


ORIGINAL

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

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CLARENCE HADDOX  
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SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

RAJIV VOHRA, SEAN HEALEY,  
LANTERN INVESTMENTS, LTD.,  
LIPTON HOLDINGS, LTD.,  
AND BEAUFORT HOLDINGS, LTD.,

Defendants.

CASE NO.

00-7286

**CIV. SEITZ**

SENIATE JUDGE  
CAMBER

COMPLAINT

It appears to Plaintiff, Securities and Exchange Commission ("Commission"), and it alleges the following:

OVERVIEW OF DEFENDANTS' SCHEME

1. This case involves the perpetration of schemes by Defendants Rajiv Vohra ("Vohra") and Sean Healey ("Healey") in 1997 and 1998 to defraud investors in connection with New Directions Manufacturing, Inc. ("New Directions") stock.
2. Vohra and Healey acquired free-trading shares of New Directions during 1997 and 1998 via both market transactions and private purchases.
3. From March through July of 1998, Vohra and Healey used wash transactions, i.e., transactions involving no change in beneficial ownership (the "wash trades"), to create the appearance of active trading in New Directions stock.

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4. Vohra and Healey paid people to create a research report on New Directions that was false and misleading. Vohra and Healey then published that report to the investing public by various mediums, including the Internet.

5. While Vohra and Healey were promoting New Directions Stock to investors, they were simultaneously selling their shares at a profit of over \$500,000.

6. Vohra and Healey attempted to conceal their fraudulent scheme by conducting their activities through Canadian brokerage accounts held in the names of Lantern Investments, Ltd. ("Lantern"), Lipton Holdings, Ltd. ("Lipton"), and Beaufort Holdings, Ltd. ("Beaufort"). Lantern, Lipton, and Beaufort are Bahamian companies controlled by Vohra and Healey.

7. By knowingly or recklessly engaging in this conduct, Vohra and Healey directly or indirectly violated and, unless restrained, will violate the antifraud provisions of the federal securities laws, specifically Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5] promulgated thereunder.

#### **JURISDICTION AND VENUE**

8. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. 77t(b) and 77t(d)], and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. 78u(d), 78u(e) and 78aa], to enjoin the Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for disgorgement of illegally obtained funds and prejudgment interest, for civil money penalties, and other equitable relief.

9. The Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and

instrumentalities of interstate commerce in connection with the transactions, acts, practices and courses of business alleged in this complaint.

10. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and the Exchange Act have occurred in the Southern District of Florida. Defendant Vohra resides in the Southern District of Florida.

### **DEFENDANTS**

11. Rajiv Vohra, age 47, resides in Fort Lauderdale, FL. He is a Canadian citizen, and represents himself to be an investment banker.

12. Sean Healey, age 43, resides in Foxboro, MA. He represents himself to be an investment banker and conducts business through his company, USA Capital, Inc.

13. Lantern Investments, Ltd., Lipton Holdings, Ltd., and Beaufort Holdings, Ltd. are Bahamian companies (the "Bahamian entities").

### **THE FRAUDULENT SCHEME**

#### **Vohra and Healey Acquire Shares of New Directions**

14. In 1997 and 1998, Vohra and Healey acquired control of at least 285,000 shares of New Directions stock through private transactions and purchased additional shares through the market. New Directions stock was publicly traded in the over-the-counter market.

**Vohra and Healey Create the Illusion of Active Trading In New Directions Using Wash Trades**

15. Vohra and Healey attempted to create the false or misleading appearance of active trading in New Directions stock through wash trades. These trades were carried out both through accounts in Vohra's name and accounts in the name of the Bahamian entities controlled by Vohra and Healey. Vohra's accounts were located at Yorkton Securities Inc., Equitrade Securities, and Merit Investment Corp. (now known as Rampart Securities, Inc.). The Bahamian entities' accounts were located at Yorkton Securities Inc., Merit Investment Corp., and Dominick & Dominick, Inc.

