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**NANCY MAYER WHITTINGTON, CLERK
U.S. DISTRICT COURT**

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**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

**SECURITIES AND EXCHANGE COMMISSION,
450 Fifth Street, NW
Washington, DC 20549**

Plaintiff,

v.

**DISCOVER CAPITAL HOLDINGS CORP.,
INDIANAPOLIS SECURITIES, INC.,
ELI DINOV,
ARI DINOV,
DAVID RUBINOV (A/K/A DAVID RUBIN), and
STRONGHOLD ASSOCIATES, INC.**

Defendants.

Jury Trial Demanded
CASE NUMBER 1:03CV01496
JUDGE: Rosemary M. Collyer
DECK TYPE: TRO/Preliminary Injunction
DATE STAMP: 07/09/2003

**JURY
ACTION**

COMPLAINT

1. Plaintiff Securities and Exchange Commission ("SEC"), for its complaint against Defendants Discover Capital Holdings Corp. ("Discover Capital"), Indianapolis Securities, Inc., ("Indianapolis Securities"), Eli Dinov, Ari Dinov, David Rubinov (a/k/a David Rubin)

("Rubinov"), and Stronghold Associates, Inc. ("Stronghold Associates"), (collectively, the "Defendants"), alleges as follows:

SUMMARY

2. This matter concerns an ongoing scheme to violate the registration and antifraud provisions of the federal securities laws. Defendants David Rubinov, a securities law recidivist, Eli Dinov and Ari Dinov have orchestrated a multi-faceted scheme involving coordination of the fraudulent sale of the publicly-traded common stock of Defendant Discover Capital and a fraudulent, unregistered \$20 million private placement offering (the "offering") of Discover Capital's preferred shares and common stock purchase warrants. To date, the offering has raised at least \$1.1 million from at least nineteen individuals, primarily unsophisticated investors, by means of aggressive sales calls, in-home sales visits, and the distribution of a private placement memorandum ("PPM"). Rubinov and the Dinovs are conducting the scheme through Defendant Indianapolis Securities, a registered broker-dealer and wholly owned subsidiary of Discover Capital.

JURISDICTION AND VENUE

3. The SEC brings this action pursuant to authority conferred by Section 20(b) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77t(a), and Section 21(d) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78u(d), seeking to temporarily restrain, preliminarily enjoin, and permanently enjoin Defendants from engaging in the wrongful conduct alleged in this complaint. The SEC seeks a final judgment ordering Defendants to pay civil money penalties and other relief pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

4. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Sections 21(d), 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 77u(e) and 78aa. Defendants directly or indirectly, singly or in concert, have made use of the means or instrumentalities of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

5. Venue lies in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within the District of Columbia.

DEFENDANTS

6. Discover Capital Holdings Corp. ("Discover Capital"), a purported financial services holding company, is a Delaware corporation with its principal place of business in Uniondale, New York. Discover Capital's primary asset is its 100% ownership interest in Indianapolis Securities, Inc., an NASD registered broker-dealer. Discover Capital's common shares are quoted in the Pink Sheets, a price quotation system primarily used for the trading of the securities of small corporations that do not meet the minimum listing requirements of a national securities exchange. Eli Dinov is Discover Capital's sole reported director and officer.

7. Indianapolis Securities, Inc. ("Indianapolis Securities") is a registered introducing broker-dealer incorporated under the laws of Indiana. Its principal place of business is in New York City. On March 6, 2002, Discover Capital purchased Indianapolis Securities for \$200,000. Indianapolis Securities is now acting as the placement agent for a \$20,000,000 private offering of the stock of its parent, Discover Capital.

8. Eli Dinov, age 33, is the president, secretary, treasurer, majority shareholder, and only reported director of Discover Capital Holdings Corp. Since 1995 he has been employed as a registered representative by ten small, New York City and Long Island, New York brokerage firms. In October 2000, Dinov was censured, fined \$5,000, and suspended from association with any NASD member firm for 10 business days in connection with an NASD proceeding charging him with failing to pay for securities he purchased for his personal account while he was a registered representative.

9. Ari Dinov, age 28, the brother of Eli Dinov, is a registered general securities principal and the secretary and treasurer of Indianapolis Securities. Since 1995 he has been employed as a registered representative by eleven small brokerage firms throughout southern California and the New York City metropolitan area.

