CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

Lead Plaintiffs make the following allegations based upon personal knowledge as matters pertaining to them and their counsel, and as to all other matters, upon the investigation undertaken by plaintiffs' counsel, which investigation included: (a) consultation with forensic accountants; (b) consultation with aviation industry experts; (c) review of Federal Aviation Administration ("FAA") records; (d) analysis of publicly-available news articles and reports, public filings, press releases and other matters of public record; (e) consultation with various factual sources. Plaintiffs believe that further substantial evidentiary support will exist for the allegations set forth below after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of a class (the "Class") of all persons who purchased or otherwise acquired the common stock ("common stock") of UniCapital Corporation ("UniCapital" or the "Company") between May 14, 1998 and May 15, 2000 (the "Class Period), including those who acquired UniCapital stock in the Company's May 14, 1998 public offering (the "Offering SubClass") seeking to pursue remedies under the Securities Act of 1933 (the "1933 Act") and the Securities Exchange Act of 1934 (the "1934 Act").
2. During the Class Period, defendants made a series of materially false and misleading statements regarding the Company's financial conditions and prospects for growth, particularly in its largest area of operations, aircraft leasing - known as the "Big Ticket Division." UniCapital started as a shell company, which then "rolled-up" several private companies in various industries, completed an initial public offering, and then paid the acquisition prices to the owners of the companies with the proceeds of the public offering. One of the acquired companies which formed the major company in UniCapital’s Big Ticket Division, was Cauff Lippman Aviation, which owned and leased aircraft. As a result of the initial public offering, Stuart Cauff, one of the owners of Cauff Lippman, received $24 million in cash, and 842,105 shares of UniCapital common stock for his share of Cauff Lippman, due to "earnout" provisions tied to the Big Ticket Division’s reported earnings.

3. Defendants failed to reveal that Cauff Lippman’s planes consisted of aging aircraft which did not meet federal regulations implemented in 1990 to control noise emissions from certain older aircraft. As a result of the federal regulations, the fleet had to be brought into compliance in order to remain marketable, by December 31, 1999 at the latest, through complicated and expensive retrofitting of the aircraft engines, or by purchasing aircraft which already had noise-compliant engines. Despite the applicability and the impact of these regulations to the Big Ticket Division, Stuart Cauff received a grossly inflated price for his company through the proceeds received from the investing public in the initial public offering. Unbeknownst to UniCapital investors, the prohibitive cost of retrofitting the planes would ultimately result in the Company’s exit from the Big Ticket Division - less than two years after
the initial public offering and public representations touting the profitability and "elite"
position of the Air Group.  

4. In connection with the "roll-up" of the companies which formed the publicly-traded UniCapital, the Company recorded over $470 million in goodwill (which represents the premium over book value of the various companies acquired). The goodwill represented over 40% of UniCapital's total assets. Defendants reported goodwill was materially overstated, and was a ticking time bomb for the Company. Goodwill is an intangible asset, and must be written off over the expected future life of the acquired business according to generally accepted accounting principles. Even though the aircraft in the acquired fleet were substantially not in compliance with federal regulations thus giving the acquired Cauff Lippman Aviation business a limited economic life of only two years, at best, defendants failed to properly writedown the associated goodwill over two years. As a result, UniCapital carried overstated goodwill and artificially inflated income on its financial statements and the Registration Statement for the initial public offering discussed herein during the Class Period.

5. The shock from the ultimate belated writedown of goodwill was especially painful for the Company. On May 15, 2000, the Company revealed that it would take a $239.1 million write down of goodwill in connection with the cessation of the operations of the Big Ticket Division charge.

6. When the Company revealed the true status of its business and operations, the stock, though initially offered to the public at $19 per share in the initial public offering,
plummeted. On May 31, 2000, UniCapital stock traded well below $1 per share. The Company is currently in danger of defaulting on more than $1 billion in bank and other debt and trades for as little as $1/16 per share -- $.06 per share. As a result of defendants' misrepresentations, UniCapital investors have sustained damages for which this action seeks redress.

**JURISDICTION AND VENUE**

7. Lead Plaintiffs bring this action pursuant to the 1933 Act and the 1934 Act as amended (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to the 1933 Act, § 27 of the 1934 Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

9. Venue is proper in this District pursuant to the provisions of the 1933 Act, § 27 of the 1934 Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to the investing public of false and misleading information, occurred in this District.

10. In connection with the acts, conduct and other wrongs complained of herein, the defendants used the means and instrumentalities of interstate commerce.

**THE PARTIES**

11. On September 28, 2000, this Court appointed Ira Jacobson, Bruce Wolov, Amelia Groll, Blake Groll, Harold Groll, Jacqueline Groll, Larry Groll, Nicole Groll, and Paul Groll as Lead Plaintiffs. Lead Plaintiffs purchased UniCapital common stock during the Class Period, as
set forth in the certifications attached to their Motion for Appointment as Lead Plaintiffs, and have suffered substantial damages as a result of the wrongful acts of defendants as alleged herein.

12. Defendant UniCapital maintains its principal executive offices at 10800 Biscayne Boulevard, Suite 800, Miami, Florida 33161. UniCapital describes itself as "engaged in asset-based financing in strategically diverse sectors of the equipment leasing industry." The Company originates, acquires, sells and services equipment leases and arranges structured financings in the big ticket, computer and telecommunications equipment, middle market and small ticket areas of the equipment leasing and specialty finance industry. The Company also provides lease administration and processing services for many of the leases that it originates.

13. The individual defendants (the "Individual Defendants"), at all times relevant to this action, served in the capacities listed below and received substantial compensation:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert New</td>
<td>Chairman and Chief Executive Officer</td>
</tr>
<tr>
<td>Jonathan New</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Stuart L. Cauff</td>
<td>Chief Executive Officer of Big Ticket Division and Director</td>
</tr>
</tbody>
</table>

14. By reason of their management positions, and membership on UniCapital's Board of Directors, and their ability to make public statements in the name of UniCapital, the Individual Defendants were and are controlling persons, and had the power and influence to cause (and did cause) UniCapital to engage in the unlawful conduct complained of herein.
MOTIVE, OPPORTUNITY AND KNOWLEDGE

15. Because of their Board memberships and/or executive and managerial positions with UniCapital, the Individual Defendants had access to the adverse non-public information about the business, finances, markets and present and future business prospects of UniCapital particularized herein via access to internal corporate documents, conversations or connections with corporate officers or employees, attendance at management and/or Board of Directors' meetings and committees thereof and/or via reports and other information provided to them in connection therewith.

16. Defendants had a duty to promptly disseminate accurate and truthful information with respect to UniCapital's operations and financial condition or to cause and direct that such information be disseminated and to promptly correct any previously disseminated information that was misleading to the market. As a result of their failure to do so, the price of UniCapital common stock was artificially inflated during the Class Period, damaging Plaintiffs and the Class.

17. The Individual Defendants, because of their positions with UniCapital, controlled the contents of quarterly and annual reports, press releases and presentations to securities analysts. Each Individual Defendant was provided with copies of the reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not the public, each of these
defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then false and misleading. As a result, each of the Individual Defendants is responsible for the accuracy of UniCapital's corporate releases detailed herein as "group-published" information and is therefore responsible and liable for the representations contained therein.

18. In addition, despite the rapidly deteriorating financial condition of UniCapital, the Company's insiders received significant benefits. For example, according to a May 31, 2000 article in the Broward Daily Business Review, Robert New saw his base salary climb to $650,000 in 1999 from $406,250 in 1998 — regardless of the Company's precarious condition. Other insiders, such as Martin Kalb, an executive vice president at UniCapital, also received steep pay hikes in 1999. UniCapital also granted large loans to senior executives such as Robert New, who borrowed $232,422 from the Company without paying it back, despite the escalating billion dollar debt and possible default on the Company's legitimate outstanding loans.

19. Each of the defendants is liable as a primary violator in making false and misleading statements, and for participating in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of UniCapital stock during the Class Period. All of the defendants had motives to pursue a fraudulent scheme in furtherance of their common goal, i.e., inflating the reported profits of UniCapital and the trading price of UniCapital stock by making false and misleading statements and concealing material adverse information. The fraudulent scheme and course of business was designed to and did: (i) deceive the investing public, including Plaintiffs and other Class members; (ii) artificially inflate the price of
UniCapital stock during the Class Period; (iii) cause Plaintiffs and other members of the Class to purchase UniCapital stock at inflated prices; and (iv) conceal and coverup the true financial condition of UniCapital.

20. The following underwriters of the UniCapital initial public offering described herein are also named as defendants, as follows: Defendant Morgan Stanley Dean Witter is a financial services company which maintains its corporate headquarters at 1585 Broadway, New York, NY 10036. Defendant Salomon Smith Barney Salomon Smith Barney is a global, full-service investment banking and securities brokerage firm. The firm has 6.2 million client accounts, representing over $816 billion in client assets. Salomon Smith Barney is a subsidiary of Citigroup, based in New York, NY. Defendant Friedman Billings Ramsey is a holding company for investment banking, institutional brokerage, venture capital, and other specialized asset management products and services, headquartered in Northern Virginia.

21. Defendants Morgan Stanley Dean Witter, Salomon Smith Barney and Friedman, Billings, Ramsey & Co., Inc., (the "Underwriter Defendants") were the lead underwriters for the May 1998 Initial Public Offering, ("Offering") which they undertook on a firm commitment basis, a contractual arrangement under which they agreed to purchase all of the securities for sale in the Offering for sale to the investing public. At all times, the Underwriter Defendants were engaged in the business of investment banking, underwriting and selling securities to the investing public. As lead underwriters of the Offering, the Underwriter Defendants received substantial fees. As revealed in the Company’s report on Form 10-Q filed with the SEC on August 14, 1998, UniCapital sold the Underwriter Defendants 28,000,000 shares of common
stock for an aggregate consideration of $532,000,000 less underwriting discounts and commissions of $31,920,000.

22. According to an April 1998 article in CFO Magazine, "the underwriters make a killing whether the roll-ups bear fruit or not...[t]he people who financially engineer these deals make an enormous amount of money." According to the article, upfront fees for underwriting roll-up initial public offerings are about 50% higher than for "normal" initial public offerings.

23. Prior to the Offering, the Underwriter Defendants were required to, and did, conduct an investigation into the business, operations, prospects, financial condition and accounting and management control systems of UniCapital, known as "due diligence investigation." In the course of such investigation, the Underwriter Defendants would have obtained knowledge of the facts alleged herein if it had acted with reasonable care. Specifically, had the Underwriter Defendants completed the most cursory of investigations, they would have discovered that (a) the prices for the roll-up companies, including the aviation business, were grossly overvalued because, inter alia, a majority of the acquired aircraft were not in compliance with federal regulations; (b) the goodwill associated with the founding companies was grossly inflated resulting in the overstatement of income during the Class Period; and (c) defendants improperly deferred the recognition of impairment losses.

24. During its due diligence, the Underwriter Defendants conferred with Robert and Jonathan New, as well as other top UniCapital executives, as to: (i) how best to accomplish the Offering; (ii) the price at which these UniCapital securities would be sold; (iii) the number of shares which would be reserved for Company executives or employees; (iv) the language to be
used in the Registration Statement; (v) the disclosures about UniCapital and the Big Ticket Division to be made in the Registration Statement; and (vi) the responses that would be given to the SEC when it reviewed the Registration Statement. The Underwriter Defendants caused the Prospectus (and supplements) to be delivered to potential and actual purchasers of UniCapital securities in connection with offers and sales thereof. As a result of their due diligence investigation, the Underwriter Defendants knew or should have known that the Registration Statement contained untrue statements of material fact and omitted material facts needed to make the statements made not misleading.

**CLASS ACTION ALLEGATIONS**

25. Plaintiffs bring this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class (the "Class") consisting of all persons who purchased the common stock of UniCapital between May 14, 1998 and May 15, 2000, inclusive (the "Class Period"). Excluded from the Class are the defendants herein, members of each Individual Defendant's immediate family, any entity in which any defendant has a controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors, and predecessors in interest or assigns of any such excluded party.

26. Because UniCapital has millions of shares of common stock outstanding, and because the Company's common stock was actively traded, members of the Class are so numerous that joinder of all members is impracticable. As of May 2, 2000, UniCapital had over 56 million shares outstanding. While the exact number of Class members can only be
determined by appropriate discovery, Plaintiffs believes that Class members number at least in
the thousands and that they are geographically dispersed.

27. Plaintiffs' claims are typical of the claims of the members of the Class, because
Plaintiffs and all of the Class members sustained damages arising out of defendants' wrongful
conduct complained of herein.

28. Plaintiffs will fairly and adequately protect the interests of the Class members and
have retained counsel who are experienced and competent in class and securities litigation.
Plaintiffs have no interests that are contrary to or in conflict with the members of the Class
Plaintiffs seek to represent.

29. A class action is superior to all other available methods for the fair and efficient
adjudication of this controversy, since joinder of all members is impracticable. Furthermore, as
the damages suffered by individual members of the Class may be relatively small, the expense
and burden of individual litigation make it impossible for the members of the Class individually
to redress the wrongs done to them. There will be no difficulty in the management of this action
as a class action.

