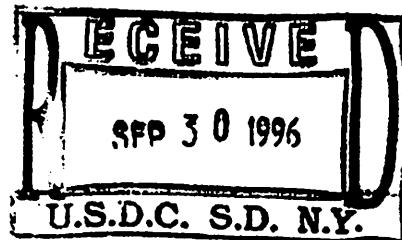


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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :  
Plaintiff, :  
v. : Docket No. 96 Civ.  
M.T.L. INTERNATIONAL FINANCE, INC., : **COMPLAINT**  
EQUITY ACTION PARTNERS, INC., JOHN K. :  
ROBINSON, LEON HOWARD, and HARRY :  
WALKER,  
Defendants.

**96 CIV. 7412**

Plaintiff Securities and Exchange Commission alleges:

**SUMMARY**

1. Defendants defrauded investors of over \$700,000 by selling them nonexistent securities. Promising risk-free returns equivalent to an annual yield of up to 840 percent, they told investors they had the exclusive rights in the United States to sell guaranteed insurance contracts, or GICs, issued and guaranteed by a consortium of European insurance and reinsurance companies. In fact, the GICs did not exist, and defendants had no authority to act on behalf of the purported issuers and guarantors of the GICs. Defendants simply stole the investors'

money.

2. In addition, as part of the scheme, defendants John K. Robinson and M.T.L. International Finance, Inc., filed a false application to register with the SEC as an investment adviser. Among other misstatements, the application grossly overstated M.T.L.'s assets.

3. To prevent defendants from continuing to violate the federal securities laws and to recover defendants' ill-gotten gains for the benefit of the defrauded investors, the SEC seeks an injunction, an accounting and disgorgement of defendants' illegal profits, and civil penalties.

#### **JURISDICTION**

4. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77u(a)], Sections 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§78u(e) and 78aa], and Section 214 of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §80b-14].

#### **PARTIES**

5. The SEC brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§78u(d) and (e)], and Section 209(d) of the Advisers Act [15 U.S.C. §80b-9(d)].

6. Defendant M.T.L., during all times relevant to this action, was a California corporation controlled by defendant

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Robinson. M.T.L. falsely claimed to have the exclusive U.S. rights to sell the GICs on behalf of the consortium of European insurance and reinsurance companies.

7. Defendant Equity Action Partners, Inc., during all times relevant to this action, was a New Jersey corporation controlled by defendant Walker. As explained below, Equity Action maintained an account at a New York brokerage firm for the purpose of funneling investors' money to the perpetrators of the scheme.

8. Defendant John K. Robinson was the president of M.T.L.

9. Defendant Leon Howard, together with defendants Robinson and Walker, was a principal architect of the scheme. Among other things, he falsely claimed that he and a company under his control had received the exclusive rights to sell the GICs in the United States and had assigned those rights to M.T.L.

10. Defendant Harry Walker, the president of Equity Action, brought in all of the victims of the scheme and controlled the brokerage and bank accounts used to misappropriate their money.

#### FIRST CLAIM

##### Securities Fraud -- Against All Defendants

11. Paragraphs 1 through 10 are incorporated by reference.

12. From at least December 1992 until January 1994, defendants offered to investors across the country securities in the form of GICs purportedly issued by a consortium of ten "triple A"-rated European insurance and reinsurance companies in

\$10 million units. Potential investors were told that their investments would be risk free and that their funds would be held in a "secured depository account" throughout the term of their investment.

13. Defendants represented to potential investors that M.T.L. was a well-established corporation with a history of successful dealings in GIC transactions and other international financial transactions, and that M.T.L. had the exclusive rights to sell the GICs on behalf of the consortium in the United States. In fact, M.T.L. was a small corporation without significant assets or income, or any experience in transactions involving GICs. Moreover, the European insurance and reinsurance companies referred to by defendants neither issued the GICs nor authorized defendants to speak or act on their behalf.

14. As part of their scheme to sell the nonexistent GICs, defendants recruited "finders," who were promised large fees for finding purchasers for the GICs.

15. Defendants and their finders promised that the GICs would yield astronomical returns. Although the specific terms varied from investor to investor, the rates went as high as 840 percent on an annualized basis. Based on these promises, defendants raised a total of \$720,000 from at least five investors.