16. During the period from March 3, 1998 to July 31, 1998, Vohra and Healey executed at least twenty-six wash transactions of New Directions stock, with the intention of artificially raising or maintaining the price of the stock and creating the appearance of active trading. The quantities of shares involved in these wash transactions ranged from 5000 shares to 35,000 shares, while the average trading volume during this time period grew from 30,000 to 50,000 shares per day. These wash trades often constituted over 70% of the daily trading volume in New Directions stock. Vohra and Healey purchased a total of 480,000 shares for \$1,527,625 in transactions executed at or near the time they were selling identical or nearly identical quantities that totaled 458,500 shares for \$1,411,588.

17. These wash trades were entered for the purchase (or sale) of blocks of New Directions stock, with the knowledge that orders of substantially the same size, at substantially the same time, and at substantially the same price were being entered for the sale (or purchase) of the securities. The transactions resulted in no change in beneficial ownership of the securities. The wash trades artificially maintained the stock price while Vohra, Healey, and the Bahamian entities were selling their shares.

**Vohra and Healey Promote New Directions Stock  
To Investors While Simultaneously Selling the Stock**

18. In April of 1998, Vohra and Healey caused the name Eskew & Associates Financial (“Eskew & Associates”) to be placed on a research report that promoted New Directions.

19. The research report, as published, falsely stated that Eskew & Associates had issued a strong buy recommendation on New Directions stock. In fact, Vohra and Healey knew, or were reckless in not knowing, Eskew & Associates had not issued the strong buy recommendation.

20. The research report falsely claimed that New Directions had significantly expanded through operations during the previous year. In fact, Vohra and Healey knew, or were reckless in not knowing, that New Directions had not expanded through operations during the previous year, but had in fact reported negative cash flow from operations.

21. In May 1998, Vohra and Healey published the research report on a web site called SuperStockPick.

22. Vohra and Healey also published the research report by faxing it to broker-dealers.

23. The SuperStockPick web site falsely claimed that Eskew & Associates was an independent equities research organization. In fact, Vohra and Healey knew, or were reckless in not knowing, that Eskew & Associates was not an equities research organization, nor was it independent.

24. In July of 1998, Vohra and Healey republished the research report on their own web site called Discount Trader. The Discount Trader web site also falsely claimed that Eskew & Associates was an independent equities research organization.

25. During 1997 and 1998, Vohra and Healey paid approximately \$2.2 million for New Directions stock and sold that stock for \$2.7 million of New Directions stock at a time when the price was artificially maintained by their fraudulent conduct, thus profiting approximately \$500,000 from their fraudulent scheme.

**COUNT I**  
**FRAUD**

**Violations of Section 17(a)(1) of the**  
**Securities Act [15 U.S.C. 77q(a)(1)]**

26. Paragraphs 1 through 25 are hereby realleged and are incorporated herein by reference.

27. During 1997 and 1998, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort, individually and in concert, in the offer and sale of securities, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

28. The Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

29. By reason of the foregoing, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort violated, and, unless restrained and enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. 77q(a)(1)].

**COUNT II**  
**FRAUD**

**Violations of Sections 17(a)(2) and  
17(a)(3) of the Securities Act  
[15 U.S.C. 77q(a)(2) and 77q(a)(3)]**

30. Paragraphs 1 through 25 are hereby realleged and are incorporated herein by reference.

31. During 1997 and 1998, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort, in the offer and sale of securities, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- (a) obtained money and property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- (b) engaged in transactions, practices and courses of business which operated and would operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

32. By reason of the foregoing, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort violated, and, unless restrained and enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. 77q(a)(2) and (3)].

**COUNT III**  
**FRAUD**

**Violations of Section 10(b) of the  
Securities Exchange Act  
[15 U.S.C. 78j(b)] and Rule 10b-5  
Thereunder [17 C.F.R. 240.10b-5]**

33. Paragraphs 1 through 25 are hereby realleged and are incorporated herein by reference.

34. During 1997 and 1998, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort, in connection with the purchase and sale of securities, by the use of means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- (a) employed devices, schemes, and artifices to defraud;
- (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- (c) engaged in acts, practices, and courses of business which operated as a fraud and deceit upon persons, all as more particularly described above.