30. Questions of law and fact common to the members of the Class predominate over
any questions that may affect only individual members, in that defendants have acted on grounds
generally applicable to the entire Class. Among the questions of law and fact common to the
Class are:
(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether the Company's publicly disseminated releases and statements during the Class Period omitted and/or misrepresented material facts and whether defendants breached any duty to convey material facts or to correct material facts previously disseminated;

(c) whether defendants participated in and pursued the fraudulent scheme or course of business complained of;

(d) whether the defendants acted willfully, with knowledge or recklessly, in omitting and/or misrepresenting material facts;

(e) whether the market prices of UniCapital common stock during the Class Period were artificially inflated due to the material nondisclosures and/or misrepresentations complained of herein; and

(f) whether the members of the Class have sustained damages and, if so, what is the appropriate measure of damages.

**SUBSTANTIVE ALLEGATIONS**

**A. Background**

31. UniCapital was founded in October 1997, as a privately-held corporation. The offering brought UniCapital public on May 14, 1998, at $19 per share. The offering raised over $530 million through the sale of 28 million shares. Simultaneously, UniCapital paid $331.6 million in cash and issued 13.3 million shares of stock to buy 12 companies. UniCapital was formed from the "roll-up" of several relatively small, private leasing companies. This type of
company is referred to as a "poof" company by Wall Street because of the creation of an "instant" public business.

32. The companies that were "rolled-up" into UniCapital included: Varilease Corporation (a computer lease financing company), Cauff Lippman Aviation, Inc. ("Cauff Lippman") (an aircraft leasing company which owned used aircraft and jets), Municipal Capital Markets Group, Inc. (a mental health facility financing company), the NSJ Group (a jet aircraft leasing company), as well as several middle market financing companies and small ticket leasing companies.

33. For the year ending December 31, 1998, the Company had four reportable operating segments, including: Air Group; the Aircraft Engine Group; the Technology and Finance Group; and the Business Credit Group.

1. **Big-Ticket Leasing**

34. The Company's Big Ticket Leasing segment includes the UniCapital Air Group, the UniCapital Engine Group, and the UniCapital Rail Group. Big Ticket leases are customized financing transactions, typically for equipment with a purchase price in excess of $5.0 million, such as aircraft, aircraft engines, and rail and other transportation equipment.

2. **UniCapital Air Group**

35. This segment provides customized operating lease financing for commercial passenger and cargo jet aircraft and offers brokerage, advisory, and remarketing services to domestic and foreign commercial airlines, aircraft lessors, and institutional investors. According
to the Company's Annual Report to Shareholders for 1998, UniCapital specializes in 6 to 12 year old commercial jet aircraft.

3. **UniCapital Aircraft Engine Group**

36. The UniCapital Aircraft Engine Group purchases, refurbishes, sells and leases commercial aircraft engines and provides a broad base of engine management services to airlines, financial institutions and other operating lessors.

37. Other UniCapital groups included the Rail Group; which purchases, finances, and remarkets railcars; the Technology and Finance Group, which includes middle market leasing and computer and telecommunications leasing from $250,000 to $5 million; and the Business Credit Group, which provides small ticket lease financing for equipment with a purchase price of less than $250,000, including heavy machinery and car washes.

38. By far the largest of the operating segments were UniCapital's aircraft-related businesses. For example, as revealed in the Company's Annual Report to Shareholders for 1998, the Company purportedly generated revenues of $511 million in 1998, or pre-tax profits of $57 million. Of this amount, $311.7 million, or $28.3 million in pre-tax profits was generated from UniCapital Air Group, and $36.8 million, or $13.2 million in pre-tax profits, was generated by UniCapital's Aircraft Engine Group. Accordingly, UniCapital's aircraft division purportedly contributed the lion's share of revenue and profitability to the Company - - $348.5 of $511 million, or nearly 70%, in revenues and $41.5 million of $57 million in profits. In addition, it was disclosed that $137 million of the Air Group's revenue was derived from one single customer.
39. One of the Company's co-founders and a member of its Board of Directors was Jonathan J. Ledecky, referred to in a September 10, 1998 article published on TheStreet.com as "the king of the roll-ups." Prior to the UniCapital initial offering, Ledecky took public an office-supply company, U.S. Office Products, and used its stock to acquire 185 other smaller operations. He then rolled-up the companies into one publicly-traded corporation. In January, 1998, Ledecky was forced to break U.S. Office Products into five smaller companies. U.S. Office Products is currently traded on the "over-the-counter" bulletin board system for approximately 14 cents a share. Other companies founded by Ledecky prior to UniCapital such as U.S.A. Floral Products, and Consolidated Capital Corporation have now been delisted and trade for well under $1 per share.

40. Nonetheless, the UniCapital Offering was greeted with excitement by Wall Street and the investing community. According to a May 5, 1998 article in the Broward Daily Business Review, a corporate analyst declared "[t]his Company is going to be huge...[t]hey are trying to make a one-stop shop for companies needing to lease equipment. The cross-selling potential will be tremendous." Accordingly, by all measurements, the UniCapital Offering was a tremendous success, raising over half a billion dollars, and the Company seemed poised for increasing growth and profitability -- especially in its most profitable aircraft leasing division.
B. The Airport Noise and Capacity Act of 1990

41. Due to the Company's entry into the aircraft leasing business, the aircraft acquired through the acquisitions of Cauff Lippman, NSJ, and other aircraft leasing companies required the Company to abide by federal regulations which required retrofitting of certain planes to reduce the noise emitted from those planes.

42. The Airport Noise and Capacity Act of 1990 (the "ANCA") called for a phase-out of "Stage 2" Aircraft by December 31, 1999. Stage 2 Aircraft were developed in the 1960s and 1970s and include the ("B" stands for aircraft created by Boeing Corporation) B-727, the DC-9, and some early versions of B-737 and 747. The ANCA also provides a "nonaddition" rule which prohibits the import, or addition of Stage 2 aircraft as of November 5, 1990 - - which effectively caps the size of the United States Stage 2 fleet. Under the ANCA, aircraft operators must make a transition from Stage 2 to Stage 3 aircraft either through a phaseout of Stage 2s, or by a phase in of Stage 3s. Stage 3 aircraft include the B-757, B-767, MD-80 series, later versions of the B-737 and B-747, and older aircraft - - provided that the older aircraft have been retrofitted with quieter engines or have had noise-reducing devices called "hush-kits" installed around the engines. A hush-kit essentially reduces the noise of an aircraft engine by adding certain mechanical components to the actual engine.

43. Under the ANCA, aircraft operators may have been able to receive a waiver of the phase in/phase out requirements if the company had at least 85% of its fleet in compliance by 1999. The schedule for phasing out Stage 2 aircraft was as follows: 25% by December 31, 1994, 50% by December 31, 1996; and 75% by December 31, 1998. 14 C.F.R. § 91.867 (1993). The
phase in schedule for Stage 3s is: 25% of the fleet of new entrants must be Stage 3 by December 31, 1994; 50% by December 31, 1996, and 75% by December 31, 1998. 14 C.F.R. § 91.867 (1993).

44. Accordingly, as defendants knew or recklessly disregarded, the aircraft operators to which UniCapital leased or sold aircraft, would not purchase or lease Stage 2 aircraft in the United States after the dates set forth above, and market demand for the Stage 2 planes would be nonexistent in the United States if the planes were not modified. To conform Stage 2 aircraft to federal regulations, it was necessary to retrofit those aircraft - - which, as detailed below represented a significant portion of UniCapital's acquired fleet at the time of the Company's Initial Public Offering - - to lower the noise emitted by those aircraft by, among other ways, installing a hush-kit on those engines. If these aircraft were not modified to comply with federal law, their economic life would essentially be ended.

45. Modifying these older aircraft to comply with ANCA is no easy feat. Hush-kits are made by several companies. Pratt & Whitney develops hush-kits, in conjunction with Federal Express, for 727 and DC-9 aircraft. AvAero, Inc., and Nordam Corporation develop a hush-kit for 737 aircraft. Many of UniCapital’s aircraft are powered by Pratt & Whitney JT8D series engines, which require hush-kitting in order to extend the aircraft’s economic life and meet the stricter noise requirements. Costs of purchasing hush-kits and modifying aircraft to comply with ANCA requirements are significant. For example, to purchase a Nordam hush-kit for 727-200 series aircraft weighing between 180,000 to 201,300 pounds, costs $1,295,000, assuming the prerequisite hardware for the hush-kit is already installed. Installation of the Nordam hush-kit
for the 727-200 requires approximately 215 hours of labor, which according to an aviation
industry expert, costs approximately $40 per hour. Accordingly, to install a hush-kit on a 727-
200 would cost well in excess of $1.3 million per engine. Records obtained from the Federal
Aviation Administration ("FAA") indicate that UniCapital maintained a fleet of 61 aircraft, of
which at least 13 aircraft, or 20% were not ANCA compliant at the time of the Offering, as
further detailed below. As a result, at the time of the Offering, UniCapital failed to disclose
that it would have to incur millions in expenses - - to retrofit its aircraft to extend their useful
economic life and be able legally to continue to lease planes to United States aircraft
operators, as detailed further below.

FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

A. Materially False Statements and Omissions in the Registration Statement

46. The Class Period commences on May 14, 1998, when UniCapital first offered its
stock for sale in the offering. In connection with the offering, defendants issued a prospectus
signed by defendants Robert and Jonathan New for the sale of 28 million shares of common
stock with an offering price of $19 per share ("Prospectus" or "Registration Statement"). The
Company initially issued its registration statement on Form S-1 on February 20, 1998, and
subsequently amended the registration statement to reflect additional information. The
Company's initial registration statement was filed on February 20, 1998. Amended S-
1 statements were filed on March 19, 1998, April 3, 1998, April 15, 1998, April 24, 1998, May
"roll-up" companies. These "roll-up" companies consisted of the following: (1) Jacom Computer Services, Inc. (a lease financing service for computer and telecommunications equipment); (2) Varilease Corporation (lease financing for computer goods); (3) Cauff Lippman Aviation, Inc. (provides lease financing for used commercial jet aircraft and jet aircraft engines as well as brokering and advisory services to airlines); (4) Municipal Capital Markets Group, Inc. (provides structured financing for community-based mental health and correctional facilities); (5) The NSJ Group (lease financing for commercial jet and jet engines); (6) American Capital Resources, Inc. (lease and secured financing for equipment, such as printing presses); (7) Matrix Funding Corporation (lease financing for equipment); (8) The Walden Asset Group (lease financing for equipment including communications equipment); (9) Boulder Capital Group (lease financing for petroleum retail equipment); (10) K.L.C., Inc. (lease financing for equipment such as tractors); (11) Merrimac Financial Associates (equipment financing for vending businesses) and (12) Portfolio Financial Servicing Company, L.P. (lease servicing and contracting).

48. With respect to Cauff Lippman, the Prospectus stated:

UniCapital will acquire all of the outstanding shares of Cauff Lippman for: (i) $48.0 million in cash and (ii) 1,684,210 shares of common stock. In addition, UniCapital will pay additional consideration, 60% in cash and 40% in common stock, of up to $40 million based on the adjusted pre-tax income of the "Big Ticket Leasing Division" (defined as Cauff Lippman and NSJ for the period from January 1, 1998 through the date of consummation of the Mergers, and thereafter as Cauff Lippman, NSJ and other operating subsidiaries of the Company that conduct the business conducted by Cauff Lippman and NSJ prior to the consummation of the mergers) for the years ended December 31, 1998, 1999, and 2000. The Merger Agreement provides for such additional consideration to be paid in three possible payments: (i) $13.3 million of the adjusted pre-tax income of the Big Ticket Leasing Division for the year ended December 31, 1998 exceeds $19.0 million; (ii) an additional $13.3 million if the adjusted pre-tax income of the Big Ticket Leasing Division for the year ended December 31, 1999, plus the
excess of the adjusted pre-tax income of the Big Ticket Leasing Division for the year ended December 31, 1998 over $26.6 million, exceeds $19.0 million; and (iii) a third $13.3 million if the adjusted pre-tax income of the Big Ticket Leasing Division plus the excess of the adjusted pre-tax income of the Big Ticket Leasing Division for the year ended December 31, 1999 over $26.7 million exceeds $19.0 million; provided that if the aggregate amount paid under clauses (i) and (ii) is less than $26.7 million and if the aggregate adjusted pre-tax income of the Big Ticket Leasing Division for the three years ended December 30, 2000 equals or exceeds $56.9 million, then the payment under clause (iii) will equal $40 million minus the amounts paid under clauses (i) and (ii).

49. The Prospectus also revealed that Stuart Cauff, the President of Cauff Lippman will become the President and CEO of UniCapital’s Big Ticket Leasing Division, and Wayne Lippman, the Vice-President of Cauff Lippman will become Executive Vice President of UniCapital’s Big Ticket Division. The employment agreements for Lippman and Cauff provided that for each $30 million in cumulative adjusted pre-tax income of the Big Ticket Leasing Division during the period beginning January 1, 1998 and ending December 31, 2001, they would be granted options to purchase 125,000 shares of common stock, up to a maximum of 500,000 shares each. In addition to the acquisition of Cauff Lippman, UniCapital agreed to acquire other aircraft leasing businesses which Cauff and Lippman had interests in, including Jumbo Jet Leasing (for $1.0 million); CL Aircraft Marketing (for $4.0 million); (iii) Twin Jet Leasing and Aircraft 49402 (for $100,000), and CL Aircraft XXV (for $100,000).

