent that all of the shares represented by the Linkon certificates in Castelli's name (the "Castelli Shares") were now "free trading" or unrestricted. Defendant Jaffe falsely represented, in sum and substance, that Castelli was the owner and would remain the owner of all of the Castelli Shares, that the request for reissue of the share certificates was to reflect the 3-for-1 reverse split and issuer's name change, and that the owner of the Castelli Shares was no longer an affiliate and had held the shares for more than six and one-half years. Thus, according to Jaffe, the shares could be reissued to Castelli in unlegended certificates.

51. At the time he made these misrepresentations to the transfer agent, defendant Jaffe knew that Durando was beneficial owner of at least 750,000 of the Castelli Shares and was an affiliate of the issuer.

52. On or about December 16, 1999, the transfer agent reissued and delivered to Jaffe the Castelli Shares as 600,001 PacketPort.com shares in certificates registered in Castelli's name. Of these shares, at least 250,000 shares were beneficially owned by Durando. None of the share certificates bore a restrictive legend.

53. On or about December 27, 1999, defendant Jaffe submitted to the transfer agent certificates for 250,000 of the PacketPort.com shares registered in Castelli's name with instructions to reissue the shares in the name of Microphase, a private company controlled by Durando. Jaffe knew that Durando was the beneficial owner and transferor of these shares and that Durando was an affiliate of the issuer.

54. On or about December 28, 1999, the transfer agent reissued 250,000 PacketPort.com shares in the name of Microphase, without restrictive legend, because the surrendered stock certificate registered in Castelli's name was without restrictive legend. The true transferee of these shares was Durando, an affiliate of the issuer, and Microphase took restricted securities. Microphase was a statutory underwriter of these shares because it offered and sold the

shares to the public without holding the shares for one year. The Securities Act prohibits an underwriter from offering or selling securities except pursuant to registration.

Linley Shares

55. Pursuant to his September 1999 majority acquisition proposal, Durando acquired at least 250,000 restricted Linkon shares from Linley.

56. On or about December 27, 1999, defendant Jaffe submitted to the transfer agent legended stock certificates representing 600,000 restricted Linkon shares registered in the name of Linley (the “Linley Shares”). These shares included 250,000 shares that defendant Durando beneficially owned. Jaffe instructed the transfer agent to reissue all of the Linley Shares as 200,000 post-reverse-split PacketPort.com shares in unlegended stock certificates to the following transferees:

- (a) 83,333 PacketPort.com shares to Microphase;
- (b) 2,000 PacketPort.com shares to Robert H. Jaffe & Associates;
- (c) 8,333 PacketPort.com shares to another person; and
- (d) 106,334 PacketPort.com shares to Linley.

57. Defendant Jaffe falsely represented to the transfer agent that all of the Linley Shares were now unrestricted. Jaffe falsely represented, in sum and substance, that Linley was the owner and transferor of all of the Linley Shares, was not an affiliate of the issuer, and had complied with the holding period. Thus, according to Jaffe, the shares were no longer restricted and could be reissued without legend.

58. At the time he made these representations, defendant Jaffe knew that Durando was beneficial owner of at least 250,000 of the Linley Shares and was an affiliate of the issuer. Defendant Jaffe knew that Durando was the transferee of the 250,000 Linkon shares reissued as 83,333 PacketPort.com shares in a certificate in the name of Microphase.

59. The shares transferred to Microphase were shares acquired from an affiliate of the issuer in a private transaction and were restricted. Microphase was a statutory underwriter of these shares because it offered and sold the shares to the public without holding the shares for one

year. The Securities Act prohibits an underwriter from offering or selling securities except pursuant to registration.

60. The transfer agent reissued all of the Linley Shares to the transferees set forth in paragraph 56, above, in unlegended share certificates.

Scibelli Warrants

61. As set forth in paragraph 33, above, Durando obtained warrants for 1,000,000 pre-reverse split Linkon shares (333,334 post-reverse split PacketPort.com shares) from the Scibelli Interests (the “Scibelli Warrants”). In or about January 2000, Durando or his transferees exercised the warrants.

62. Defendant Jaffe instructed the transfer agent to issue in unlegended stock certificates the shares acquired by exercise of the warrants. Jaffe falsely represented to the transfer agent that the shares underlying the warrants were the subject of a Form S-8 registration, effective on or about August 24, 1998, and, thus, the shares were unrestricted.

63. The referenced Form S-8 registration did not pertain to the common stock underlying the Scibelli Warrants and, in any event, would not have been effective in January 2000, when the shares were issued and distributed.

64. On or about January 11, 2000, the transfer agent issued the restricted shares to Durando’s transferees, in unlegended stock certificates, as follows:

- (a) 275,000 PacketPort.com shares to Microphase;
- (b) 8,334 shares to Jaffe; and
- (c) 50,000 PacketPort.com shares to another person;

65. The shares issued pursuant to the exercise of the Scibelli Warrants were acquired from the issuer in an unregistered transaction and, thus, were restricted. The recipients of these shares, Microphase, Jaffe, and another person, were statutory underwriters insofar as they offered or resold the shares to the public without holding the shares for one year.

**THE PUMP: DEFENDANTS BOOST THE STOCK PRICE
WITH FALSE PUBLICITY**

66. In 1999 and 2000, defendant IP Equity operated the internet website “Internet Stock News.” IP Equity claimed to be a leading, Internet-targeted investor communications firm for small cap and microcap companies that derive the majority of their revenues from the Internet or Internet-related products and services. Defendant Agarwal was a shareholder and president of IP Equity. Defendant Kunzog was a shareholder, the chief financial officer, and a stock analyst of IP Equity.