10. David Rubinov (a/k/a David Rubin), age 27, is the president, CEO, and the sole employee of Stronghold Associates, Inc., a Long Island-based entity that Rubinov claims is engaged in the business of management consulting. In 2002, Rubinov consented to the entry of an SEC antifraud injunction and follow-on administrative order barring him from association with any broker-dealer. These actions stemmed from allegations by the SEC that Rubinov violated the antifraud provisions of the federal securities laws by engaging in fraudulent sales practices including churning and unauthorized and unsuitable trading in microcap securities. SEC v. Barzilay, et al., Civil Action No. 99-C-5023 (N.D. Ill. Filed August 2, 1999); In the Matter of David Rubinov, Admin. Proc File No. 3-10821 (July 2, 2002).

11. Stronghold Associates, Inc. ("Stronghold Associates") is a New York corporation controlled by Rubinov and purportedly engaged in the business of management consulting.

Stronghold Associates shares a Uniondale, New York office with Discover Capital and is currently providing the company with consulting services.

Background

12. In the fall of 2001, Discover Capital became a publicly traded company when it entered into a reverse merger with Sunlite Technologies Corp., a publicly traded shell company that had previously owned and operated a suburban New York bakery and marketed a proprietary rechargeable solar battery. Thereafter, on March 6, 2002, Discover Capital paid \$200,000 for a one hundred percent ownership interest in Indianapolis Securities, an NASD registered broker-dealer located in Indianapolis, Indiana and Boynton Beach, Florida. Prior to the reverse merger, Rubinov advised Discover Capital and Eli Dinov on ways in which Discover Capital could become a publicly traded company, among other things. Additionally, Rubinov, acting through Stronghold Associates, has advised Discover Capital and Eli Dinov on, among other things, ways in which Discover Capital could raise capital in the future. At present Rubinov shares office space with and provides management consulting services to Discover Capital.

Unlawful Unregistered Offering of Discover Capital's Preferred Shares and Common Stock Purchase Warrants

13. On September 10, 2002, Discover Capital commenced an unregistered offering of securities. Rather than filing a registration statement with the SEC to cover the offering, Discover Capital filed a Form D exemption notification signed by Eli Dinov. The exemption notification claimed that Discover Capital would be offering to "accredited investors" 5,000,000 units, each consisting of a preferred share and a common stock purchase warrant exercisable in six months. The exemption notification stated that the aggregate offering price was \$20,000,000. The Form D exemption notification reported that the offering would rely on the registration

exemption set forth in Rule 506 of Regulation D of the Securities Act [17 C.F.R. 230.506], and would be made only to "accredited investors" as that term is defined in Rule 501 of Regulation D [17 C.F.R. 230.501]. The Form D exemption notification also identified Indianapolis Securities as the sole entity that would be compensated for its efforts in connection with the solicitation and sale of Discover Capital private placement securities.

14. On or about October 2, 2002, Eli and Ari Dinov, acting directly and through employees of Indianapolis Securities, commenced distribution of a 143-page private placement memorandum ("PPM") describing Discover Capital and the private placement securities offering. On or about the same date, Eli and Ari Dinov, acting directly and through employees of Indianapolis Securities, commenced oral solicitation efforts to sell the Discover Capital private placement securities. Thus far, their sales pitches have been delivered over the telephone, in face-to-face sales visits, and at an investment rally arranged by Indianapolis Securities employees during which Ari Dinov made a presentation.

15. To date, Eli and Ari Dinov, acting directly and through employees of Indianapolis Securities, have solicited at least 117 individuals to participate in the private placement offering and at least 19 individuals have invested a total of at least \$1.1 million in this private placement offering.

16. At the time they were solicited, many of the individuals who purchased the Discover Capital private placement securities had been customers of Indianapolis Securities for a few weeks.

17. Moreover, at least ten of the nineteen investors who purchased units in the offering were not accredited investors as that term is defined in Rule 501 of Regulation D [17 C.F.R. 230.501]. That being the case, under Rule 502 of regulation D [17 C.F.R. 230.502], the

Defendants had an obligation to supply these unaccredited investors with, at minimum, a copy of “the issuer’s balance sheet, which shall be dated within 120 days of the start of the offering” and which “must be audited.” The Defendants did not supply the required information to these unaccredited investors.

18. Independent of the requirement that all unaccredited investors be provided a copy of the issuer’s audited balance sheet, it is also a requirement of all offerings seeking exemption under Rule 506 that all unaccredited investors have sufficient knowledge and experience of financial and business matters to be capable of evaluating the merits and risks of the prospective investment. The Defendants failed to adhere to this requirement as well. At least several of the individuals who purchased Discover Capital private placement securities have limited experience investing in marketable securities and had never invested in private placement offerings. One of those individuals expressly indicated on the suitability questionnaire he returned to Indianapolis Securities that he had never before invested in unmarketable securities, seldom invested in marketable securities, and did not understand the risks of the investment. Nevertheless, the Defendants accepted his investment check.