50. Accordingly, as a result of the roll-up and Offering, defendant Cauff received cash payments of over $24 million in cash as well as numerous shares of common stock - - with the potential to earn additional stock options and significant cash payments if the adjusted pre-tax income of the Big Ticket Division reached certain amounts. UniCapital also paid off millions in
personal loans owed to Cauff Lippman Aviation by defendant Cauff, as detailed in ¶ 182, below.

The funding to purchase Cauff Lippman Inc., and the other aircraft companies came directly from the investing public who purchased shares of UniCapital in the Offering.

51. In the Prospectus, the Company also noted that a cornerstone to the Company's business model was to "pursue strategic acquisitions" and capitalize upon consolidation opportunities in the U.S. equipment leasing industry by pursuing selective acquisitions.

52. Defendants touted their "expertise" in the aircraft industry and stated in the Prospectus that:

The Company's senior management team collectively has more than 70 years of experience in the acquisition and integration of businesses, lease financing, securitizations and other structured finance transactions. Robert New, the Company's co-founder, Chairman and Chief Executive Officer, previously served as an operating company president of and an Acquisition Consultant to U.S. Office Products Company, where he participated in over 40 acquisitions. Theodore J. Rogenski, the Company's Chief Operating Officer, has served as a senior executive with three national leasing companies, including LINC Anthem Corporation and its successor, Newcourt LINC Financial, Inc., and Wells Fargo Leasing Corporation, where he served for ten years as the President and Chief Executive Officer. Bruce E. Kropschot, the Company's Vice Chairman -- Mergers and Acquisitions, founded and operated a private mergers and acquisitions advisory firm which has arranged the sale of over 100 equipment leasing and specialty finance businesses. Steven E. Hirsch, the Company's Executive Vice President -- Structured Finance, was the Head of the Leasing Products Group at Morgan Stanley & Co. Incorporated, where he was involved in arranging over $30 billion of transactions in structured lease financings, mergers and acquisitions of leasing companies and securitizations.

53. With respect to the Cauff Lipman acquisition, defendants stated in the Prospectus:

CAUFF, LIPPMAN AVIATION, INC. ("CAUFF LIPPMAN"). Founded in 1981, Cauff Lippman provides operating lease financing for used commercial jet aircraft and jet aircraft engines, as well as brokering and advisory services to domestic and foreign commercial airlines, aircraft lessors and institutional investors and engages in the purchase and sale of aircraft for its own account.
Aircraft leases originated by Cauff Lippman generally have an average transaction size of approximately $15.1 million and an average term of 57 months, and aircraft engine leases have an average transaction size of approximately $1.9 million and an average term of 84 months. Cauff Lippman participated in the sale, trading, brokerage and financing of 37 aircraft and three aircraft engines during the year ended December 31, 1997...

54. The Airport Noise and Capacity Act of 1990 ("ANCA") required a phased elimination of the operation of civil, subsonic Stage 2 turbojet airplanes over 75,000 pounds to or from airports in the contiguous United States by December 31, 1999. The statute also prohibited importation of Stage 2 aircraft after November 11, 1990, but provided for U.S. owned Stage 2 airplanes leased to foreign operators to be returned to operation in the United States.

55. The regulations implementing the part of ANCA known as the Stage 3 transition rule were effective on September 25, 1991, and were codified at 14 CFR part 91, Subpart I, Operating Noise Limits. The regulations provided two options to meet the schedule for the transition to 100 percent Stage 3 by December 31, 1999. One option allowed an operator to meet the compliance schedule by phasing out Stage 2 airplanes. Under this option, an operator could operate no more than 75 percent of its Stage 2 base level after December 31, 1994, 50 percent after December 31, 1996, and 25 percent after December 31, 1998 (base level is equal to the maximum number of owned or leased Stage 2 airplanes that were on an operator's operations specifications on a single day selected by the operator during the period January 1, 1990, through July 1, 1991).

56. The second option allowed an operator to meet the compliance schedule by attaining a fleet composition of not less than 55 percent Stage 3 airplanes after December 31, 1994, 65 percent after December 31, 1996, and 75 percent after December 31, 1998. New
entrant operators (those that did not conduct operations on or before November 5, 1990) were required to operate a fleet composed of at least 25 percent Stage 3 airplanes after December 31, 1994, 50 percent after December 31, 1996, and 75 percent after December 31, 1998. All operators were required to operate 100 percent Stage 3 fleets after December 31, 1999.

57. The statute provided that a domestic air carrier could apply to the Secretary of Transportation for a limited waiver beyond the statutory deadline. The implementing regulations provided for the grant of a waiver by the FAA at an interim compliance date if a petitioner could show, among other criteria, that a grant of a waiver would be in the public interest. A petitioner was also required to present a reasonable plan to meet compliance by the December 31, 1999 date and exhibit a good faith effort to implement that compliance plan.

58. Given defendants' industry experience and expertise, there is a strong inference that they knew, by no later than the commencement of the Class Period, of the above discussed noise abatement requirements and failed to disclose the imminent adverse impact of the Stage 3 transition requirements on the Company's business operations.

59. In this regard, defendants knew and failed to disclose that the Company's inventory of aircraft and aircraft engines were, in significant part, not Stage 3 compliant and that, accordingly, such non-compliant equipment would cease to be leased by customers by no later than December 31, 1999.

60. As a result of the limited time in which this non-compliant aircraft equipment could, perhaps, be used to generate revenue for the Company, its carrying value had become impaired.
61. As noted in AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties* ("SOP 94-6"):

The SEC also requires registrants, "where appropriate," to include in prospectuses offering securities to the public "a discussion of the principal factors that make the offering speculative or one of high risk." Among the factors cited are "the financial position of the registrant" and "the nature of the business in which the registrant is engaged or proposes to engage" (Regulation S-K, Item 503(c)).

62. In contravention of the above noted disclosure requirements and other SEC mandates regarding the disclosure of "known trends," defendants caused the Prospectus to conceal the fact that the Stage 3 transition noise abatement requirements would have an adverse impact on the Company's operations and that the Company would ultimately be forced to exit its Big Ticket aircraft operations after December 31, 1999.

63. Even assuming the non-existence of SEC disclosure requirements, defendants were required by GAAP (SOP 94-6 paragraphs 20 through 25 and A-7) to disclose the Company's vulnerability due to the above particularized known facts. Moreover, defendants were required to cause the Prospectus to disclose this information in compliance with the following provisions of GAAP (FASB Statement no. 5, paragraph 11):

After the date of an enterprise's financial statements but before those financial statements are issued, information may become available indicating that an asset was impaired or a liability was incurred after the date of the financial statements or that there is at least a reasonable possibility that an asset was impaired or a liability was incurred after that date. The information may relate to a loss contingency that existed at the date of the financial statements, e.g., an asset that was not insured at the date of the financial statements. On the other hand, the information may relate to a loss contingency that did not exist at the date of the financial statements, e.g., threat of expropriation of assets after the date of the financial statements or the filing for bankruptcy by an enterprise whose debt was guaranteed after the date of the financial statements. In none of the cases cited in this paragraph was an asset impaired or a liability incurred at the date of the financial statements, and the
condition for accrual in paragraph 8(a) is, therefore, not met. Disclosure of those kinds of losses or loss contingencies may be necessary, however, to keep the financial statements from being misleading. If disclosure is deemed necessary, the financial statements shall indicate the nature of the loss or loss contingency and give an estimate of the amount or range of loss or possible loss or state that such an estimate cannot be made. Occasionally, in the case of a loss arising after the date of the financial statements where the amount of asset impairment or liability incurrence can be reasonably estimated, disclosure may best be made by supplementing the historical financial statements with pro forma financial data giving effect to the loss as if it had occurred at the date of the financial statements. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical financial statements.

64. In contravention of the disclosure rules promulgated by the SEC and those set forth in GAAP, defendants caused the Prospectus to conceal the above particularized facts from the investing public.

65. Defendants were cognizant of the GAAP requirement which provided for the recognition of impairment losses as evidenced by the following statement contained in the Prospectus:

In March of 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (Statement No. 121) effective for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations, including leased equipment, when indicators of impairment are present and either the undiscounted future cash flows estimated to be generated by those assets or the fair market value are less than the assets carrying amount. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted Statement No. 121 effective January 1, 1996.

66. Instead of disclosing the existence of the above discussed noise abatement regulations and the imminent adverse impact of these regulations on the Company's operations, defendants falsely and misleadingly portrayed the Company's aircraft-related operations as a
"strength" and as a profitable going concern. In this regard, instead of disclosing that the Company would be forced to exit its Big Ticket aircraft operations after December 31, 1999 (at which time full Stage 3 compliance was mandated), the Prospectus falsely and misleadingly stated:

The Company currently intends to maintain the present business mix of leasing activities within the Operating Companies. While the Operating Companies "best practices" for the various leasing activities conducted within the entities, the Company does not intend to require the Operating Companies to alter their activities in such a manner so as to impair their core origination strengths.

67. As an integral part of defendants' scheme to conceal the true state of the Company's business affairs, defendants failed to cause the Prospectus to reflect the fact that (because of the imminent adverse impact of the Stage 3 compliance regulations) the Company's Goodwill was, in substantial part, worthless. In this regard, defendants caused the Company's pro forma combined financial statements which were contained within the Prospectus to fail to reflect the recognition of no less than a $100 million write-off of goodwill, via a charge to income, as required by GAAP (APB Opinion No. 17 and FASB Statement No. 121).

68. Instead, defendants caused the Prospectus to materially misrepresent the financial state of the Company by furthering the false impression that the Company's goodwill was a valuable asset by stating:

Approximately $470.2 million, or 40.0%, of the Company's pro forma total assets as of March 31, 1998, after giving effect to the Offering, consists of goodwill arising from the acquisitions of the Founding Companies. Goodwill is an intangible asset that represents the difference between the aggregate purchase price for the net assets acquired and the amount of such purchase price allocated to such assets for purposes of the Company's proforma balance sheets. The
Company is required to amortize the goodwill from the Mergers (including goodwill associated with the payment of any earn-out consideration) over a period of time, with the amount amortized in a particular period constituting an expense that reduces the Company's net income for that period...amortization of the $470.2 million of goodwill to be recorded as a result of the Mergers [will be recognized] over a 15 to 40 year period...

*****

...the Company intends to market products and services under the name UniCapital to establish name recognition and create a brand image while maintaining the identity and associated goodwill of each of the Operating Companies.

69. As stated above, defendants failed to disclose that by no later than the commencement of the Class Period, of the adverse impact that the Stage 3 transition noise abatement requirements would have on the Company's operations and that the Company would be forced to exit its Big Ticket aircraft operations after December 31, 1999 (at which time full Stage 3 compliance was mandated). Defendants were required by GAAP (FASB Statement No. 121, as discussed above, and APB Opinion No. 17, paragraph 27) to cause the Company's financial statements, to reflect the recognition of the impairment to the Company's goodwill via a charge to income.

70. In addition, Item 7 of Form 10-K and Item 2 of Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), requires the issuer to furnish information required by Item 303 of Regulation S-K [17 C.F.R. 229.303]. In discussing results of operations, Item 303 of Regulation S-K requires the registrant to:

Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
71. The Instructions to Paragraph 303(a) further state:

The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results.

72. In addition, the SEC, in its May 18, 1989 Interpretive Release No. 34-26831, has indicated that registrants should employ the following two-step analysis in determining when a known trend or uncertainty is required to be included in the MD&A disclosure pursuant to Item 303 of Regulation S-K:

A disclosure duty exists where a trend, demand, commitment, event or uncertainty is both presently known to management and is reasonably likely to have a material effect on the Registrant's results of operations.

73. In the section of the Prospectus entitled "Management's Discussion And Analysis Of Financial Condition And Results Of Operations," defendants were required to "discuss any material changes in the registrant's result of operations with respect to the most recent fiscal year-to-date period for which an income statement is provided and the corresponding year-to-date period of the preceding fiscal year." Defendants made the following statement concerning the material change in Cauff Lippman's revenues:

Rental Income from Operating Leases: Rental income from operating leases decreased to $17.6 million in the year ended December 31, 1997 from $18.5 million in the year ended December 31, 1996, a decrease of $0.9 million, or 5.0% primarily due to the decrease in lease revenue associated with the renegotiation of an aircraft lease, partially offset by the additional of certain aircraft engines subject to lease. As a percentage of revenues, rental income from operating leases decreased by 20.3% to 54.7% in the year ended December 31, 1997 from 75.0% in the year ended December 31, 1996.
74. Item 303 of Regulation S-K required defendants to disclose in the Prospectus that the Company had not completed the required retrofitting to a significant portion of its aircraft fleet to meet federal noise abatement regulations. In addition, Item 303 also required the Company to disclose in the Prospectus that the useful life of aircraft which had not been hush-kitted or modified was at most, two years from the date of the Offering, and that accordingly, any goodwill recorded in connection with the acquisition should have been amortized over two years at most.

75. The above noted factors were reasonably likely to have a material adverse effect on UniCapital’s operating results. Nonetheless, the Prospectus failed to disclose such information, which was necessary for a proper understanding and evaluation of the Company’s operating performance and an informed investment decision.

76. Moreover, UniCapital’s purported risk statement, detailed in ¶ 77, below, entitled “Residual Value Risk” was itself false and misleading in stating that any loss in the residual value of equipment “could” have a material adverse effect on UniCapital’s business or financial condition. In fact, the value of UniCapital’s aircraft equipment had already been impaired, and was already negatively affecting UniCapital’s business by the date of the Prospectus.