67. As early as February 1999, defendants IP Equity and Agarwal did business with defendant Durando, providing a Durando-controlled company, mPhase, with publicity and investor relations services. Defendant Durando was and is CEO of mPhase.

68. As set forth above in paragraphs 32 through 46, defendant Durando sold and transferred to defendant IP Equity 1.2 million restricted Linkon shares (400,000 post-reverse-split PacketPort.com shares). Also as set forth above, in paragraphs 37 through 46, Durando and others arranged to have the certificates for these restricted shares issued without restrictive legends. These PacketPort.com shares were IP Equity’s compensation from Durando under an agreement in which IP Equity generated and published positive false publicity about PacketPort.com in order to manipulate and artificially inflate the share price of PacketPort.com.

69. By virtue of its agreement with PacketPort.com to provide publicity services, IP Equity, its officers, and its employees obtained material non-public information about PacketPort.com, including but not limited to information about the company’s true financial condition, its customers, and its private offerings, as well as about the undisclosed securities transactions of its officers and directors, Durando, Jaffe, and Dotoli. IP Equity, its officers, and its employees owed a duty of trust and confidence to PacketPort.com to refrain from using for personal gain any confidential information they obtained by virtue of their work for PacketPort.com.

70. Defendants Agarwal and Kunzog was an officer and employee of IP Equity. Because of their positions, they owed a duty of trust and confidence to IP Equity. Their duty included a duty to act in the best interests of the company and to refrain from using for personal gain any confidential information they obtained by virtue of their work or duties with IP Equity.

IP Equity Promotes PacketPort.com With False Publicity

71. On or about December 10, 1999, IP Equity initiated a campaign to generate positive publicity for PacketPort.com. IP Equity's Internet Stock News, which purported to be "the Web's leading source for information about Internet investment opportunities," published what it claimed to be "an investment opinion to notify analysts, brokers, market makers, institutional and retail investors, as well media representatives that IP Telephony company PacketPort.com, Inc. has started trading . . . under the symbol 'PKPT'." Internet Stock News falsely stated that its press release contained "independent commentary about Internet stocks."

72. On December 13, 1999, IP Equity's Internet Stock News issued a recommendation for PacketPort.com written by defendant Kunzog. IP Equity stated that it had added PacketPort.com to its "Ones to Watch in 1999 group of Internet companies." IP Equity claimed that PacketPort.com was "now fully restructured, debt-free, and poised to capitalize on the IP-based solutions market." IP Equity claimed that its "Ones to Watch" group of companies was "up 200% year-to-date and, to [its] knowledge, . . . beat every single money management and mutual fund company in existence." IP Equity also falsely and misleadingly claimed that its announcement contained "independent commentary about Internet stocks" and that it held "up to four hundred thousand shares of mPhase and PacketPort.com Inc." On this same date, the transfer agent had delivered IP Equity's 1.2 million restricted Linkon shares reissued as 400,000 PacketPort.com shares in an unlegended stock certificate.

73. IP Equity's statement that PacketPort.com was debt-free was false and misleading. In fact, PacketPort.com remained liable for at least \$802,500 in judgment debt, which in December 1999 remained unpaid and unsettled.

74. IP Equity's statement that its investment opinion and its recommendation were independent commentaries were false and misleading. Defendant IP Equity had accepted payment for its publicity in the form of 400,000 discounted restricted PacketPort.com shares laundered of restrictive legends, as well as options for 1,000,000 additional shares at a privately-offered price. Defendant IP Equity had agreed with defendant Durando and others to provide positive publicity for PacketPort.com, and did so. The publicity created demand for PacketPort.com common stock, boosted its share market price, and enabled IP Equity, Durando, and other defendants to sell their PacketPort.com shares at inflated prices. IP Equity never disclosed to the public its publicity arrangement with Durando and PacketPort.com, its options to acquire more PacketPort.com at a privately-offered price, and its subsequent sales of PacketPort.com shares.

75. IP Equity's statement in its recommendation that it held "up to" 400,000 shares of mPhase and PacketPort.com was false and misleading. At the time, defendant IP Equity actually owned 400,000 recently-acquired PacketPort.com shares and beneficially owned another 1,000,000 shares through its option to acquire 1,000,000 PacketPort.com shares at a privately offered price.

76. Defendant IP Equity's Internet Stock News recommendation also falsely stated that one of PacketPort.com's largest customers was AT&T. At the time, AT&T was not a PacketPort.com customer, and it had never purchased IP telephony equipment from PacketPort.com or from Linkon.

77. Defendant IP Equity disseminated its PacketPort.com recommendation on December 13, 1999 after the close of trading. IP Equity sent the recommendation to approximately 350,000 e-mail addresses, posted it on its website www.internetstocknews.com, and published it on a Business Wire press release. IP Equity's recommendation was the only news or widely-disseminated publicity regarding PacketPort.com on that date.

78. On December 14, 1999, the day after defendant IP Equity disseminated its recommendation, PacketPort.com's stock price opened at about \$15 per share, more than three times the previous day's closing price, and achieved a day's high of \$19.50 per share.

PacketPort.com's reported trading volume was sixteen times greater than the previous day's volume. There was no news or publicity concerning PacketPort.com on December 14, 1999, other than IP Equity's recommendation. On December 14, 1999, there was no news or event that could explain the sudden and dramatic run up in PacketPort's price and trading volume other than defendant IP Equity's Internet Stock News recommendation.