**Fraudulent Offer and Sale of Discover Capital’s
Preferred Shares and Common Stock Purchase Warrants**

19. Since the commencement of the Discover Capital private placement offering in the fall of 2002, Eli and Ari Dinov, acting directly and through employees of Indianapolis Securities, have been engaged in a multi-faceted campaign to fraudulently market and sell Discover Capital private placement securities to Indianapolis Securities’ unwitting customer base, a customer base comprised of accounts recently acquired by the Defendants from defunct brokerage firms.

20. Eli and Ari Dinov knew that Discover Capital was little more than a financially unstable shell company whose primary asset, Indianapolis Securities, was an introducing broker

engaged in the fraudulent offer and sale of Discover Capital securities. Nevertheless, they, and Indianapolis Securities employees acting at their direction, conducted an extensive sales and marketing campaign replete with false statements and egregious omissions that was designed to portray Discover Capital as an undervalued, up and coming, financial services conglomerate.

21. Specifically, Eli and Ari Dinov, acting directly and through employees of Indianapolis Securities, without any basis, falsely told prospective investors:

- a. that Discover Capital and Indianapolis Securities would have full service, online trading facilities and that Indianapolis Securities had applied to the NASD to act as an online broker;
- b. that the offering provided a ground floor opportunity to purchase an interest in the next big financial services company;
- c. that the private placement offering provided a means by which individuals could obtain Discover Capital stock at a significant discount in relation to the \$4.00 to \$5.00 price at which Discover Capital shares were quoted and trading in the Pink Sheets;
- d. that Discover Capital stock would be worth \$8.00 - \$30.00 per share within months to a year; and
- e. that Discover Capital had a plan in place to attract well-known individuals to serve in senior management positions with the company.

22. During these same promotional efforts, Eli and Ari Dinov and various Indianapolis Securities representatives acting at their direction, concealed certain important information from prospective investors. Specifically absent from the solicitations was any mention of the following:

- a. that in 2000 Eli Dinov, Discover Capital's President, CEO and sole officer, had been disciplined by the NASD;
- b. that Discover Capital had received and continues to receive significant consulting services from Stronghold Associates whose sole employee, David Rubinov, was enjoined from violating the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and barred by the SEC from association with any broker or dealer; and
- c. that the \$4.00 to \$5.00 per share Pink Sheet's publicly quoted price of Discover Capital common stock, which Ari Dinov often highlighted for prospective private placement investors, was largely attributable to surreptitiously orchestrated open-market sales of shares controlled by Rubinov to unwitting Indianapolis Securities retail customers by Indianapolis Securities employees as described below.

Fraudulent Sales of Discover Capital Common Stock

23. Concurrent with the unregistered and fraudulent offering of the Discover Capital private placement securities, Rubinov, Eli Dinov, and Ari Dinov engaged in a related scheme to fraudulently inflate the publicly traded market for Discover Capital common stock and, in the process, enrich Rubinov by surreptitiously selling thousands of Discover Capital shares, secretly controlled by Rubinov through accounts registered to Stronghold Associates, to unwitting Indianapolis Securities customers at inflated prices.

24. The Defendants succeeded in inflating the publicly traded market for Discover Capital common stock by making high-pressure sales calls to new Indianapolis Securities customers. During the calls the Defendants, and others acting at their direction, portrayed

Discover Capital as an up-and-coming financial services conglomerate. In these sales calls, Indianapolis representatives, including Ari Dinov, without basis, falsely stated that:

- a. Discover Capital's shares would trade for \$12.00 per share within months or \$8.00 - \$10.00 per share within months to a year;
- b. within months, Discover Capital's shares would be listed on NASDAQ; and
- c. Discover Capital was merging with multiple million-dollar companies.

25. During the sales calls, Eli and Ari Dinov, and Indianapolis Securities employees acting at their direction, concealed significant facts. Specifically absent from the sales calls were any mention of the following:

- a. that Discover Capital is a financially unstable company with a negative cash flow, limited operating history, and significant accumulated deficit;
- b. that in 2000 Eli Dinov had been disciplined by the NASD;
- c. that Discover Capital receives significant consulting services from Stronghold Associates whose sole employee, David Rubinov, was enjoined from violating the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 and barred by the SEC from association with any broker or dealer;
- d. that the public market price and trading activity in Discover Capital's common shares was largely attributable to surreptitiously orchestrated open-market sales of shares controlled by Rubinov to unwitting Indianapolis Securities retail customers by Indianapolis Securities employees.