77. The Prospectus stated:

RESIDUAL VALUE RISK

The Company retains a residual interest in the equipment covered by certain of its leases. The estimated fair market value of the equipment at the end of the contract term of the lease, if any, is reflected as an asset on the Company’s balance sheet. The Company’s results of operations depend, to some degree upon its ability to realize such residual value. Realization of residual values depends on many factors, several of which are not within the Company’s control, including general
market conditions at the time of expiration of the lease, whether there has been unusual wear and tear on, or use of, the equipment, the cost of comparable new equipment, the extent, if any, to which the equipment has become technologically or economically obsolete during the contract term and the effects of any additional or amended governmental regulations. If, upon the expiration of a lease, the Company sells the underlying equipment and the amount realized is less than the recorded value of the residual interest in such equipment, a loss reflecting the difference will be recognized. Any failure by the Company to realize aggregate recorded residual values could have a material effect on its financial condition and results of operations.

78. The purported "risk" statement was materially false, misleading and incomplete because, as set forth herein, a significant portion of UniCapital’s aircraft were at the time of the Offering, technologically or economically obsolete due to the effects of existing governmental regulations, not "additional or amended governmental regulations". Specifically, defendants’ Prospectus failed to reveal, anywhere, that due to the ANCA, by December 31, 1998, aircraft operators in the United States were required to phase out their inventory of Stage 2 aircraft, dramatically impacting the Big Ticket Division's business - - a discussion of which was notably absent from the Prospectus or any other Class Period statements.

79. Thus, this supposed "risk statement" in the Prospectus was nothing but a generic warning containing no meaningful factual disclosure of the adverse facts which were then actually negatively impacting UniCapital’s business by the time of the Offering, as set forth herein.

80. The Prospectus was misleading not only because it failed to disclose the impact of the ANCA and the resulting costs associated with compliance, but also affirmatively misled investors regarding the value of its largest division, the "Big Ticket Division", and the limited
economic life of its acquired aircraft fleet. Defendants caused the Company to present materially false and misleading pro forma financial statements by failing to appropriately reflect the recognition of the impairment of the Company's goodwill and by presenting worthless goodwill as a valuable asset.

81. Specifically, UniCapital's acquired fleet of aircraft included B727s, B737-200s, DC-9s, many of which had Pratt & Whitney JT8D engines. According to FAA records, at least 16 of the aircraft engines in UniCapital's fleet had JT8D engines which required hushkitting or noise modification by December 31, 1999. In addition, of the Company's acquired fleet, a significant portion of the aircraft were Stage 2, non-ANCA compliant aircraft at the time of the Offering. Indeed, FAA records confirm that at minimum, 13 aircraft needed significant modification in order to meet the ANCA requirements for conversion into Stage 3 aircraft.

(a) According to FAA Type Certificate No. A3WE, as amended on November 29, 1967, Boeing 727-200 series aircraft needed significant modification and alteration in order to comply with federal noise abatement regulations. Several Boeing 727-200 series aircraft acquired by UniCapital through the Cauff Lippman and Jumbo Jet Inc. purchases, including the aircraft identified below in ¶82 which required hush-kitting or major alteration to be brought into ANCA compliance;

(b) According to FAA Aircraft and Engine Type Certificate Data Sheets as well as FAA Advisory Circulars, the average cost to modify a B727 aircraft is between $1.8 to $2 million dollars - - a cost of nearly $10 million for the aircraft described above;

(c) Boeing 737-200 series also did not meet federal noise regulations, according to FAA Type Certificate No. A16WE. Several acquired 737-200 series aircraft all required significant alteration in order to comply with federal regulations;

(d) According to information obtained from the FAA, the average cost to modify B-737 series aircraft is between $1.3 and $1.7 million;
Although the economic life of the non-compliant aircraft was extremely limited in the United States due to the implementation and enforcement of the ANCA, several countries, including in Asia and South America did not have the same noise abatement regulations, and UniCapital could continue to unload the Stage 2 aircraft abroad. When the market for leasing and sale of aircraft and aircraft engines collapsed, as detailed below in ¶, the negative impact on the Company was even more devastating because the Company had to add to its fleet of Stage 3 aircraft in order to continue leasing planes, while Stage 2 aircraft that had not been modified sat idle.

82. Several additional aircraft -- which only include a sampling of the aircraft which were not ANCA compliant -- identified by FAA records indicate that the planes needed significant modification and alteration in order to comply with ANCA -- resulting in huge expenses for UniCapital. These aircraft were part of the fleet acquired by UniCapital through several of its subsidiaries, including Aircraft 20627 Inc., Aircraft 21955 Inc., Aircraft 22620 Inc., Aircraft 49368 Inc., and CL Aircraft VIII Inc. and are identified below:

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<td>Boeing 727-251</td>
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</table>
83. Other UniCapital aircraft which have been identified in FAA records as requiring major and costly modification before they could be brought into federal compliance included 3 additional 737-230 series aircraft, and a 727-251 series aircraft built in 1969.

84. In order for these and other non-compliant aircraft to operate after January 1, 2000, they had to be modified in accordance with an FAA approved Supplemental Type Certificate (STC). There are several companies that have been issued STC permits to install hush kits on both the B727 and B737 series aircraft. The only FAA approved companies which develop hush kits for the aircraft owned by UniCapital, including 727s, 737s, and DC-9s are the Nordam Group, Federal Express Corporation in Memphis Tennessee, Raisbeck Air, in Seattle, Washington and ABS Partners of Reno, Nevada.

85. As the December 31, 1999 deadline for modification drew near and passed, UniCapital scrambled to modify its non-compliant fleet in order to build an inventory of leasable Stage 3 planes. Modifying the largely Stage 2 fleet of aircraft required significant capital expenditures for the equipment itself, significant labor costs for installation, and significant losses for the Company during the time the planes were unable to be leased out due to the maintenance, which could take as long as two weeks to modify. According to the Director of Hush Kit Marketing at the Nordam Group, UniCapital Air Group purchased 5 hush kits as late as November of 1999, for 737-200 series aircraft. The kits cost over $1 million each and required 5 to 10 days to install. In early 2000, Scott Daniels of UniCapital contacted the owner of Raisbeck Air, in Seattle, to inquire about hushkitting a 727 series airplane. The kit cost approximately $1.3 million and required approximately 200 hours to install. UniCapital never purchased the
kit, and instead sold the plane without modification to a buyer in the Middle East. According to a sales representative at ABS, on January 1, 2000, UniCapital purchased from ABS Partners, in Connecticut, a hush kit for a DC-9-30, for between $1.5 to $2.3 million, which required about one week to install.

86. At all times during the Class Period, including at the time of the Offering, defendants failed to disclose the exorbitant costs necessary to modify its acquired aging fleet of non-ANCA compliant aircraft. Indeed, as a result of federal regulations which were in place at the time of the Offering, defendants had to incur significant costs to: (a) modify or hush-kit its non-compliant aircraft including early series 737s, 727s, and DC-9s; and (b) despite having a number of unleased Stage 2 planes, UniCapital was forced to acquire already compliant Stage 3 aircraft in order to have marketable products, because of the federal requirement that 85% of aircraft operators' fleets consist of Stage 3 aircraft by December 31, 1999. As a result, on July 10, 1998, the Company purchased $143 million worth of commercial jet aircraft including Stage 3 Boeing 737-300s and McDonald Douglas MD-80 Series Aircraft, and seven 747 aircraft which were already compliant. Defendants also had to expend over $1 billion to acquire 45 commercial jet aircraft to increase UniCapital's Air Group's portfolio to 70 commercial aircraft, and attempted to purchase nine Stage 3 compliant used commercial aircraft for approximately $312 million - a transaction they were unable to complete due to their rapidly deteriorating financial condition.
Defendants were required to, but did not, reveal that the acquired fleet of aircraft, at the time of the Offering was in large part, not Stage 3 compliant and that the Company would have to incur significant charges to bring its fleet into compliance in order to continue leasing aircraft to United States airlines or aircraft operators, through mechanical modification and the purchase of Stage 3 aircraft. This disclosure was especially material to investors since the Air Group, as revealed in the Company’s Annual Report to Shareholders for fiscal year 1998, constituted over 60% of the Company’s revenues and a large portion of UniCapital’s profitability. As a result, at the time of the Offering, a majority of the acquired aircraft only had a useful economic life of at maximum, until December 31, 1999. Nonetheless, defendants carried the planes on their books at full value thus failing to recognize material impairments and diminution in worth, via charges to income, in compliance with GAAP. Despite the impairment in the carrying value of the aircraft, defendants failed to take the required impairment losses until May 15, 2000, when the Company announced that it had incurred a pre-tax loss of $298.3 million in the first quarter, that included a write-off of $239.1 million of impaired goodwill, principally due to the Company's decision to exit the Big Ticket Division.

B. Defendants’ Fraud Continues After the Offering

Defendants’ untrue statements of material fact were not limited to the Prospectus. On July 10, 1998, defendants issued a press release announcing the acquisition through its Big Ticket Division of approximately $143 million worth of commercial jet aircraft. According to the press release, the aircraft are comprised of state of the art Stage III Boeing 737-300s and McDonald Douglas MD-80 Series Aircraft. In addition, the Company revealed that it had two
747 aircraft on lease to Air Atlantic and Icelandic, and had seven 747 aircraft under contract for
delivery by the year 2000. Defendant Cauff commented on the acquisition, stating: "These
initial aircraft acquisitions provide UniCapital with a solid foundation to build toward its first
Big Ticket securitization scheduled for later this year."

89. The press release dated July 10, 1998, also revealed that defendants had closed the
final tranche of a $1.2 billion credit facility from Nationsbank.

90. Defendant Cauff’s statement in ¶ 88, above, was materially false and misleading,
for the following reasons: Defendants were required to, but failed to reveal that although
UniCapital had ordered some Stage 3 aircraft, a significant portion of its fleet was not in
compliance with the ANCA and the Company would have to incur substantial expenses to add
leasable or saleable Stage 3 aircraft through acquisition and modification of its existing fleet, as
detailed above in ¶¶ 81-87.

91. On July 23, 1998, defendants issued a press release announcing second quarter
1998 pro forma financial results. UniCapital reported pro forma net income of $11.3 million,
and diluted earnings per share of $0.24, compared to pro forma net income of $3.3 million and
diluted earnings per share of $0.07 in the second quarter of 1997. The Company reported an
improvement in operating performance from first quarter diluted earnings of $0.18 by 33%. For
the second quarter, UniCapital reported pro forma total revenues of $118.5 million, compared to
pro forma total revenues of $54.9 million in the second quarter of 1997.
92. Commenting on the financial results, defendant Robert New stated:

We are very pleased to report strong financial results for our first quarter as a publicly traded company, which exceeded analysts' consensus estimates by nearly 10%, or $0.02 per share. *We are especially pleased with the positive organic revenue growth achieved primarily through improved operating performance and profitability of our founding companies. The Company is delivering top line organic growth at a faster pace than the rest of the industry. All of our revenue and earnings growth during the quarter was generated by improved founding company operating performance and the realization of cross selling initiatives and new vendor programs.*

93. The July 23, 1998 press release also disclosed that UniCapital entered into seven letters of intent to acquire several leasing and lease-financing companies including HLC Financial Inc., and Saddleback Financial Corporation, on June 17, 1998, and the closing of the Jumbo Jet Inc. purchase at a grossly inflated price (a company partially owned by Defendant Cauff) These acquisitions were expected to be "immediately accretive to earnings per share." The acquisition were paid for 50% in cash and 50% in UniCapital common stock.

94. On August 14, 1998, the financial results announced in the July 23, 1998 press release were reported in a quarterly report on Form 10-Q for the period ended June 30, 1998, signed by defendant Jonathan New. In a section entitled "Liquidity and Capital Resources" the Company stated: "[t]he Company currently does not have any commitments to make significant capital expenditures in the next twelve months." The 10-Q also stated:

*The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial statements...In the opinion of the Company's management, all adjustments (consisting solely of adjustments of a normal recurring nature) necessary for a fair presentation of these interim results have been included.*
At the time of Defendants’ statements detailed in ¶¶ 91 and 93 above were materially false and misleading. Indeed, defendants’ statements that the Company did not have any commitments for significant capital expenditures in the next twelve months was intended to, and did, convey the impression to the investing public that the Company did not need to incur any significant expenditures in the next year. To the contrary, as detailed above in ¶¶ 81-87, defendants’ acquired aircraft fleet largely consisted of Stage 2 aircraft, and by December 31, 1999, United States aircraft operators had to phase in Stage 3 aircraft, until their fleets were comprised of 85% Stage 3 planes. Either way, the market for the Company’s Stage 2 aircraft was plummeting, and UniCapital would have to, and did, expend significant capital in order to modify or purchase aircraft which it could resell or lease.

Defendants’ statements in ¶ 94, that the interim statements were prepared in conformity with GAAP and that "[i]n the opinion of the Company’s management, all adjustments (consisting solely of adjustments of a normal recurring nature) necessary for a fair presentation of these interim results have been included" were also false and misleading because the Form 10-Q failed to reflect the write-down of aircraft equipment and goodwill via charges to income of no less than $100 million, in compliance with GAAP.