IP Equity Procures Publicity From Investrend

79. On or about December 15, 1999, IP Equity paid about \$17,500 to Investrend Research ("Investrend"), an operator of the investment information website www.investrend.com, to provide purportedly independent analyst coverage for PacketPort.com.

80. On or about December 16, 1999, following IP Equity's \$17,500 payment, Investrend announced that Sherry Grisewood, a purportedly independent securities analyst, would initiate coverage of PacketPort.com. Investrend's announcement did not disclose that it received \$17,500 from IP Equity.

81. On or about December 17, 1999, PacketPort.com issued a press release announcing that its stock would start receiving coverage from a purportedly independent analyst. PacketPort.com's announcement did not disclose that it, its affiliates, or IP Equity had, directly or indirectly, paid for the analyst coverage.

IP Equity Procures Publicity From World of Internet.com AG

82. On or about December 20, 1999, defendants IP Equity and Kunzog, on behalf of IP Equity and PacketPort.com, paid \$150,000 to World of Internet.com AG ("World of Internet"), operator of the purportedly independent investment information website www.stockreporter.de, to publish additional positive publicity about PacketPort.com. World of Internet published a company profile and buy recommendation for PacketPort.com shares, with a share price target, and posted the buy recommendation on its www.stockreporter.de website. World of Internet also agreed to post PacketPort.com's business perspective on the "Raging Bull," an Internet bulletin

board. Defendant IP Equity agreed to pay an additional \$10,000 to World of Internet if it delivered a company profile that was acceptable to PacketPort.com by about December 27, 1999.

83. On or about December 28, 1999, World of Internet announced on its www.stockreporter.de website and by Business Wire press release that it had begun coverage of PacketPort.com with a strong buy recommendation, a “conservative” 2000 price target of \$20 per share, and a 2001 target price of \$30 per share.

84. On or about December 29, 1999, World of Internet announced in a PR Newswire release that its analyst, Christina Skousen, “today initiated coverage of PacketPort.com with a Strong Buy rating and a \$20 near term price target.” World of Internet’s analyst Skousen claimed that “PacketPort.com represents a compelling investment opportunity due to its technology leadership and large and open-ended market opportunity.” Skousen was a high-school graduate with no formal training in finance or securities analysis and no background in engineering or technology. Skousen’s price target of \$20 per share valued PacketPort.com at about \$300 million, although the company was losing money, had about ten employees, and was raising working capital by privately selling its shares for \$0.13 per share.

85. On or about December 31, 1999, IP Equity issued its “Ones to Watch in 2000” list of recommended stocks through its Internet Stock News website and Business Wire. It included a recommendation for PacketPort.com written by defendant Kunzog. The recommendation described PacketPort.com as having recently received a “Strong Buy” rating with a \$20 near-term and \$30 long-term price target. Kunzog did not disclose that IP Equity had paid World of Internet.com AG, the operator of the www.stockreporter.de website, to issue the positive recommendation.

**THE UNDISCLOSED PRIVATE OFFERING AT A
PRICE FAR BELOW THE PUMPED-UP MARKET PRICE**

86. While IP Equity was recommending and generating positive publicity for PacketPort.com, with the effect of inducing public investors to buy PacketPort.com shares at prices averaging about \$10 per share, PacketPort.com was offering its shares to private investors for pennies per share to raise operating funds.

87. In December 1999, defendant PacketPort.com began privately offering about 6,000,000 shares (post-reverse split) of its common stock at \$0.13 per share. The company made its private offering to a limited group of investors in order to raise about \$780,000 in funds it needed to keep operating. PacketPort.com invited IP Equity to participate in the private offering and it did so. In December 1999, IP Equity acquired 1,000,000 privately offered shares at \$0.13 per share.

88. IP Equity did not disclose this private offering at pennies per share in its recommendation for PacketPort.com

89. Defendant PacketPort.com did not publicly disclose this private offering while the pump and dump scheme was ongoing. PacketPort.com first disclosed the private offering in June 2000, long after the pump and dump scheme had ended, when it filed its Form 10-KSB report for fiscal year ended January 31, 2000.

90. On or about December 9, 1999, defendant Jaffe received \$260,000 from an investor for the purchase of 2,000,000 shares in the private offering at \$0.13 per share.

**THE DUMP: DEFENDANTS SELL SHARES INTO
THE PUMPED-UP MARKET WHILE IN POSSESSION
OF MATERIAL NONPUBLIC INFORMATION**

91. In a series of sell transactions beginning about December 14, 1999, the day after it published false information about the company, and continuing through about December 29, 1999, defendant IP Equity, through its officers, Agarwal and/or Kunzog, sold to the public at least 400,000 unlegended restricted PacketPort.com shares. IP Equity sold the shares through its

brokerage account with defendant Coons. IP Equity sold its shares at an average price of about \$9.58 per share.

92. On December 21, 1999, defendant IP Equity exercised its private offering option and purchased 1,000,000 PacketPort.com shares at \$0.13 per share. After buying PacketPort.com shares at \$0.13 per share, IP Equity continued to recommend PacketPort.com to public investors on its Internet website and in subsequent press releases and continued to sell PacketPort.com shares to the public at an average price of about \$9.58. About half of IP Equity's total sales to the public occurred after it exercised this option. IP Equity did not disclose to the public the private offering of PacketPort.com shares at \$0.13 per share, its purchases of PacketPort.com at \$0.13 per share, or its essentially contemporaneous sales of PacketPort.com shares to the public at prices averaging \$9.58 per share.