26. In addition to the sales calls, in October 2002, Eli Dinov created or directed the creation of a spam email tout sheet recommending Discover Capital. The spam email described Discover Capital as a diversified financial services company and claimed that Discover Capital

planned to increase its revenues 50-fold and have \$5 billion in "assets under management" within the next five years. The spam also made false claims about the lines of business in which Discover Capital and Indianapolis were preparing to engage. The spam email touted Eli Dinov's business experience as an investment banker and hedge fund manager, but failed to disclose the fact that Eli Dinov had been censured, fined, and suspended by the NASD. The spam email also failed to disclose the injunction and bar against Rubinov.

27. Also during October 2002, in apparent coordination with the spam email campaign, Discover Capital issued or caused to be issued a series of three press releases touting the company and its plans. The first of these press releases, dated October 15, 2002, touted the commencement of putative analyst coverage of Discover Capital, coverage being conducted by an analyst in a company being paid by Discover Capital. The second, dated October 16, 2002, announced that Discover Capital had acquired Florida Discount Securities, a defunct Florida-based broker-dealer. A third press release, dated October 23, 2002, boasted that Discover Capital had established a Latin American division. That same press release was reproduced as part of a second spam email also distributed in October 2002.

28. Rubinov plays a significant role in the management of Discover Capital. When SEC examiners made an unannounced visit to Discover Capital's headquarters on January 24, 2003, Rubinov and Eli Dinov were meeting together. Rubinov described himself as a consultant to Discover. Rubinov and Dinov met with the examiners, and Rubinov answered many of the questions and appeared to the examiner to be in charge. Rubinov, furthermore, was involved in planning the reverse merger that formed Discover Capital. Also, in August and September 2002, Rubinov made use of Discover Capital's address when establishing brokerage accounts in the name of Stronghold Associates, his consulting company.

The Offer and Sale of Discover Capital Securities is Ongoing

29. The Defendants appear to be continuing to solicit individuals to purchase both Discover Capital private placement securities and Discover Capital free trading common stock. In March 2003, Indianapolis Securities acquired approximately 4,000 new customer accounts when they purchased the customer lists of a bankrupt Colorado brokerage firm. On March 20, 2003, Eli Dinov, on behalf of Discover Capital, placed an advertisement in the Wall Street Journal seeking to buy "broker/dealer & client accts." On June 2, 2003, Discover Capital announced the acquisition of a stake in a Florida-based broker-dealer with 3,600 customer accounts. In recent months, Indianapolis Securities brokers have re-solicited customers who purchased Discover Capital's common shares through the Pink Sheets in the fall of 2002.

CLAIM FOR RELIEF

Violation of Securities Act Section 5

30. The preferred shares and common stock purchase warrants of Discover Capital are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. §§77b(1)].

31. Sections 5(a) and 5(c) of the Securities Act prohibit the sale of any security unless a registration statement is in effect with regard to that security, absent an applicable exemption from that requirement [15 U.S.C. §§77e (a) & (c)].

32. No registration statement has been filed with the SEC or is in effect with regard to any public sale of the Discover Capital securities at issue, and no exemption, claimed by the Defendants or otherwise, is applicable.

33. By making use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities, through the use or medium of a prospectus or otherwise, when no registration statement has been filed or was in effect as to such

securities, the Defendants have engaged in transactions, acts, practices, and courses of business that violate Section 5 of the Securities Act.

**Violations of Section 17(a) of the Securities Act,
Section 10(b) of the Exchange Act and Rule 10b-5**

34. In connection with the offer and sale of the Discover Capital private placement securities and in connection with the offer and sale of Discover Capital common shares, the Defendants made misrepresentations and omissions to investors and prospective investors regarding material facts, and engaged in other deceptive conduct designed to make the market for Discover Capital securities appear enticing to investors and prospective investors.

35. By reason of the forgoing, the Defendants directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or by the use of the mails, in the offer or sale, and in connection with the purchase or sale, of securities, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made untrue statements of material fact, or omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices, and courses of business that operated or would operate as a fraud or deceit upon purchasers of securities or other persons and thereby violated, are violating, are about to violate, and, unless restrained and enjoined, will continue violating, Securities Act Section 17(a) and Exchange Act Section 10(b) and Rule 10b-5 thereunder.

PRAYER FOR RELIEF

36. **WHEREFORE**, Plaintiff SEC respectfully requests that this Court enter a final judgment:

I. Enjoining each of the Defendants, their agents, servants, employees, attorneys in fact, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

II. Ordering each of the Defendants to account for and disgorge their ill-gotten gains from the violative conduct alleged in this complaint, and to pay prejudgment interest thereon.

III. Ordering each of the Defendants to pay the maximum civil monetary penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV. Such other and further relief as the Court deems appropriate.

REQUEST FOR A JURY TRIAL

Plaintiff requests a jury trial.

Dated: WASHINGTON, DC

July 9, 2003

By: Russell D. Duncan

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