On August 17, 1998, after the 10-Q was issued, UniCapital stock traded at $17.25 per share, rising to over $18 per share the next day. Had investors known the adverse facts detailed in ¶¶ 81-87, above, which ultimately caused the Company to exit its most profitable division, the Big Ticket Division, and take the $239 million write-down detailed in ¶¶ 165-167, below, UniCapital stock would not have traded at such artificially inflated prices.
98. On September 3, 1998, defendants announced that the UniCapital Board of Directors authorized a share repurchase program to purchase up to 5 million shares. Defendant Jonathan New reaffirmed the Company’s financial position and available capital, stating:

We enjoy a total of $1.7 billion in available credit, of which $1.4 billion remains unused. . . In addition we have an outstanding commitment from another lender to provide up to $500 million to fund the purchase of commercial aircraft, of which only $19 million has been used to date. To sum up, we have approximately $1.4 billion in unused credit availability under our credit facilities and our commercial aircraft commitment. Moreover, access to this capital is not affected by the recent changes in our stock price. Accordingly, we have more than sufficient liquidity and no immediate need for additional capital.

99. In the September 3, 1998 press release, defendant Robert New stated:

We have seen the remarkable volatility in our stock price recent days, and notwithstanding that volatility we remain on course. We went public in May 1998 by selling 28 million shares to the public; thus, of the over 51 million shares now outstanding, more than 23 million shares are held by our founders or by the former owners of the companies that we have acquired. . . the vast majority of those 23 million shares are subject to contractual or other restrictions that will keep them from being sold for a considerable period of time, in most cases not before May 1999. We believe that our operating performance to date has been exemplary. For the quarter ended June 30, 1998, which is the first quarter in which we had combined operations, our pro forma diluted earnings per share were $.24, exceeding published analysts’ consensus estimates by $.02 per share.

100. The Company’s Chief Operating Officer, Ted Rogenski, added in the September 3, 1998 press release:

Our operating businesses remain strong and vibrant, and our integration efforts and quest for operating efficiencies remain on-track. . . In short, we continue to see the opportunity to build a national presence in the equipment leasing and specialty finance industry while enhancing financial performance and shareholder value. We remain committed to executing upon our strategy, and are confident in our future.
101. Defendants' statements detailed in ¶¶ 98-100, designed to hype the stock price after it fell to $6.25 per share on September 3, 1998, were materially false and misleading.

(a) Contrary to defendant Jonathan New's statements in ¶ 98, the Company did not have more than sufficient liquidity or no significant needs for capital. As detailed above in ¶¶ 81-87, the Company had to incur significant costs in retrofitting the fleet of its Stage 2 aircraft and aircraft engines to comply with ANCA and in purchasing already compliant Stage 3 aircraft in order to build a useable inventory;

(b) As revealed on May 15, 2000, the Company was in default of its financial obligations, and the Company's lenders were forced to waive or amend their existing credit agreements due to UniCapital's inability to meet its financial obligations;

(c) Far from experiencing "exemplary" financial performance, the Company failed to reflect the write-down of aircraft equipment and goodwill via charges to income of no less than $100 million - - thereby reporting artificially inflated income, and;

(d) The Company had to expend over $1.6 billion to acquire newer model phase 3 aircraft, including the fleet additions detailed herein, because at the time of the Offering, the acquired fleet was not in compliance with federal noise abatement regulations and accordingly had a very limited market value.

102. On October 29, 1998, defendants issued a press release announcing financial results for the third quarter of fiscal 1998. Defendants reported net income of $14.6 million and diluted earnings per share of $0.29 for the three months ended September 30, 1998, compared to pro forma net income of $5.0 million and diluted earnings per share of $0.10 for the three months ended September 30, 1997. The third quarter diluted earnings per share represented an improvement over the second quarter of 21%. For the three months ended September 30, 1998, UniCapital had total revenues of $133.4 million, compared to pro forma total revenues of $56.4 million in the previous year.
103. Defendant Robert New commented on the seemingly strong results, stating:

"As evidenced by our healthy third quarter results, including a 27% return on average tangible equity, UniCapital's business fundamentals remain strong. We have a solid balance sheet, access to capital, and increased profitability."

104. On November 13, 1998, defendants filed its September 30, 1998 Form 10-Q with the SEC ("the September 30, 1998 Form 10-Q"). This document stated:

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial statements...In the opinion of the Company's management, all adjustments (consisting solely of adjustments of a normal recurring nature) necessary for a fair presentation of these interim results have been included.

105. The September 30, 1998 Form 10-Q and the press release detailing third quarter 1998 results were materially false and misleading because, in violation of SEC and GAAP disclosure requirements, the September 30, 1998 Form 10-Q and the financial statements included therein failed to disclose the fact that:

(a) All aircraft operators were required to operate 100 percent Stage 3 fleets after December 31, 1999;

(b) The Company's inventory of aircraft and aircraft engines were, in significant part, not Stage 3 compliant and that, accordingly, such non-compliant equipment would cease to be leased by customers by no later than December 31, 1999 as detailed above in ¶¶ 81-87;

(c) Due to "a" and "b" above, the Company would be forced to exit its Big Ticket aircraft operations after December 31, 1999;

(d) As a result of "a" through "c" above, the carrying value of the Company's aircraft equipment and goodwill had become impaired by no less than $100 million in aggregate.
106. In addition, the financial statements which were contained within the September 30, 1998 Form 10-Q and the press release detailed in ¶ 102 and 103, above which represented that the Company had a "solid balance sheet" failed to reflect the write-down of aircraft equipment and goodwill via charges to income of no less than $100 million in aggregate, in compliance with the above particularized GAAP. Further, these financial statements failed to comply with the guidance set forth in GAAP (APB Opinion No. 28) which states that, "the Board encourages management to provide commentary relating to the effects of significant events upon the interim financial results." In addition, contrary to defendants' statements that the Company readily had "access to capital", at the time, defendants had secured only about 85% of its financial needs through the remainder of 1998 and only about 50% of its financial needs for 1999.

107. On February 4, 1999, UniCapital announced over the PR Newswire "record" fourth quarter 1998 and year-end results. The Company reported net income of $18.3 million and diluted earnings per share of $0.35 for the three months ended December 31, 1998, compared to pro forma income of $12.4 million and diluted earnings of $0.24 for the same period in the previous year. This represented, according to defendants, a 21% improvement over third quarter diluted earnings per share of $0.29.

108. For the three months ended December 31, 1998, UniCapital reported total revenues of $323.2 million, compared to pro forma total revenues of $93.7 million in the comparable quarter in the previous year. On a pro forma year to date basis, UniCapital reported total revenues of $672.1 million and net income of $55.4 million for the 12 months ended
December 31, 1998. This represented a 151% increase in revenues and a 129% increase in pro forma net income. Year to date pro forma diluted earnings per share skyrocketed to $1.08, compared to $0.48 for the same period in the previous year - a 125% improvement.

109. Commenting on the seemingly stellar financial results, defendant Robert New stated:

*Our business strategy, which focuses on origination volume, credit quality, integration and increasing profitability, has been executed as planned during 1998.*

***

Our strong increase in origination volume helped to enhance our portfolio position. UniCapital’s lease portfolio, which includes investment in finance leases and equipment under operating leases, increased by 31% to $803.9 million at year end, from $612.7 million at September 30, 1998. *At the same time, our portfolio and liquidity management practices, which focus on maximizing the returns from our available capital, have enabled us to maintain over $1 billion in available credit from our credit facilities.*


111. The Company’s financial results were for the year ended December 31, 1998 were repeated in its annual report on Form 10-K, filed On April 1, 1999 and signed by defendants. The 1998 Form 10-K and the financial statements contained therein were materially false and misleading for the reasons particularized in, *inter alia*, ¶¶ 87 and 101 above. In addition, the 1998 Form 10-K was materially false and misleading because it falsely stated that:

...management continually evaluates goodwill for potential impairment that may result from events or changes in circumstances from time to time. A reduction in net income resulting from the amortization or impairment of goodwill may have an adverse impact upon the market price of our common stock.
112. The statements referenced above were each materially false or misleading when issued as they misrepresented and/or omitted the following adverse facts which then existed and disclosure of which was necessary to make the statements made not false and/or misleading, including:

(a) that the Company's Big Ticket Division was not contributing to the Company's profitability due to ANCA non-compliance of a significant portion of the acquired fleet of aircraft as detailed above in ¶¶ 81-87;

(b) defendants knew or recklessly disregarded that UniCapital's margins and revenue from the Big Ticket Division, specifically in connection with the Company's aircraft engine inventory and its aircraft portfolio, would be negatively impacted going forward; and

(c) Contrary to defendants’ statements that they "continually evaluate goodwill for potential impairment", defendants grossly inflated the goodwill associated with the roll-up companies, including the aircraft-related acquisitions, because the economic life of the majority of the acquired aircraft fleet was at most, two years due to the failure to comply with ANCA. Accordingly, the economic life of the Big Ticket Division was limited and at least $100 million in goodwill was already impaired and the financial results artificially inflated net income by failing to write-down the goodwill in conformity with GAAP.


With the completion of our $532 million initial public offering and the acquisition of seventeen companies, we successfully built a diverse platform in 1998 from which we expect to drive internal growth.

In a section describing UniCapital Air Group, the Report stated:

UniCapital Air Group is one of the world’s leading aircraft operating lessors, providing customized lease financing, brokerage, advisory and remarketing services to airlines, aircraft lessors and financial institutions. Specializing in 6 to 12 year old commercial jet aircraft, UniCapital Air Group’s financing professionals have more than 50 years of combined experience and have
completed more than $3 billion in financing transactions. . . According to industry statistics, approximately 44% of all commercial aircraft worldwide are currently under lease, and airlines are expected to continue to expand their fleets with leased aircraft. By providing flexible financing and fast turnaround, UniCapital Air Group is positioned to increase its share of the rapidly growing market.

114. In a section of the Report describing the Aircraft Engine Group, defendants stated

As aircraft owners assume greater financial risk for today's complex jet engines, UniCapital Aircraft Engine Group is positioned to capitalize upon a highly fragmented segment of the aircraft engine market.

115. Defendants' statements detailed in ¶¶ 113 and 114 representing that the Aircraft Engine Group and the Aircraft Group were "well positioned" were false and misleading. Indeed, far from being "well-positioned", the Company was hastily attempting to modify its Stage 2 fleet to comply with federal noise abatement regulations, and incurring significant expenses, including the purchase of 5 hush kits from the Nordam Group as late as November, 1999. The cost and necessity of complying with ANCA and resulting impact to the Big Ticket Division was not disclosed to the investing public in any of UniCapital’s public disclosures during the Class Period. In addition, the statement that "airlines are expected to continue to expand their fleets with leased aircraft" was intended to, and did, convey the false impression to investors that UniCapital's Big Ticket Division would experience dramatic growth as a result. In fact, as detailed herein, the market for UniCapital's aircraft could not grow due to the predominance of Stage 2 aircraft in the Company's fleet - - which its United States customers were prohibited or restricted from operating under ANCA.
116. On April 26, 1999, defendants issued a press release announcing that UniCapital had signed a letter of intent to acquire 45 commercial jet aircrafts for more than $1.5 billion, which would increase UniCapital's Air Group's portfolio to 70 commercial aircraft. Defendants also revealed that UniCapital had entered into a letter of intent to purchase nine used commercial aircraft for approximately $312 million.

117. Commenting on the new acquisitions, Stuart Cauff, on behalf of UniCapital stated:

We believe this transaction will provide the Company with access to an extremely attractive cost of capital. **It also places UniCapital Air Group in an elite group of diversified commercial aircraft operating lessors, and reinforces the Company's current position as a market leader in our established niche market of used narrow body aircraft.**

118. On the same day, UniCapital announced that it would retain on-balance sheet leases that it transfers to its commercial paper credit facility, as well as leases to be transferred in connection with future securitizations, rather than account for such transactions through gain-on-sale accounting. Additionally, the Company revealed that it would significantly reduce its trading-related sales of commercial aircraft, resulting in lower than anticipated first quarter and projected calendar 1999 earnings.

119. Defendants' statements that UniCapital was in an "elite group of commercial aircraft lessors" was false and misleading for the reasons detailed in ¶¶ 59, 60-69, 81-87, 95, 101, 105, 112 and 115 above.
120. On May 5, 1999, defendants announced first quarter 1999 financial results. The Company reported a net loss of $887,000 and diluted loss per share of $0.02 for the three months ended March 31, 1999. Defendant Robert New attributed the lower earnings to "[o]ur decision to build the Company's on balance sheet lease portfolio and significantly reduce trading related sales of aircraft in order to improve the predictability and recurring nature of our earnings."

121. On May 17, 1999, defendants filed a quarterly report on Form 10-Q, signed by defendant Jonathan New, which reiterated the Company's first quarter 1999 financial results. With respect to the $312 million purchase of nine used commercial aircraft, defendants revealed that "in order to complete the transaction, we must obtain additional financing or fund the necessary cash requirements from the sale of assets or equipment subject to lease. We are currently negotiating to obtain the necessary funding through financing or sales." On June 30, 1999, defendants revealed that the Company would not consummate the acquisition.

