

STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
BUREAU OF SECURITIES

IN THE MATTER OF
STANLEY ROSENZWEIG
AND
QNETIQ, INC.

SUMMARY ORDER

To: Mr. Stanley Rosenzweig
Haddon Township, NJ 08108

Pursuant to the authority granted to Abbe R. Tiger, Chief of the New Jersey Bureau of Securities (“Bureau”), under the Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq (“Securities Law”), including N.J.S.A. 49:3-70.1 and certain regulations, and based upon a review of the relevant facts, including documents obtained during the investigation conducted by the Bureau, the Bureau Chief hereby finds that there is good cause to enter this Summary Order against Stanley Rosenzweig and qNETIQ, Inc. and makes the following findings:

FINDINGS OF FACT

1. Stanley Rosenzweig (“Rosenzweig”) is an individual residing in Haddon Township, New Jersey.
2. Rosenzweig has never been registered with the Bureau in any capacity.
3. Rosenzweig is the Founder, Chairman of the Board and President of qNETIQ, Inc. (“qNETIQ”), a Delaware corporation.
4. From approximately 2006 through 2011, Rosenzweig operated qNETIQ from a Residence Inn hotel suite located at 1821 Old Cuthbert Road, Suite 624, Cherry Hill, New Jersey.

5. Rosenzweig currently operates qNETIQ from his residence in Haddon Township, New Jersey.
6. qNETIQ purports to be a company that provides technology and infrastructure platform services.
7. Starting in or about 2006 and continuing through at least 2010, qNETIQ, through Rosenzweig and two qNETIQ representatives, began raising money by offering for sale promissory notes issued by qNETIQ (“Promissory Notes”).
8. The Promissory Notes were not registered with the Bureau, were not a federally covered security, nor were they exempt from registration.
9. Rosenzweig signed the Promissory Notes in his capacity as President of qNETIQ and President of Omega Storage, Inc. (“Omega”).
10. Omega is a Delaware corporation founded by Rosenzweig in 2000 that purportedly was party to a licensing agreement with qNETIQ.
11. The Promissory Notes promised investors rates of interest ranging from 150% to 1000%, in addition to the return of principal.
12. The Promissory Notes were sold by qNETIQ to investors in numerous states, including Iowa, Pennsylvania, Missouri, California, Georgia, Minnesota, Nevada, Florida, Texas, Utah, Arizona and Illinois.
13. According to Rosenzweig, the purpose of selling the Promissory Notes was to obtain money that would then fund his efforts to locate other larger investors that could provide qNETIQ with the “hundreds of millions” needed to implement qNETIQ’s business plan.
14. According to Rosenzweig, the investors purchased the Promissory Notes due to the Notes’ high rate of return and because they “believed in” qNETIQ.

15. In connection with the sale of the Promissory Notes, Rosenzweig provided certain investors with Executive Summaries, which, among other things, described qNETIQ's purported mission and business plan.
16. The Executive Summaries failed to disclose, among other things:
 - a. any risks associated with investing in the Promissory Notes;
 - b. that qNETIQ had generated little or no income by providing its purported technology and infrastructure platform services;
 - c. that qNETIQ needed the money it obtained from selling the Promissory Notes in order to "stay afloat";
 - d. that prior investors who purchased the Promissory Notes had not been paid the interest and/or principal owed to them; and
 - e. that Rosenzweig used the money raised by the sale of the Promissory Notes for a variety of personal purposes.
17. As Rosenzweig admits, a "vast majority" of the investors who purchased Promissory Notes were never paid back.
18. Rosenzweig misused the investor money raised by the sale of the Promissory Notes by making payments to qNETIQ investors using other investors' funds.
19. Rosenzweig also misused the investor money raised by the sale of Promissory Notes for a variety of personal purposes, including:
 - a. the purchase of a 2007 Audi automobile for his daughter;
 - b. jewelry purchases;
 - c. a family vacation;
 - d. dental expenses; and

e. rental payments.

CONCLUSIONS OF LAW

ROSENZWEIG AND QNETIQ SOLD UNREGISTERED SECURITIES

N.J.S.A. 49:3-60

20. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
21. The Promissory Notes sold by Rosenzweig and qNETIQ are securities as defined by N.J.S.A. 49:3-49(m).
22. Rosenzweig and qNETIQ offered and sold securities in the form of the Promissory Notes to, from or within New Jersey which were not registered with the Bureau or exempt from registration in violation of N.J.S.A. 49:3-60.
23. Each offer to sell and sale of the unregistered Promissory Notes constitutes a violation of N.J.S.A. 49:3-60 and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

ROSENZWEIG ACTED AS AN UNREGISTERED AGENT

N.J.S.A. 49:3-56(a)

24. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
25. Rosenzweig acted as an agent in effecting or attempting to effect transactions in securities from or in New Jersey, without being registered with the Bureau to sell the Promissory Notes, in violation of N.J.S.A. 49:3-56(a).
26. Each sale to investors constitutes a violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

QNETIQ EMPLOYED AN UNREGISTERED AGENT

N.J.S.A. 49:3-56(h)

27. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

28. qNETIQ employed Rosenzweig, who was not registered with the Bureau, as an agent in effecting or attempting to effect transactions in securities to and from New Jersey in violation of N.J.S.A. 49:3-56(h).
29. Each sale to investors constitutes a separate violation of N.J.S.A. 49:3-56(h) and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

ROSENZWEIG AND QNETIQ
MADE UNTRUE STATEMENTS OF MATERIAL FACT
OR OMITTED MATERIAL FACTS
N.J.S.A. 49:3-52(b)

30. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
31. By the conduct detailed above, Rosenzweig and qNETIQ made materially false and misleading statements and/or omitted material facts to qNETIQ investors in connection with the offer and sale of securities in violation of N.J.S.A. 49:3-52(b).
32. Each misstatement and omission upon each investor is a separate violation of N.J.S.A. 49:3-52(b) and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

ROSENZWEIG AND QNETIQ
ENGAGED IN A PRACTICE OR COURSE OF CONDUCT
WHICH OPERATED AS A FRAUD OR DECEIT
N.J.S.A. 49:3-52(c)

33. The preceding paragraphs are incorporated in this count as though set forth verbatim.
34. By the conduct detailed above, Rosenzweig and qNETIQ engaged in an act, practice or course of business that operated as a fraud and/or deceit upon qNETIQ investors and others in violation of N.J.S.A. 49:3-52(c).
35. Each violation of N.J.S.A. 49:3-52(c) upon each investor is a separate violation and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

THEREFORE, based on the foregoing findings of fact and conclusions of law,

IT IS on this 4th day of January 2013,

ORDERED THAT judgment is hereby entered against Rosenzweig and qNETIQ for a civil monetary penalty assessed in the amount of \$100,000.00, a sum for which they are jointly and severally liable; and it is further

ORDERED THAT Rosenzweig and qNETIQ shall cease and desist from further violations of the Uniform Securities Law; and it is further

ORDERED THAT Respondents are denied all exemptions contained in N.J.S.A. 49:3-50, subsection (a), paragraph 9, 10 and 11 and subsection (b); and it is further

ORDERED THAT the exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56 and N.J.S.A. 49:3-56(g) are hereby revoked.

By: 
Abbe R. Tiger
Bureau Chief

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Summary Order by the Bureau Chief, you shall have up to fifteen (15) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Summary Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau with the fifteen (15) day prescribed period, the Order will be a Final Order and shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq., provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a Summary Order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.