93. IP Equity's officers, Agarwal and Kunzog, caused IP Equity to sell PacketPort.com shares and benefitted from the sales proceeds. While IP Equity sold PacketPort.com shares in December 1999 and at times thereafter, Agarwal and Kunzog were in possession of material nonpublic information about the company, including but not limited to: the true financial condition of the company; the private offering price of shares; the paid-for publicity arrangement between itself and the company or Durando; and the scheme of the defendants to pump up the market price and sell their shares.

94. In a series of transactions beginning about December 14, 1999, the day after IP Equity published false information about the company, and continuing into February 2000, defendant Jaffe, a director of PacketPort.com, directly or indirectly, sold to the public about 33,500 PacketPort.com shares through various accounts, including family and nominee accounts, at an average price of about \$10 per share. The 33,500 shares included restricted shares that Jaffe received, directly or indirectly, from defendant Durando as compensation for his participation in the manipulation scheme, as well as shares he acquired in the open market prior to the price

manipulation. Jaffe did not file any Form 4 or Rule 144 report for his sales. Such filings were required by the Exchange Act.

95. While he sold PacketPort.com shares from December 1999 through February 2000 and at times thereafter, Jaffe was in possession of material nonpublic information about the company, including but not limited to: the true financial condition of the company; the private offering price of shares; the paid-for publicity arrangement between IP Equity and the company or Durando; and the scheme of the defendants to pump up the market price and sell their shares.

96. In a series of transactions beginning about December 15, 1999, and continuing into January 2000, Durando, directly or indirectly, sold more than 433,000 restricted PacketPort.com shares through nominee accounts, including accounts in the names of Microphase Corp. and an offshore entity. Durando, an officer and director of PacketPort.com, sold to the public his shares at an average price of about \$11.80 per share. Durando used a brokerage account with defendant Coons to sell 400,000 PacketPort.com shares nominally owned by Microphase. Durando did not file a Form 4 or Rule 144 report for his sales. Such filings were required by the Exchange Act.

97. While he sold PacketPort.com shares from December 1999 through January 2000 and at times thereafter, Durando was in possession of material nonpublic information about the company, including but not limited to: the true financial condition of the company; the private offering price of shares; the paid-for publicity arrangement between IP Equity and the company or himself; and the scheme of the defendants to manipulate the market price and sell their shares.

98. In a series of transactions beginning about December 17, 1999, and continuing into January 2000, Dotoli, an officer and director of PacketPort.com, directly or indirectly, sold to the public through his offshore nominee company, Thomas Investments, Ltd. of Nevis, British West Indies, about 16,500 restricted PacketPort.com shares at an average price of about \$9.75 per share. Dotoli obtained these shares from Durando. Dotoli did not file a Form 4 or Rule 144 report for his sales. Such filings were required by the Exchange Act.

99. While he sold PacketPort.com shares from December 1999 through January 2000 and at times thereafter, Dotoli was in possession of material nonpublic information about the company, including but not limited to: the true financial condition of the company; the private offering price of shares; the paid-for publicity arrangement between IP Equity and the company or Durando; and the scheme of the defendants to manipulate the market price and sell their shares.

COONS: THE PRIMARY OUTLET FOR THE DUMP

100. Defendant Coons, a stockbroker, was the primary outlet for the illegal sales of restricted PacketPort.com shares. Coons sold at least 800,000 restricted PacketPort.com shares into a pumped-up market, or about 90% of the shares that the defendants dumped during the scheme.

101. On or about December 6, 1999, IP Equity president Agarwal opened a brokerage account for IP Equity at Investec with defendant Coons as the account representative. Durando brought the account to Coons. Coons had known defendant Durando since about 1997 and had been Durando's stockbroker since about 1998. However, Coons did not know Agarwal or IP Equity, except as a Durando referral. Coons allowed the account for IP Equity to be opened without any deposit.

102. Coons began selling PacketPort.com shares to the public on behalf of IP Equity, before any cash, shares or assets had been deposited into IP Equity's account. On December 14, 1999, when the account held no assets, Coons sold 50,000 PacketPort.com shares for IP Equity for about \$485,000.

103. Coons was a stockbroker with about 10 years industry experience when he started selling PacketPort.com shares for IP Equity. Coons knew or was reckless in not knowing that, on December 14, 1999, PacketPort.com's stock price more than tripled over the previous day's closing price and trading volume had increased about sixteen-fold.

104. On or about December 14, 1999, Coons learned of IP Equity's recommendation for PacketPort.com. At that time, Coons said to at least one person that Agarwal was a "scumbag" for selling what he was recommending that others buy.

105. Despite his belief that Agarwal was a "scumbag" for selling the stock while recommending it to the public, Coons continued to sell PacketPort.com stock to public investors for IP Equity.

106. IP Equity's brokerage account was credited with 400,000 PacketPort.com shares on December 17, 1999. Jaffe had put the shares into the mail on December 14, 1999. Coons had sold at least 121,000 PacketPort.com shares for the IP Equity account, for proceeds of about \$1.19 million, before the PacketPort.com shares or any other asset had been credited to IP Equity's account.

107. IP Equity's shares were delivered to its account in a large denomination certificate. Coons did not receive a seller's certificate from IP Equity or Agarwal, did not inquire about how IP Equity came into ownership of the shares, did not inquire whether the shares were subject to resale restrictions, and did not inquire whether the shares were part of a distribution.

108. By about December 29, 1999, defendant Coons had sold all of IP Equity's restricted PacketPort.com shares for total proceeds of about \$3.8 million.

109. On or about December 29, 1999, at defendant Durando's direction, Microphase opened a brokerage account with Coons. Durando was (and remains) a director and chief operating officer of privately-held Microphase. Coons knew Durando's relationship to PacketPort.com and Microphase. Coons had learned of Durando's takeover of Linkon at the time it was announced in late November 1999. Defendant Coons purchased about 70,000 Linkon shares for Durando in the open market before false publicity had pumped up the market price.