122. While defendants revealed that they would be unable to fund the acquisition, they failed to disclose that the acquisition of the Stage 3 aircraft was necessary in order to be able to sell or lease planes to United States aircraft operators who were required to meet federal regulations for the phase in and phase out of non-noise compliant aircraft. Defendants' inability to fund the acquisition and the prohibitive costs of hush-kitting or otherwise modifying its Stage 2 fleet resulted in the Company's inability to market viable products to aircraft operators who were required to have 85% of their fleet consist of Stage 3 aircraft by 1999 and the resulting need to exit the Big Ticket Division. Defendant Cauff, however was unaffected by UniCapital's inability to fund the acquisition of Phase 3 aircraft, as he had already received no less than $24
million in cash by selling his fleet of aging, substantially non-ANCA compliant aircraft to the investing public using UniCapital as a conduit -- at a grossly inflated price.

123. According to the Company’s annual report on Form 10-K for the year ended December 31, 1999, the consideration paid for Cauff Lippman consisted of $51.5 million in cash, 1,684,210 in stock (valued at $28.8 million) for total consideration of $80.3 million -- with goodwill amortized over 40 years. UniCapital also paid off personal debt owed to Cauff Lippman Aviation by defendant Cauff, as described below in ¶ 219. In addition to over $20 million in cash of the inflated $80.3 million share price -- Cauff received additional cash and stock payments based on the Big Ticket Division’s reaching targeted levels of earnings. According to the 10-K:

...the selling shareholders of each acquired company... may pursuant to certain earnout arrangements, receive additional consideration based on targeted levels of earnings... Contingent consideration, if earned, will be paid in a combination of cash and the Company’s common stock and recorded as additional purchase price. In 1999, the Company paid $19.6 million in contingent consideration for 1998, $12.0 million in cash and $7.6 million in common stock pursuant to the earnout provisions of various acquisition agreements entered into in 1998. The Company also paid, in 1999, $9.3 million in contingent consideration for 1999, $4.8 million in cash and $4.5 million in common stock pursuant to the earnout provisions of various acquisition agreements entered into in 1998.

124. In addition, according to a May 31, 2000 article published in the Broward Daily Business Review, in the first quarter, the Company wrote-down $37.5 million in assets related to the declining value of aircraft engines and aircraft owned by UniCapital. In fact, as defendants knew or recklessly disregarded, the goodwill associated with the Big Ticket Division was artificially overstated by at least $220 million, because the earnout compensation
detailed above increased the already overstated goodwill.

125. On August 3, 1999, defendants issued a press release reporting second quarter 1999 financial results. The Company reported greatly improved results, including diluted earnings per share of $0.09 compared to a loss of $0.02 in the previous quarter. Defendant Robert New attributed the "solid second quarter" to "robust organic lease originations across UniCapital's business segments, 134% growth in the Company's on-balance sheet lease portfolio to $2.3 billion at quarter end, and stable portfolio credit quality." Defendants also reported that the Company had sold $76 million worth of Stage 2 and other older aircraft through the Air Group.

126. On August 3, 1999, UniCapital stock traded at $5 per share. Had the truth about the Company's then-deteriorating financial condition been known to the investing community, UniCapital stock would have traded at substantially lower prices.

127. The second quarter financial results were repeated in the Company's 10-Q on August 16, 1999, signed by defendant Jonathan New. The 1999 first quarter and second quarter report each repeated the earlier representations that:

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission for interim financial statements...In the opinion of the Company's management, all adjustments (consisting solely of adjustments of a normal recurring nature) necessary for a fair presentation of these interim results have been included.
128. The statements detailed in ¶ 125 and 127, were materially false and misleading because, as detailed above, the carrying value of the Company's aircraft equipment and goodwill had become impaired by no less than $200 million, respectively, and defendants' reported income was materially overstated as a result.

129. On October 25, 1999, defendants issued a press release warning that third quarter earnings would be significantly lower than expected. The Company revealed that it expected to report diluted earnings per share for the quarter ended September 30, 1999 in the range of $0.03 to $0.05. Defendants attributed the expected shortfall to a delay in closing a sizable transaction involving the acquisition of six commercial jet aircraft, as well as current market conditions in the aircraft industry. Defendants also announced that it would be implementing "Phase I" of an expense reduction program in the fourth quarter of 1999, which would likely result in annualized savings of $5 million to $5 million.

130. On October 29, 1999, defendants announced third quarter financial results for the three months and nine months ended September 30, 1999. UniCapital reported net income of $1.9 million and diluted earnings per share of $0.04 for the three months ended September 30, 1999. The Company also reported total revenues of $187 million for the third quarter, compared to $131 million in revenues during the same quarter in the previous year. The Company also revealed that it was planning "Phase II" of its expense reduction program.
131. In response to the Company's news announcing the lower than expected earnings, UniCapital stock traded at $1.875 on November 1, 1999. Had the full extent of the Company's financial deterioration been revealed to the market, the price of UniCapital stock would have dropped even further.

132. UniCapital's third quarter 1999 financial results were repeated in its quarterly report on Form 10-Q filed on November 15, 1999, and signed by Defendant Jonathan New. The quarterly report revealed that:

During the quarter ended September 30, 1999, we experienced a decline in our aircraft engine sales. We believe that there are two primary drivers of the current unfavorable market conditions for the sale of certain engine types: (1) the Asian and South American long haul markets have not yet reached full economic recovery and (2) many older model 747 aircraft that use this engine type will not be Stage 3 noise abatement compliant after December 31, 1999. Those engine types can be rendered compliant through conversion processes.

133. Defendants' statements detailed in ¶ 130 and 132, above, were materially false and misleading because, at the time the statements were made defendants knew or recklessly disregarded that: (i) the "unfavorable market conditions for the sale of aircraft engines" had been present at the inception of the Class Period and had been accelerated through the date of filing the 10-Q because the December 31, 1999 date (at which time full Stage 3 compliance was mandated) was drawing closer) and that (ii) the Company's inventory of such engines was materially impaired.
134. In violation of GAAP as particularized above, and the Company's own stated accounting policies, defendants fraudulently concealed and failed to recognize the material impairment of the Company's goodwill and aircraft engine inventory in the 10-Q, thus causing the reported pretax income to be overstated by no less than $200 million.

135. On December 21, 1999, defendants issued a press release announcing the acquisition of 11 Boeing 757 aircraft from Lufttransport Unternehmen ("LTU"), financed in part through a loan underwritten by The Chase Manhattan Bank. Defendant Cauff stated "[t]his is a very attractive transaction for UniCapital... this acquisition continues UniCapital's previously established strategy of acquiring substantial fleets from some of the world's best-known air carriers..."

136. Two days later, UniCapital announced that it had renewed three of its existing credit facilities and amended financial loan covenants on a fourth facility for a total of more than $1.1 billion. The revolving line of credit would allow UniCapital to acquire additional commercial aircraft. On December 28, 1999, UniCapital announced the establishment of a $200 million committed credit facility with Morgan Stanley Asset Funding Inc.

137. Commenting on the increased credit facilities, defendant Robert New stated: "[t]hese renewed and amended facilities demonstrate our lenders' continued support and confidence in UniCapital...the facilities will continue to be used to fund new lease originations in our company's Big Ticket and Finance Divisions and will help us achieve our financial objectives."
138. As defendants knew or recklessly disregarded, the increased credit facilities, which UniCapital desperately needed to continue its ongoing business operations as well as the continued acquisitions of additional aircraft, would not have been possible if the Company's true financial condition had been known to its creditors. As revealed on May 15, 2000, the Company was in default of its financial obligations, and the Company's lenders were forced to waive or amend their existing credit agreements due to UniCapital's inability to meet its financial obligations.


140. On January 19, 2000, January 26, 2000 and February 4, 2000, defendants issued press releases which stated:

*UniCapital originates, acquires, sells and services equipment leases and arranges structured financing in the big ticket, middle market, small ticket . . .* segments of the equipment leasing industry.

141. On February 4, 2000, UniCapital announced fourth quarter and year end financial results for fiscal 1999. The Company's announcement led investors to believe that UniCapital had recovered from its temporary third quarter setback, and had achieved greatly enhanced profitability and financial stability. The Company reported fourth quarter diluted earnings per share of $0.08, a 100% increase over the same period during the previous year, and 1999 lease origination volume of $1.77 billion - - a 41% improvement.
142. Defendants reported net income of $4.4 million, and total revenues for the three months ended December 31, 1999 of $368.4 million, compared to total revenues of $323.2 million in the same quarter of the previous year. The Company's lease portfolio increased by 249% to $2.8 billion as of December 31, 1999, from $803 million as of December 31, 1998.

In the February 4, 2000, press release defendant Robert New stated:

During the fourth quarter, the Big Ticket Division reported a 0.38% delinquency ratio on its "at-risk" portfolio. Our credit and asset-risk management system has enabled us to increase our on-balance-sheet lease portfolio while maintaining low delinquencies and charge-offs in line with the Company's budget.

143. UniCapital's financial results for the fourth quarter and year ended December 31, 1999 were repeated in an annual report on Form 10-K filed on March 30, 2000, signed by the defendants. In the 10-K, defendants disclosed that the Company had an $80,780,000 inventory of aircraft engines held for sale or lease and a $34,636,000 inventory of aircraft engines under operating leases. The 10-K stated:

During the quarters ended September 30, 1999 and December 31, 1999, we experienced a decline in our aircraft engine sales. The economic conditions in Asia and South America contribute significantly to current unfavorable market conditions for the sale of certain engine types. The unfavorable conditions for aircraft engines in the Asian markets are likely to persist, or worsen, due to the large number of aircraft currently on order by Asian airlines. The poor economic conditions are expected to continue for a significant period of time, and could have a negative impact on worldwide aircraft engine demand, as well as upon our business, results of operations and financial condition.
144. Although defendants knew that the deterioration of the Company’s aircraft engines had continued, unabated, through the March 30, 2000 filing, and that the deterioration was likely to persist or worsen, defendants continued to defer the recognition of impairment losses of no less than $37.5 million.

145. GAAP (APB Opinion No. 17, Intangible Assets) requires a continual monitoring of goodwill to ascertain whether an impairment has occurred. In addition, GAAP (FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of) states that:

An entity shall review long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

146. The following are examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed:

(a) A significant decrease in the market value of an asset.

(b) A significant change in the extent or manner in which an asset is used or a significant physical change in an asset.

(c) A significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator.

(d) An accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset.

(e) A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.
147. If the examples of events or changes in circumstances set forth [above] are present or if other events or changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the entity shall estimate the future cash flows expected to result from the use of the asset and its eventual disposition. Future cash flows are the future cash inflows expected to be generated by an asset less the future cash outflows expected to be necessary to obtain those inflows. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, the entity shall recognize an impairment loss in accordance with this Statement.

148. Defendants were aware of this GAAP as evidenced by the fact that the Company's:

(a) February 20, 1998 Form S-1/A and various other documents filed with the SEC stated: "In March of 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (Statement No. 121) effective for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations, including leased equipment, when indicators of impairment are present and either the undiscounted future cash flows estimated to be generated by those assets or the fair market value are less than the assets carrying amount. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted Statement No. 121 effective January 1, 1996. The adoption of Statement No. 121 did not have a material impact on the accompanying financial statements."

(b) 1998 Form 10-K and the Company's 1999 Form 10-K each stated: "...management continually evaluates goodwill for potential impairment that may result from events or changes in circumstances from time to time."
1999 Form 10-K stated: "In accordance with Statement of Financial Accounting Standards No. 121, ("SFAS 121") "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the recognition of an impairment loss for an asset held for use is required when the estimate of undiscounted future cash flows expected to be generated by the asset is less than its carrying amount. Measurement of an impairment loss is to be recognized based on the fair value of the asset. Fair value reflects the underlying economic value of the asset, in normal market conditions (where supply and demand are in reasonable equilibrium) and assumes adequate time for a sale and a willing buyer and seller. Short-term fluctuations in the market place are disregarded and it is assumed that there is no necessity either to dispose of a significant number of assets simultaneously or to dispose of assets quickly. The fair value of the assets is based on independent valuations of the assets and/or estimates of discounted future cash flows. SFAS 121 also requires that long-lived assets to be disposed of be reported at the lower of the carrying amount or fair value less estimated disposal costs."

149. On May 15, 2000, the Company also announced that:

*In accordance with the acceleration of the Company's strategy* to re-deploy capital to profitable business units in the Finance Division, *the Big Ticket Division reported no new lease originations during the quarter*, compared to $98.7 million in the same period last year. This resulted in a cumulative decrease in lease originations of 18% compared to the first quarter of 1999.

150. The fact that no new lease originations occurred during the quarter creates a strong inference that the Company's available-for-rent aircraft equipment was not Stage 3 compliant and that due to the lack of demand for its Stage 2 equipment the Company had effectively commenced the exit of its Big Ticket operations no later than during the fourth quarter of 1999.

151. In contravention of GAAP and SEC disclosure rules, defendants caused the 1999 Form 10-K to conceal the fact that (i) *no later than during the fourth quarter of 1999* defendants had effectively commenced (willingly or otherwise) cessation of the Company's Big
Ticket operations; and that (ii) the Big Ticket Division reported no new lease originations
between year end 1999 and the March 30, 2000 date of filing of the 1999 Form 10-K.