35. Said Defendants knowingly, intentionally and/or recklessly engaged in the above-described conduct.

36. By reason of the foregoing, Defendants Vohra, Healey, Lantern, Lipton, and Beaufort have violated, and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].



**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff Securities and Exchange Commission respectfully prays for:

**I.**

Findings of fact and conclusions of law that the Defendants committed the acts and violations alleged in this Complaint.

**II.**

A permanent injunction, restraining and enjoining Defendants Vohra, Healey, Lantern, Lipton, and Beaufort, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, and each of them, whether as principals or as aiders and abettors, from violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. 78j(b)], and Rule 10b-5 [17 C.F.R. 240.10b-5] promulgated thereunder.

**III.**

An order requiring accountings by Defendants Vohra, Healey, Lantern, Lipton, and Beaufort of the use of proceeds from the sales of the securities described in this Complaint, and an order requiring the disgorgement by Defendants Vohra, Healey, Lantern, Lipton, and Beaufort of all ill-gotten gains that result in any unjust enrichment, with prejudgment interest, to effect the remedial purposes of the federal securities laws.

**IV.**

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)] imposing civil penalties against Defendants Vohra, Healey, Lantern, Lipton, and Beaufort.

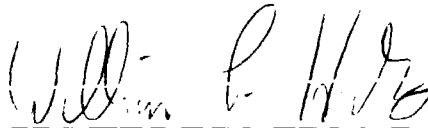
V.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors. Further, the Securities and Exchange Commission respectfully prays that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that are entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

DATED: August 31, 2000

RESPECTFULLY SUBMITTED,

By:



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00-7286

JS 44 (Rev. 12/96)

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law...

I. (a) PLAINTIFFS

Securities and Exchange Commission

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES)

A: Broward 0:00-cv-07286-PAS/BLG

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER) William P. Hicks Securities and Exchange Commission 3475 Lenox Road, N.E., Suite 1000 Atlanta, GA 30326, Tel. 404-842-7675

DEFENDANTS

Rajiv Vohra, Sean Healey, Lantern Investments, Ltd., Lipton Holdings, Ltd., and Beaufort Holdings, Ltd.

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

ATTORNEYS (IF KNOWN) Steven W. Hansen Bingham Dana, LLP 150 Federal Street Boston, MA 02110

(d) CIRCLE COUNTY WHERE ACTION AROSE: DADE, MONROE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE HIGHLANDS

II. BASIS OF JURISDICTION

- 1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES

- Citizen of This State
Citizen of Another State
Citizen or Subject of a Foreign Country
Incorporated or Principal Place of Business in This State
Incorporated and Principal Place of Business in Another State
Foreign Nation

IV. ORIGIN

- Original Proceeding
Removed from State Court
Remanded from Appellate Court
Reinstated or Reopened
Transferred from another district (specify)
Multidistrict Litigation
Appeal to District Judge from Magistrate Judgment

V. NATURE OF SUIT

Table with 5 main columns: A CONTRACT, A TORTS, FORFEITURE/PENALTY, A LABOR, A BANKRUPTCY, A OTHER STATUTES. Includes sub-sections like PERSONAL INJURY, REAL PROPERTY, CIVIL RIGHTS, PRISONER PETITIONS, LABOR, SOCIAL SECURITY, FEDERAL TAX SUITS.

VI. CAUSE OF ACTION

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY) Action by the SEC pursuant to Sections 20(b) & (d) of the Securities Act of 1933...

VII. REQUESTED IN COMPLAINT:

Accounting, permanent injunction, disgorgement, prejudgment interest, civil penalties.

SIGNATURE OF ATTORNEY OF RECORD: William P. Hicks, dated 9/3/00

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