110. On or about December 29, 1999, Coons began selling PacketPort.com shares to the public for the Microphase account before the account received any shares.

111. After December 29, 1999, Coons received large-denomination certificates for PacketPort.com shares registered in Microphase's name. Coons did not receive a seller's certificate from Microphase or Durando, did not inquire about how Microphase came into ownership of the shares, did not inquire whether the shares were subject to resale restrictions, and did not inquire whether the shares were part of a distribution.

112. By about mid-January 2000, defendant Coons had sold a total of about 400,000 PacketPort.com shares for Durando through the Microphase account for proceeds of about \$4.77 million.

113. By his foregoing acts, Coons substantially and knowingly assisted Durando, Microphase, IP Equity, Agarwal, and Kunzog in selling large amounts of restricted and affiliated-held PacketPort.com shares into a pumped-up market in an unregistered distribution.

114. For his services, Coons received from Durando "payment in kind" compensation, in addition to customary commissions he earned from his sales of PacketPort.com shares for the IP Equity and Microphase accounts. Durando appointed Coons and his firm as placement agent for subsequent PacketPort.com private offerings of its common stock. Coons earned fees for placement of PacketPort.com shares with investors that were found by Durando and PacketPort.com. Coons did not solicit or find these investors.

AIDING AND ABETTING VIOLATIONS

Defendants Aided and Abetted Each Other In Fraud Violations

115. As detailed in the foregoing, defendants Durando, Jaffe, Dotoli, Agarwal, Kunzog, and Coons substantially and knowingly assisted each other in the fraudulent scheme from which they each profited. Each of these defendants was generally aware that his role was part of a greater illegal scheme. Each was aware of the others' participation in the scheme, including fraudulently causing restricted shares to be passed off as "free trading" shares, concealing PacketPort.com's private stock offering at pennies per share, and pumping up the stock price with false and misleading publicity. Defendants Durando, Jaffe, Dotoli, Agarwal, and Kunzog

substantially and knowingly assisted in the laundering of the shares or the issuing of false and misleading publicity, or both, and these defendants, substantially and knowingly assisted by Coons, sold shares into a pumped up market.

**Durando, Jaffe, and Dotoli Aided and Abetted
PacketPort.com's Reporting Violations**

116. Durando, Jaffe, and Dotoli, as directors and/or officers of PacketPort.com substantially and knowingly assisted PacketPort.com in filing reports that were false and misleading by, among other acts, directing, supervising or causing the preparation and filing with the Commission of periodic, quarterly, and annual reports that were materially false and misleading. Durando, Jaffe, and Dotoli signed, as company directors, PacketPort.com's annual report for fiscal year ended January 31, 2000, and Durando and Jaffe signed subsequent annual reports, all of which contained materially false and misleading information about, among other things, the company's financial situation and the officers' and directors' disclosures of transactions in company stock.

**Durando, Jaffe, and Dotoli Aided and Abetted
PacketPort.com's Books and Records Violations**

117. As detailed in the foregoing, PacketPort.com did not reflect material debt of \$802,500 in its financial statement for fiscal year ended January 31, 2000, and did not reflect material contingent gains of about \$5 million representing the short-swing profits of its officers and directors in numerous periodic reports. The financial statements filed by a company summarize the company's transactions and financial condition as recorded in its books, records, and accounts, which provide the information used to prepare the financial statements. Thus, the material omissions in the financial statements reflect material omissions in the company's books, records, and accounts.

118. Durando, Jaffe, and Dotoli, as officers and/or directors of the company, substantially and knowingly assisted PacketPort.com's failure to make and keep accurate and

complete books, records, and accounts by, among other acts, directing, supervising, or causing the company to make and keep materially inaccurate books, records, and accounts.

THE COVER-UP

119. Defendants Jaffe, Agarwal, Durando, Dotoli, PacketPort.com and PacketPort, Inc. concealed their fraud. These concealment efforts included, among other acts, false statements to Commission staff investigating the unusual trading activity in PacketPort.com stock, failures to file required disclosure reports, and false and misleading statements in reports filed with the Commission.

Jaffe's Misrepresentations

120. On December 16, 1999, defendant Jaffe provided a voluntary telephone interview to Commission staff.

121. Jaffe said that he presently owned no PacketPort.com stock. He said that he had bought 10,000 shares of Linkon three to four months before the interview and had sold all of it a couple of weeks before the interview. In truth, on the day before the interview, Jaffe had sold about 5,000 PacketPort.com shares from his controlled or nominee account, TLI Industries, Inc, and at the time of the interview, Jaffe still owned thousands of PacketPort.com shares. He continued selling PacketPort.com shares after the interview.

122. Jaffe denied knowing about IP Equity's or Internet Stock News's publicity about PacketPort.com, although he was acquainted with Equity's president, Agarwal, and began selling shares on December 14, the day after the publicity.

Agarwal's Misrepresentations

123. On December 16, 1999, Agarwal provided the Commission staff a voluntary telephone interview.

124. Agarwal said that IP Equity did investor relations services for companies, but that it was not providing services to, had no agreements with, and received no compensation from PacketPort.com. In truth, IP Equity had agreed to provide and was providing positive publicity for PacketPort.com, and had received compensation from PacketPort.com's CEO in the form of a large block of restricted but unlegended shares.