152. Due to the cessation of the Company's Big Ticket operations by no later than the
fourth quarter of 1999, goodwill in the sum of no less than $224.1 million which had been
associated with this segment had unquestionably become completely worthless at that time. In
contravention of GAAP and the Company's own stated accounting policies, defendants
fraudulently concealed the foregoing facts, failed to cause the Company to recognize $224.1
million in losses and also fraudulently caused the Company's 1999 Form 10-K to represent that:

The Company periodically reviews goodwill for impairment whenever events or
changes in circumstances indicate that it may not be recoverable. In such an event,
goodwill in excess of expected operating cash flow would be considered to be
impaired and would be written down to fair value, determined based on
discounted future cash flows. There was no impairment at December 31, 1999 or
1998.

153. Defendants not only concealed the worthlessness of more than $220 million of the
Company's intangibles and the fact that they had already begun to exit the Big Ticket segment of
the Company's business operations, they also caused the Company to issue press releases during
the first quarter of 2000, such as those detailed in ¶ 140, above, which stated that the Company's
Big Ticket segment was still conducting business.

154. The 1999 Form 10-K also included materially false and misleading statements
regarding the impact of the Tower Air bankruptcy on UniCapital. The 10-K stated:

On February 29, 2000 Tower Air filed a petition in bankruptcy under the United
States Bankruptcy Code. UniCapital Aircraft Engine Group had 16 engines
subject to sale and lease transactions with Tower Air. Of the 16 engines,
UniCapital Aircraft Engine Group has subsequently recovered six. The aggregate
value of the transactions between Tower Air and UniCapital Aircraft Engine
**Group was approximately $22 million.** If the value of the collateral which UniCapital is able to recoup, together with any other amounts received by UniCapital in the bankruptcy proceeding is less than $22 million, then UniCapital will have a loss to the extent of the deficiency.

155. The foregoing representation was materially false and misleading because:

(a) The aggregate value of the transactions between Tower Air and UniCapital Aircraft Engine Group was approximately $27.3 million and not $22 million as represented.

(b) The loss which the Company was exposed to was the difference between any recovery and $27.3 million; not the difference between any recovery and $22 million as represented.

156. As of the March 30, 2000 date of filing of the 1999 Form 10-K, defendants knew that only six of the sixteen engines which purportedly collateralized the Company's receivables had been recovered; that recovery of all of these engines was unlikely (as of May 15, 2000 only seven of the sixteen had been recovered); and that the engines which served as collateral were worth less than $1 million each (the March 31, 2000 Form 10-Q stated that the "market value of the 16 aircraft engines is approximately $15.6 million").

157. Given Tower's $27.3 million debt to the Company and the fact that only $6 million had been recovered between the February 29, 2000 date on which Tower filed for bankruptcy and the March 30, 2000 date of the filing of the 1999 Form 10-K, the Company had a probable loss exposure of $21.3 million.

158. Generally Accepted Accounting Principles ("GAAP") provides (FASB Statement No. 5, *Accounting for Contingencies*) that an estimated loss from a loss contingency... shall be accrued by a charge to income if both of the following conditions are met:
(a) Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or that a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.

(b) The amount of the loss can be reasonably estimated.

159. In violation of GAAP, the financial statements which were contained within the 1999 Form 10-K failed to reflect an accrual for the probable amount of the Company's loss due to non-collectibility of the Tower Air debt, which was known by defendants to be no less than approximately $12 million, via a charge to income.

160. On May 15, 2000, the Company announced an $11.7 million special charge related to the credit exposure to Tower Air. This charge was improperly deferred from year end 1999 in violation of the above particularized GAAP.

161. UniCapital common stock traded at $3.1 per share on February 4, 2000, after the fourth quarter and year-end results were disseminated to the marketplace. Had the truth been known, UniCapital stock would not have traded at such artificially inflated levels.

162. On April 27, 2000, defendants announced that they would be postponing their first quarter 2000 earnings announcement for fiscal year 2000. The Company stated that it would reveal its "revised" earnings as soon as practicable. In response, investors who were led to believe the Company's financial condition was only improving, sold UniCapital shares at record-low prices of $1.3 per share. However, the full extent and magnitude of the Company's financial condition were not yet known to investors.
163. On or about April 29, 2000, UniCapital disseminated its Annual Report to Shareholders for fiscal year 1999. In a section entitled "1999 Highlights", the Report stated:
Shielding unprofitable activities while expanding UniCapital’s presence in more profitable markets was accomplished by:

- fortifying European airline relationships and de-emphasizing economically troubled South and Central American markets
- reducing the Air Group’s portfolio of Stage II aircraft
- acquiring mini-fleets to achieve critical mass and enhance marketing opportunities

164. The statement that UniCapital needed to reduce its portfolio of Stage 2 aircraft was discussed, for the first time, in the April 29, 2000 report, despite the fact that, as detailed above in ¶¶ 81-87, at the time of the Offering, a significant number of the Company’s aircraft were not Stage 3 compliant and would require significant expenditures in order to meet ANCA requirements. Indeed, the full extent and magnitude of the costs inherent in the compliance process were not revealed until May 15, 2000, when the Company implicitly revealed that due to the prohibitive costs, the Company could not generate profitability in the Big Ticket Division and would be forced to exit that division.

THE TRUTH IS REVEALED

165. On May 15, 2000, defendants shocked the market by announcing first quarter 2000 financial results which were dramatically different than investors had been led to believe. UniCapital reported a pre-tax loss from operations of $8.5 million during the first quarter, or a diluted pre-tax operating loss per share of $0.16. In addition, the Company reported that a $4.6 million increase in its allowance for lease losses contributed to the pre-tax operating loss before
special charges for the quarter. The Company also disclosed that it was in default of its financial covenants with its lenders, and had to negotiate waivers and modifications that would expire between June 15 and June 22.

166. The Company also announced that it had incurred a pre-tax loss of $298.3 million in the first quarter, that included the following special charges: (a) a write-off of $239.1 million of impaired goodwill, principally due to the Company's decision to exit the Big Ticket Division; (b) a $33.5 million write-down of the book value of aircraft engine inventory due to the decline in the current market value of certain engine assets; (c) a special charge of $11.7 million incurred by UniCapital from its exposure to Tower Air, which declared bankruptcy; (d) a $4.0 million write-down of the book value of the Company's aircraft portfolio due to adverse market conditions; and (e) restructuring costs of $1.9 million associated with the closing of non-core businesses and staff reductions.

167. On May 15, 2000, defendants also belatedly announced a $37.5 million write-down to the Company's inventory of aircraft engines stating:

*Beginning in the second half of 1999 and continuing into the first quarter of 2000, there has been a continued decline in the market value of JT9D-7A type engines, which compose a significant portion of our existing engine inventory, due to the limited demand for these aircraft engines worldwide and the significant increase in the number of these aircraft engines currently available in the marketplace...The Company expects the current unfavorable market conditions for the sale of certain aircraft engines to continue for the foreseeable future. As a result of these factors, the Company has recorded an impairment charge on these and other types of aircraft engines of $33.5 million, representing the difference between the values at which such aircraft engines were carried on the Company's books and the Company's estimate of their actual fair value as of March 31, 2000...During the three months ended March 31, 2000, the Company also recorded a $4.0 million impairment charge related to five aircraft representing the difference between the values at which such aircraft...*
were carried on the Company’s books and the Company’s estimate of their actual fair market value as of March 31, 2000... In addition, there has been a recent decline in the market for the 747F-300 type aircraft. We own one 747-300 aircraft currently configured for combined passenger/freighter use...we may be unable to recover the full carrying costs of this aircraft if it is sold under current market conditions for this type of aircraft.

168. The JT9D-7A type engines which constituted "a significant portion" of the Company's engine inventory were Stage 2 engines. The "significant increase in the number of these aircraft engines currently available in the marketplace" was due to the fact that they were non-useable subsequent to December 31, 1999 as stated above. The 747-300 aircraft was also a Stage 2 aircraft. Accordingly, the "current market conditions for this type of aircraft" were not likely to change and the full carrying costs of this asset was not recoverable. In contravention of GAAP, defendants caused the Company to fail to recognize the impairment of this asset.

169. The Company's SEC filings define the Company's inventory of equipment held for sale or lease as "equipment purchased for lease and equipment off-lease." During the Class Period, the Company's inventory of this equipment mushroomed because it was, in significant part, not Stage 3 compliant and, as leases reached their expiration, the equipment was returned to inventory because there was no further demand. In this regard, the Company's SEC filings disclose:

($ In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Equipment Held For Sale Or Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1998</td>
<td>20,930</td>
</tr>
<tr>
<td>September 30, 1998</td>
<td>64,248</td>
</tr>
<tr>
<td>December 31, 1998</td>
<td>79,897</td>
</tr>
<tr>
<td>March 31, 1999</td>
<td>195,978</td>
</tr>
<tr>
<td>June 30, 1999</td>
<td>190,540</td>
</tr>
<tr>
<td>September 30, 1999</td>
<td>223,412</td>
</tr>
<tr>
<td>December 31, 1999</td>
<td>264,714</td>
</tr>
</tbody>
</table>
170. Significantly, the components of the Company's inventory of equipment held for sale or lease as of December 31, 1998 and as of December 31, 1999 reflect the return of tens of millions of dollars of Stage 2 aircraft and aircraft engines to the Company's inventory of idle (non-rentable and non-revenue-producing) equipment as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Held For Sale Or Lease As Of December 31.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft</td>
<td>14,556</td>
<td>101,034</td>
</tr>
<tr>
<td>Aircraft engines</td>
<td>26,310</td>
<td>80,780</td>
</tr>
<tr>
<td>Technology</td>
<td>32,637</td>
<td>76,839</td>
</tr>
<tr>
<td>Other</td>
<td>6,614</td>
<td>6,235</td>
</tr>
<tr>
<td></td>
<td>80,117</td>
<td>264,888</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(220)</td>
<td>(174)</td>
</tr>
<tr>
<td></td>
<td>79,897</td>
<td>264,714</td>
</tr>
</tbody>
</table>


172. In response to the Company's news revealing the true financial condition of UniCapital, shares fell 28% to $1 per share. According to a May 31, 2000 Broward Daily Business Review article, the lack of demand for UniCapital’s aircraft and aircraft engine inventory could lead to future significant additional losses for the Company as it tries to sell its remaining inventory. A July 27, 2000 press release revealed that UniCapital sold 18 aircraft to an affiliate of Lehman Brothers in an effort to accelerate the Company’s planned exit from the Big Ticket Division. In the Company’s quarterly report filed on August 14, 2000, the Company disclosed:
During June 2000, the Company reached a decision to discontinue the operations of its Big Ticket Division, and formulated a plan of disposal for that division’s remaining assets, which divestiture is expected to be completed within the next twelve months. In connection with this plan, the Company wrote down the remaining aircraft and aircraft engines to their estimated net realizable values assuming disposition on an expedited basis. The write-down amounted to a pre-tax charge of $115.2 million.

**UNDISCLOSED ADVERSE INFORMATION**

173. The market for UniCapital common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, UniCapital common stock traded at artificially inflated prices during the Class Period. The artificial inflation continued until the time UniCapital admitted that it was experiencing declining sales and these admissions were communicated to, and/or digested by, the securities markets. Lead Plaintiffs and other members of the Class purchased or otherwise acquired UniCapital common stock relying upon the integrity of the market price of UniCapital common stock and market information relating to UniCapital, and have been damaged thereby.

174. During the Class Period, defendants materially misled the investing public, thereby inflating the price of UniCapital common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants’ statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations.
175. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about UniCapital's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of UniCapital and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

**STATUTORY SAFE HARBOR**

176. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Further, none of the statements pleaded herein which were forward-looking statements were identified as "forward-looking statements" when made. Nor was it stated that actual results "could differ materially from those projected." Nor were the forward-looking statements pleaded accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the statements made therein. Defendants are liable for the forward-looking statements pleaded because, at the time each of those forward-looking statements was made, the speaker knew the forward-looking statement
was false and the forward-looking statement was authorized and/or approved by an executive officer of UniCapital who knew that those statements were false when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

177. At all relevant times, the market for UniCapital common stock was an efficient market for the following reasons, among others:

   (a) UniCapital common stock met the requirements for listing, and was listed and actively traded, on the New York Stock Exchange, a highly efficient market;

   (b) As a regulated issuer, UniCapital filed periodic public reports with the SEC and the NASD;

   (c) UniCapital stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and

   (d) UniCapital regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

178. As a result, the market for UniCapital securities promptly digested current information with respect to UniCapital from all publicly-available sources and reflected such information in UniCapital’s stock price. Under these circumstances, all purchasers of UniCapital common stock during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.
COUNT I
For Violations of Section 11 of the Securities Act
[Against All Defendants]

179. Lead Plaintiffs repeat and reallege the allegations set forth in ¶¶ 1 through 178 above.

180. This claim is brought by Lead Plaintiffs pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the SubClass who purchased securities issued and sold in the May Offering which are traceable to the Prospectus against all defendants.

181. The Prospectus for the Offering was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed adequately to disclose material facts as described above.

182. The Company is the registrant for the Offering. The Underwriter Defendants were the underwriters of the UniCapital securities sold in the Offering as defined in § 11(a)(5) of the Securities Act. The defendants named herein were responsible for the contents and dissemination of the Prospectus and caused its filing with the SEC.

183. As issuer of the shares, UniCapital is strictly liable to Plaintiffs and the other members of the SubClass for the material misstatements in and omissions in the Prospectus.

184. As lead underwriters for the Offering, the Underwriter Defendants were obligated to make a reasonable and diligent investigation of the statements contained in the Prospectus at the time it became effective, to ensure that said statements contained in the Prospectus were not misleading and that there was no omission to state a material fact required to be stated in order to
make the statements contained therein not misleading. The Underwriter Defendants did not
make a reasonable and diligent investigation or possess reasonable grounds for the belief that the
statements contained in the Prospectus at the time it became effective were true and that there
was no omission to state a material fact required to be stated in order to make the statements
contained therein not misleading. As such, the Underwriter Defendants are liable to plaintiffs
and members of the Offering SubClass.

185. None of the defendants named herein made a reasonable investigation or
possessed reasonable grounds for the belief that the statements contained in the Prospectus and
the Prospectus were true, without omissions of any material facts and not misleading.

186. Defendants issued, caused to be issued and participated in the issuance of
materially false and misleading written statements to the investing public which were contained
in the Prospectus, which misrepresented or failed to disclose, inter alia, the adverse facts set
forth above. By reasons of the conduct herein alleged, each defendant violated, and/or controlled
a person who violated, Section 11 of the Securities Act.

187. Lead Plaintiffs and the other members of the Class acquired UniCapital shares on
or traceable to the IPO and issued pursuant to the Prospectus.

188. Lead Plaintiffs and other members of the Class have sustained damages. The
value of UniCapital shares has declined substantially subsequent to, and due to, defendants'
violations.

189. At the time they purchase UniCapital shares, Lead Plaintiffs and the other
members of the Class were without knowledge of the facts concerning the wrongful conduct
alleged herein and could not have reasonably discovered those facts prior to the end of the class period. Less than one year has elapsed from the time that Plaintiffs discovered or reasonably could have discovered the facts upon which this complaint is based to the time that Plaintiffs filed this Complaint. Less than three years have elapsed from the time that the securities upon which this claim is brought were bona fide offered to the public to the time Plaintiffs filed this Complaint.

**COUNT II**

**Against All Defendants**

**Violation of Section 12(a)(2) of the Securities Act**

190. Lead Plaintiffs incorporate each of the foregoing allegations set forth in ¶¶ 1-178 above, as if fully set forth herein, except to the extent that such allegations charge the defendants with intentional or reckless misconduct. For the purposes of this Count, Plaintiffs expressly do not allege that any defendant acted with scienter or fraudulent intent, which is not an element of a Section 12(2) claim.

191. This count is asserted against UniCapital, the Individual Defendants, as control persons, and against the Underwriter Defendants, for violation of Section 12(a)(2) of the Securities Act, 15 U.S.C. §771.

192. The defendants named in this Counts were sellers, offerors, and/or solicitors of sales of the UniCapital common stock for its financial benefit pursuant to the Prospectus.

193. The actions of solicitation taken by the defendants named in this Count included participation in the preparation and dissemination of the false and misleading Prospectus. The Prospectus contained materially false and misleading statements and omitted to state material
facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

194. The Lead Underwriters offered for sale and sold the shares purchased by plaintiffs and the members of the Offering SubClass and received substantial fees and other compensation in connection with the Offering. The Underwriter Defendants invested substantial time and effort in the Offering and were committed to purchase all of the Company's shares and accordingly bore a substantial risk of loss if the Offering was not consummated. The Underwriter Defendants had a clear financial interest in consummating the Offering.

195. Each defendant named in this Count solicited and/or was a substantial factor in the purchase by each member of the Offering SubClass of UniCapital securities. But for the participation by these defendants, including the solicitation as set forth herein, the Offering could not and would not have been accomplished. These defendants were motivated, at least in part, by a desire to serve their own financial interests. Said defendants did the following acts in furtherance of the sale of UniCapital securities:

(a) They actively and jointly drafted, revised, and approved the Prospectus and other written selling materials by which the Offering was made to the investing public. These written materials were "selling documents," calculated by these defendants to create interest in UniCapital securities and were widely distributed by defendants for that purpose;

(b) These defendants finalized the Prospectus and caused it to become effective. But for these defendants having drafted, filed, and/or signed the Prospectus, the Offering of UniCapital securities could not have been made; and
(c) These defendants conceived and planned the Offering and together jointly orchestrated all activities necessary to effect the sale of these securities to the investing public, including the Offering Subclass, by issuing the securities, promoting the securities, supervising their distribution and ultimate sale to the investing public.

196. The defendants were obligated to make a reasonable and diligent investigation of the written and oral statements made in the Prospectus and road show presentations, to insure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. These defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the Offering materials as set forth above.

197. Plaintiffs and other members of the Offering SubClass purchased or otherwise acquired UniCapital shares pursuant to the defective Prospectus. Plaintiffs did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Prospectus or made in connection with the road show presentations.

198. Plaintiffs assert the right of all members of the Offering SubClass to tender to defendants those securities which plaintiffs and other members of the Offering Subclass continue to own, on behalf of all members of the Offering Subclass who continue to own such securities, in return for the consideration paid for those securities together with interest thereon.

199. By reason of the conduct alleged herein, these defendants violated, and/or controlled a person who violated, § 12(a)(2) of the Securities Act. As a direct and proximate result of these violations of § 12(a)(2), plaintiffs and other members of the Offering Subclass
sustained substantial damage in connection with the purchase of UniCapital stock. On behalf of
themselves and all other members of the Offering Subclass who still hold their UniCapital
shares, plaintiffs seek rescissory damages. Accordingly, plaintiffs, on behalf of all members of
the Offering Subclass who continue to own such securities, seek to obtain a right to rescind and
recover the consideration paid for their UniCapital securities and to permit Offering SubClass
members to rescind and tender their UniCapital securities to the defendants sued herein.

200. Less than three years has elapsed from the time that the securities upon which this
Count is brought were sold to the public to the time of the filing of the actions consolidated
herein. Less than one year has elapsed from the time when plaintiffs discovered or reasonably
could have discovered the facts upon which this Count is based to the time of the filing of the
actions consolidated herein.

COUNT III

For Violations of Section 15 of the Securities Act
[Against All Defendants]

201. Plaintiffs repeat and reallege each and every allegation contained above in ¶ 1-200
above.

202. This claim is brought by Plaintiffs pursuant to Section 15 of the Securities Act
against the Individual Defendants.

203. Each of the Individual Defendants was a control person at UniCapital by virtue of
their positions as directors and/or senior officers of the Company. Each of the Individual
Defendants served on UniCapital's Board of Directors and each had a series of direct and/or
indirect business and/or personal relationships with other directors and/or major shareholders of UniCapital.

204. Each of the Individual Defendants was a culpable participant in the violations of Sections 11 and 12(a)(2) of the Securities Act alleged in claims 1 and 2 above, based on their having signed the Prospectus and having otherwise participated in the process which allowed the Offering to be successfully completed.

205. As a result of the foregoing, Plaintiffs and the other members of the Class suffered damages.

COUNT IV

For Violations Of Section 10(b) Of The 1934 Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

206. Lead Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein. This claim is asserted against all defendants.

207. During the Class Period, UniCapital and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of UniCapital common stock; and (iii) cause Plaintiffs and other members of the Class to purchase UniCapital stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants UniCapital and the Individual Defendants, and each of them, took the actions set forth herein.
208. These defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for UniCapital common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. These defendants are sued as primary participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling persons of UniCapital, as alleged below.

209. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

210. UniCapital and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects
of UniCapital as specified herein. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of UniCapital's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about UniCapital and its business, operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of UniCapital securities during the Class Period.

211. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of
information to the investing public which they knew or recklessly disregarded was materially false and misleading.

212. These defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing UniCapital's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its stock. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

213. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements, issued or disseminated by or in the name of the Company were materially false and misleading; knew or recklessly disregarded that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violators of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding UniCapital and its business practices, their control over and/or receipt of UniCapital's allegedly
materially misleading misstatements and/or their associations with the Company which made
them privy to confidential proprietary information concerning UniCapital were active and
culpable participants in the fraudulent scheme alleged herein. Defendants knew and/or recklessly
disregarded the falsity and misleading nature of the information which they caused to be
disseminated to the investing public. The ongoing fraudulent scheme described in this complaint
could not have been perpetrated over a substantial period of time, as has occurred, without the
knowledge and complicity of the personnel at the highest level of the Company, including the
Individual Defendants.

214. The Individual Defendants engaged in such a scheme to inflate the price of
UniCapital common stock in order to: (i) protect and enhance their executive positions and the
substantial compensation and prestige they obtained thereby; (ii) enhance the value of their
personal holdings of UniCapital common stock; and (iii) enable the Company to obtain
financing for numerous aircraft acquisitions as disclosed during the Class Period.

215. Defendants knew or recklessly disregarded that the goodwill associated with the
purchase of Cauff Lippman and the other entities which owned aircraft was grossly over-inflated,
and nonetheless failed to write-down the value of these assets. Defendants were aware, at all
times, of the value of the aircraft because, according to the Company’s Prospectus filed on
February 20, 1998:

The Company expects to fund the majority of the leases that it originates through
credit facilities. The Company anticipates that a significant portion of its future
leases will be sold to third parties or refinanced through a securitization program
or other structured finance products . . . The Company’s leases are collateralized
by the equipment leased as well as, in some cases, a personal guarantee provided
by a principal of the lessee.
Accordingly, the equipment, including aircraft, was both securitized and also in most cases, purchased by UniCapital through a credit facility - - both which required regular appraisals in order to assess the value of the aircraft to be used for collateral or for securitizations.

216. Defendants were also motivated to artificially inflate the price of UniCapital stock in order to fulfill the Company’s expressed goal of growth through acquisitions, using UniCapital common stock as currency. These included numerous acquisitions announced on July 23, 1998 such as the acquisition of HLC Financial Inc., and Saddleback Financial Corporation,, and the Jumbo Jet Inc. purchase.

217. It was necessary to conceal the full extent and magnitude of defendants’ accounting violations in order to complete a securitizations on September 9, 1999 involving the issuance of $365.8 million of Equipment Contract backed notes, as disclosed in the Company’s annual report on Form 10-K for fiscal year 1999, as well as a second securitization in March, 2000. Due to the Company’s declining revenues and profitability, the securitizations were essential due to the Company’s inability to secure financing elsewhere.

218. In addition, defendant Cauff sold two of his companies, Cauff Lippman Aviation and Jumbo Jet Inc., to the investing public at grossly inflated prices which did not reflect the true value of the aging Stage 2 fleet of aircraft, using UniCapital as a conduit. Defendant Cauff was motivated to conceal the truth about the lack of ANCA compliance and resulting artificial inflation of goodwill associated with the Big Ticket Division in order to reap the benefit of earnout provisions, detailed above, which provided Cauff a direct financial incentive to commit the fraud described herein by deferring the recognition of charges (write-offs) to earnings.
219. In addition to the cash and stock Cauff received for Cauff Lippman, which as
detailed above constituted grossly inflated consideration for the company, UniCapital also paid
off personal loans which defendant Cauff and Lippman received from Cauff Lippman Aviation.
For example, UniCapital's Proxy Statement filed on April 9, 1999, revealed that:

> From time to time prior to the acquisition of Cauff Lippman by UniCapital,
> the stockholders of Cauff Lippman advanced funds to Cauff Lippman. Upon
> consummation of the acquisition of Cauff Lippman by UniCapital, all amounts
> due from Cauff Lippman to the stockholders were repaid, other than certain
> promissory notes in the aggregate principal amount of $3.5 million held by
> Messrs. Cauff and Lippman and certain of their respective affiliates, which
> were assumed by the Company.

220. As a result of the dissemination of the materially false and misleading information
and failure to disclose material facts, as set forth above, the market price of UniCapital's common
stock was artificially inflated during the Class Period. In ignorance of the fact that the market
price of UniCapital's shares was artificially inflated, and relying directly or indirectly on the false
and misleading statements made by defendants, or upon the integrity of the market in which the
securities trade, and/or on the absence of material adverse information that was known to or
recklessly disregarded by defendants but not disclosed in public statements by defendants during
the Class Period, Plaintiffs and the other members of the Class acquired UniCapital common
stock during the Class Period at artificially inflated high prices and were damaged thereby.

221. At the time of said misrepresentations and omissions, Plaintiffs and other
members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs
and the other members of the Class and the marketplace known of the true performance, business
practices, future prospects and intrinsic value of UniCapital, which were not disclosed by
defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their UniCapital securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

222. By virtue of the foregoing, UniCapital and the Individual Defendants each violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

223. As a direct and proximate result of defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**COUNT V**

*For Violations Of Section 20(a) Of The 1934 Act Against Individual Defendants*

224. Lead Plaintiffs repeat and re-allege the allegations set forth above as if set forth fully herein. This claim is asserted against the Individual Defendants.

225. The Individual Defendants were and acted as controlling persons of UniCapital within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contends are false and misleading. Each of the Individual
Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

226. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

227. As set forth above, UniCapital and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs, on their own behalf and on behalf of the Class, prays for judgment as follows:

(i) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
(ii) Awarding Lead Plaintiffs and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;

(iii) Awarding Lead Plaintiffs and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

(iv) Such other relief as this Court deems appropriate.
JURY DEMAND

Lead Plaintiffs demand a trial by jury.

DATED: November 13, 2000

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I HEREBY CERTIFY that a true and correct copy of the foregoing has been sent by U.S. Mail on November 13, 2000 to:

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