125. Agarwal said that on December 3, 1999, IP Equity had purchased 1.2 million shares of Linkon Corp. stock from R.G. Capital (a Scibelli Interest entity) in a private transaction arranged through Jaffe, who, according to Agarwal, was acting as escrow agent for R.G. Capital. In truth, IP Equity had no dealings with R.G. Capital; IP Equity paid Durando's holding company, PacketPort, Inc., not R.G. Capital, for the shares.

126. Agarwal said that IP Equity issued the December 13, 1999 PacketPort.com recommendation because its in-house analyst, Kunzog, liked PacketPort.com. In truth, IP Equity issued its recommendation because it was paid to do so and planned to profit from sales of PacketPort.com shares into a pumped-up market.

Reporting Failures

127. Defendants Durando and PacketPort, Inc. failed to timely file a SEC Schedule 13D disclosure statement concerning Durando's majority acquisition of Linkon's outstanding common stock through his wholly-owned holding company, defendant PacketPort, Inc. This failure had the effect of concealing PacketPort.com's true financial condition and plans to raise capital after the majority acquisition, including plans to raise money through a private placement.

128. Defendant PacketPort.com did not disclose that in December 1999, it was privately offering its common stock at \$0.13 per share. This failure to disclose concealed PacketPort.com's own assessment of the value of its common stock and prevented public investors

from questioning the much higher public trading price in view of the much lower privately-offered price.

129. Defendants Durando, PacketPort, Inc., Jaffe and Dotoli failed to file SEC Forms 3 and 4 and Rule 144 disclosures. These failures to disclose concealed that each had engaged in short-swing trading and had sold PacketPort.com stock during the manipulation scheme. Short-swing trading profits inure to the issuer and are contingent gains of the issuer. Shareholders of a company have a statutory right to sue on behalf of the company to recover short-swing profits. These failures to disclose officer and director beneficial ownership and stock sales deprived public shareholders of the means to discover short-swing trades and had the effect of denying the shareholders the right to recover short-swing profits for the company.

130. Defendant PacketPort.com failed to make timely disclosures concerning its officers and directors' beneficial ownership of PacketPort.com common stock as required by Exchange Act Section 16(a), and concerning the past failures of its officers and directors to make those beneficial ownership disclosures. These failures concealed that the officers and directors had engaged in and profited from short-swing trades. Failure to make Exchange Act Section 16(a) disclosures had the effect of depriving shareholders of the right to recover short-swing profits for the company.

131. Defendant PacketPort.com did not reflect \$802,500 in material debt in its financial statement for fiscal year ended January 31, 2000, which was included in the Form 10-KSB annual report it filed with the Commission. This omission concealed from the public the company's indebtedness during the manipulation, when the defendants were falsely promoting PacketPort.com as "fully restructured and debt-free."

132. Defendant PacketPort.com did not reflect in its annual and quarterly financial reports material contingent gains of about \$5 million, representing the short-swing profits of its officers and directors, and 10% beneficial owners. PacketPort.com's failure to report its short-

swing contingent gains began with its annual report for the fiscal year ended January 31, 2000, and continues to the present.

133. Defendants PacketPort.com and its directors, defendants Durando, Jaffe and Dotoli, did not correct false publicity describing PacketPort.com as “fully restructured and debt-free” during the period December 1999 through about February 2000.

FIRST CLAIM

(for Securities Fraud in Violation of Exchange Act § 10(b) and Rule 10b-5)

134. Paragraphs 1 through 133 are hereby realleged and incorporated by reference.

135. Exchange Act Section 10(b) and Rule 10b-5 thereunder makes it unlawful for any person, directly and indirectly, by use of any means or instrumentality of interstate commerce, or of the mails, or of the facility of a national securities exchange, in connection with the purchase or sale of a security: (a) to employ any device, scheme, or artifice to defraud; (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) to engage in any transaction, act, practice, and course of business which operates or would operate as a fraud or deceit upon any person.

136. By reason of the foregoing, defendants PacketPort.com, Durando, PacketPort, Inc., Microphase, Jaffe, Dotoli, IP Equity, Agarwal, and Kunzog violated Exchange Act Section 10(b) [15 U.S.C. § 17j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM

(For Aiding and Abetting Securities Fraud in Violation of Exchange Act § 10(b) and Rule 10b-5)

137. Paragraphs 1 through 136 are hereby realleged and incorporated by reference.

138. By reason of the foregoing, defendants Durando, Jaffe, Dotoli, Agarwal, Kunzog, and Coons aided and abetted violations Exchange Act Section 10(b) [15 U.S.C. § 17j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

THIRD CLAIM

(for Securities Fraud in Violation of Securities Act § 17(a))

139. Paragraphs 1 through 138 are hereby realleged and incorporated by reference.

140. Securities Act Section 17(a) makes it unlawful for any person in the offer or sale of any securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: (a) to employ any device, scheme, or artifice to defraud; (b) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

141. By reason of the foregoing, defendants PacketPort.com, Durando, PacketPort, Inc., Microphase, Jaffe, Dotoli, IP Equity, Agarwal, and Kunzog violated Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

FOURTH CLAIM

(For Unregistered Offer and Sale of Securities in Violation of Securities Act § 5(a) and 5(c))

142. Paragraphs 1 through 141 are hereby realleged and incorporated by reference.

143. The shares of PacketPort.com are securities within the meaning of Securities Act Section 2(a)(1) [15 U.S.C. § 77b(a)(1)].

144. Securities Act Section 5(a) [15 U.S.C. § 77e(a)] prohibits any person from selling any security unless a registration statement is in effect with regard to that security, absent an applicable exemption from that requirement.

145. Securities Act Section 5(c) [15 U.S.C. § 77e(c)] prohibits any person from offering to buy or offering to sell any security through the medium of a prospectus or otherwise unless a registration statement has been filed as to such security.

146. By reason of the foregoing, defendants Durando, PacketPort, Inc., Microphase, Jaffe, Dotoli, IP Equity, Agarwal, Kunzog, and Coons violated Securities Act Sections 5(a) and 5(c).

FIFTH CLAIM

**(for Illegal Touting in Violation
of Securities Act Section 17(b))**

147. Paragraphs 1 through 146 are hereby realleged and incorporated by reference.

148. Securities Act Section 17(b) [15 U.S.C. § 77q(b)], makes it

. . . unlawful for any person . . . to publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

149. By reason of the foregoing, defendants IP Equity, Agarwal, and Kunzog violated Securities Act Section 17(b) [15 U.S.C. § 77q(b)].

SIXTH CLAIM

**(for Failure to File Schedule 13D in
Violation of Exchange Act Section 13(d)
and Rules 13d-1 and 13d-2)**

150. Paragraphs 1 through 149 are hereby realleged and incorporated by reference.

151. Exchange Act Section 13(d) [15 U.S.C. § 78m(d)] and Rule 13d-1 [17 C.F.R. § 240.13d-1] thereunder require any person who acquires more than five percent of a company's class of stock registered under Exchange Act Section 12 [15 U.S.C. § 78l] to file with the Commission a Schedule 13D disclosure. Rule 13d-2 [17 C.F.R. § 240.13d-2] thereunder requires such person to timely amend the Schedule 13D if any material changes occur.

152. By reason of the foregoing, defendants Durando and PacketPort, Inc. violated Exchange Act Section 13(d) [15 U.S.C. § 78m(d)] and Rules 13d-1 [17 C.F.R. § 240.13d-1] and 13d-2 [17 C.F.R. § 240.13d-2] thereunder.

SEVENTH CLAIM

(for Failure to Report Beneficial Ownership in Violation of Exchange Act Section 16(a) and Rule 16a-3)

153. Paragraphs 1 through 152 are hereby realleged and incorporated by reference.

154. Exchange Act Section 16(a) [15 U.S.C. § 78p(a)] and Rule 16a-3 [17 C.F.R. § 240.16a-3] thereunder require every person who is directly or indirectly the beneficial owner of more than ten percent of any class of equity security which is registered under Exchange Act Section 12 [15 U.S.C. § 78l], or who is a director or an officer of the issuer of such security, to file timely reports on SEC Forms 3 and 4 disclosing their initial beneficial ownership and any changes in beneficial ownership.

155. By reason of the foregoing, defendants Durando, PacketPort, Inc., Jaffe, and Dotoli violated Exchange Act Section 16(a) [15 U.S.C. § 78p(a)] and Rule 16a-3 [17 C.F.R. § 240.16a-3] thereunder.

EIGHTH CLAIM

(for Filing Misleading Issuer's Reports in Violation of Exchange Act Section 13(a) and Rules 12b-20, 13a-1 and 13a-13)

156. Paragraphs 1 through 155 are hereby realleged and incorporated by reference.

157. Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] requires issuers with securities registered under Exchange Act Section 12 [15 U.S.C. § 78l] to file periodic reports with the Commission containing information prescribed by Commission rules. Rules 13a-1 [17 C.F.R. § 240.13a-1] and 13a-13 [17 C.F.R. § 240.13a-13] require the filing of annual and quarterly reports in the appropriate forms. Rule 12b-20 [17 C.F.R. § 240.12b-20] requires the inclusion, in addition to information expressly required in reports, of material information, if any, as may be necessary to make the required statements, in light of the circumstances under which made, not misleading.

158. By reason of the foregoing, defendant PacketPort.com violated Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1] and 13a-13 [17 C.F.R. § 240.13a-13] thereunder.

NINTH CLAIM

**(for Aiding and Abetting the Filing of
Misleading Issuer's Reports
in Violation of Exchange Act Section 13(a)
and Rules 12b-20, 13a-1 and 13a-13)**

159. Paragraphs 1 through 158 are hereby realleged and incorporated by reference.

160. By reason of the foregoing, defendants Durando, Jaffe, and Dotoli aided and abetted PacketPort.com's violations of Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1] and 13a-13 [17 C.F.R. § 240.13a-13] thereunder.

TENTH CLAIM

**(for Failure to Make and Keep
Accurate Books and Records in Violation
of Exchange Act Section 13(b)(2)(A))**

161. Paragraphs 1 through 158 are hereby realleged and incorporated by reference.

162. Exchange Act Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)] requires that every issuer with a class of securities registered pursuant to Exchange Act Section 12 [15 U.S.C. § 78l] shall make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the issuer.

163. By reason of the foregoing, defendant Packetport.com violated Exchange Act Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)].

ELEVENTH CLAIM

**(for Aiding and Abetting the Failure
to Make and Keep Accurate Books and Records
in Violation of Exchange Act Section 13(b)(2)(A))**

164. Paragraphs 1 through 163 are hereby realleged and incorporated by reference.

165. By reason of the foregoing, defendants Durando, Jaffe, and Dotoli aided and abetted PacketPort.com's violations of Exchange Act Section 13(b)(2)(A) [15 U.S.C. § 78m(b)(2)(A)].

TWELFTH CLAIM

**(for Accounting Circumvention or Falsification
of Books, Record, or Accounts in Violation
of Exchange Act Section 13(b)(5)
and Rule 13b2-1)**

166. Paragraphs 1 through 165 are hereby realleged and incorporated by reference.

167. Exchange Act Section 13(b)(5) [15 U.S.C. § 78m(b)(5)] provides that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record, or account. Rule 13b2-1 [17 C.F.R. § 240.13b2-1] provides that no person shall, directly or indirectly, falsify or caused to be falsified, any book, record or account.

168. By reason of the foregoing, defendants Durando, Jaffe, and Dotoli violated Exchange Act Section 13(b)(5) [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1] thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin defendants PacketPort.com, Inc., Ronald Durando, PacketPort, Inc., Microphase Corp., Robert H. Jaffe, Gustave Dotoli, IP Equity, Inc., M. Christopher Agarwal, Theodore Kunzog, and William Coons III, their agents, servants, employees, attorneys, those in active concert or participation with any of them, and those who are or become successor entities to any of them, who receive actual notice by personal service or otherwise, from violating, causing violations of, or aiding and abetting violations of Exchange Act Section 10(b) [15 U.S.C. § 17j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.

Permanently enjoin defendants PacketPort.com, Inc., Ronald Durando, PacketPort, Inc., Microphase Corp., Robert H. Jaffe, Gustave Dotoli, IP Equity, Inc., M. Christopher Agarwal, and Theodore Kunzog, their agents, servants, employees, attorneys, those in active concert or participation with any of them, and those who are or become successor entities to any of them, who receive actual notice by personal service or otherwise, from violating Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

III.

Permanently enjoin defendants Ronald Durando, PacketPort, Inc., Microphase Corp., Robert H. Jaffe, Gustave Dotoli, IP Equity, Inc., M. Christopher Agarwal, Theodore Kunzog, and William Coons III, their agents, servants, employees, attorneys, those in active concert or participation with any of them, and those who are or become successor entities to any of them, who receive actual notice by personal service or otherwise, from violating Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e (a) and 77e(c)] .

IV.

Permanently enjoin defendants Ronald Durando and PacketPort, Inc., their agents, servants, employees, attorneys, and those in active concert or participation with any of them, who receive actual notice by personal service or otherwise, from violating Exchange Act Section 13(d) [15 U.S.C. § 78m(d)] and Rules 13d-1 [17 C.F.R. § 240.13d-1] and 13d-2 [17 C.F.R. § 240.13d-2] thereunder.

V.

Permanently enjoin defendants Ronald Durando, PacketPort, Inc., Robert H. Jaffe, and Gustave Dotoli, their agents, servants, employees, attorneys, and those in active concert or participation with any of them, who receive actual notice by personal service or otherwise, from violating Exchange Act Section 16(a) [15 U.S.C. § 78p(a)] and Rule 16a-3 [17 C.F.R. § 240.16a-3] thereunder.

VI.

Permanently enjoin defendants IP Equity, Inc., M. Christopher Agarwal, Theodore Kunzog, their agents, servants, employees, attorneys, and those in active concert or participation with any of them, who receive actual notice by personal service or otherwise, from violating Securities Act Section 17(b) [15 U.S.C. § 77q(b)].

VII.

Permanently enjoin defendant PacketPort.com, Inc., Ronald Durando, Robert H. Jaffe, and Gustave Dotoli, their, agents, servants, employees, attorneys, those in active concert or participation with any of them, and those who are or become successor entities to any of them, who receive actual notice by personal service or otherwise, from violating, causing violations of, or aiding and abetting violations of Exchange Act Sections 13(a) and 13(b)(2) [15 U.S.C. §§ 78m(a) and 78m(b)(2)] and Rules 12b-20 [17 C.F.R. § 240.12b.20], 13a-1 [17 C.F.R. § 240.13a-1] and 13a-13 [17 C.F.R. § 240.13a-13] thereunder.

VIII.

Permanently enjoin defendants Ronald Durando, Robert H. Jaffe, and Gustave Dotoli, their agents, servants, employees, attorneys, and those in active concert or participation with any of them, who receive actual notice by personal service or otherwise, from violating Exchange Act Section 13(b)(5) [15 U.S.C. §§ 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1] thereunder.

IX.

Permanently enjoin defendants Ronald Durando, Robert H. Jaffe, and Gustave Dotoli from serving or acting as an officer or a director of any company that has a class of securities registered pursuant to Exchange Act Section 12 [15 U.S.C. § 78l] or that is required to file reports pursuant to Exchange Act Section 15(d) [15 U.S.C. § 78o].

X.

Order each defendant to provide a complete and accurate accounting, including, but not limited to, the defendant's direct or indirect: (1) purchases, receipts by gift or transfer, and sales

and/or dispositions of PacketPort.com common stock for the period September 1, 1999, through the present; (2) receipts of proceeds, commissions, sales fees, or compensation in kind, from sales of PacketPort.com common stock during the period December 1, 1999, through the present; (3) receipts of compensation of any kind (including payments of legal fees) received from Ronald Durando, PacketPort, Inc., and/or PacketPort.com, Inc. during the period September 1, 1999 through the present; and (4) holdings of assets (including holdings of nominees or controlled entities) on September 1, 1999, and all subsequent accretions, transfers and/or dispositions of any such assets as of the date the accounting is ordered.

XI.

Order defendants PacketPort.com, Inc., Ronald Durando, PacketPort, Inc., Microphase Corp., Robert H. Jaffe, Gustave Dotoli, IP Equity, Inc., M. Christopher Agarwal, Theodore Kunzog and William Coons III, jointly and severally, to disgorge all proceeds gained or compensation received from the illegal conduct describe above, together with prejudgment interest.

XII.

Grant such other just and proper relief as may be warranted.

Executed at Washington, DC, on the ____ day of November, 2005.

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