16. Defendants also made misrepresentations to the finders, which were repeated to prospective investors. Defendants caused the finders to tell prospective investors that the GIC trading

program being offered would involve continuous purchases and sales of the GICs, resulting in spectacular returns. The finders also stressed to investors defendants' representations as to the "secret" nature of the GICs, warning investors that they could not contact the named insurance and reinsurance companies to verify any aspect of the investment.

17. In June 1993, one of these companies, Zurich Insurance Co., sued defendant M.T.L. for falsely claiming to offer GICs on its behalf, and obtained a temporary restraining order enjoining M.T.L. from offering contracts or instruments of any kind on its behalf or representing that M.T.L. is authorized to act on its behalf. The TRO was served on defendant Robinson, as M.T.L.'s president. After the TRO was issued, M.T.L. settled the litigation by agreeing to stop offering GICs purportedly issued by Zurich Insurance Co. Robinson and Howard signed the settlement as well. In flagrant violation of this agreement, M.T.L., Robinson, and Howard continued to market the GICs and continued to claim that Zurich Insurance Co. was one of the issuers.

18. Defendant Walker directed one investor to open an account at Stires & Co., a brokerage firm in New York, which was participating in the offering. Walker enticed the investor to place \$500,000 into the Stires & Co. account by promising risk-free profits of the greater of five percent per month or one percent per trade.

19. Shortly after the investor opened his brokerage account

at Stires & Co., Walker convinced him to transfer the money to Equity Action's account at Stires & Co., for the stated purpose of making a GIC investment. Immediately after the transfer, Walker caused Stires & Co. to wire transfer the money to an Equity Action bank account in Pennsylvania. Through a series of wire transfers and bank withdrawals, defendants Walker, Robinson, and Howard then misappropriated the investor's money.

20. From October 1993 through December 1993, Walker fraudulently induced four other individuals to invest a total of \$220,000 in the nonexistent GICs. At Walker's direction, these investors wired money to an account they were told was a "designated trust account" at a major New York City bank, where they were told the money would remain in a "secured deposit account." Without the investors' knowledge, Walker diverted the money to Equity Action's bank account in Pennsylvania, from which he then misappropriated it for his, Howard's, and Robinson's personal use.

21. By this conduct, defendants have, through the use of the means or instruments of transportation or communication in interstate commerce, or of the mails, engaged in fraudulent and deceptive conduct in the offer and sale, and in connection with the purchase or sale, of securities, in violation of 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].

## SECOND CLAIM

### Violations of Advisers Act Section 207 -- Against Defendants M.T.L. and Robinson

22. Paragraphs 1 through 21 are incorporated by reference.

23. On July 15, 1992, defendants Robinson and M.T.L. filed a false and misleading Form ADV with the SEC in an attempt to register M.T.L. as an investment adviser.

24. Incorporated within the Form ADV was a financial statement of M.T.L. prepared by Robinson, which included a grossly misleading balance sheet dated July 30, 1992. Although the balance sheet listed assets of more than \$62 million, M.T.L.'s assets have never exceeded \$10,000.

25. The financial statement also falsely indicated that it had been prepared and signed by a Certified Public Accountant.

26. Finally, Robinson misdescribed his educational background in the filing. The application stated that he had attended San Diego State University for one year. In fact, he enrolled but never completed a semester at College of the Canyon, a school unrelated to San Diego State University.

27. Defendants Robinson and M.T.L. therefore violated Section 207 of the Advisers Act [15 U.S.C. §80b-7].

## PRAYER FOR RELIEF

WHEREFORE, plaintiff SEC respectfully requests a judgment:

(a) permanently enjoining all of the defendants from violating Securities Act Section 17(a), Exchange Act Section

10(b), and Rule 10b-5;

(b) permanently enjoining defendants M.T.L. and Robinson from violating Advisers Act Section 207;

(c) directing all of the defendants to account for and disgorge their ill-gotten gains, together with prejudgment interest;

(d) imposing civil penalties on all of the defendants 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)];

(e) imposing civil penalties on defendants M.T.L. and Robinson pursuant to Section 209(e) of the Advisers Act [15

U.S.C. §80b-9(e)]; and

(f) granting such other relief as the Court deems just and proper.

Dated: September 30, 1996

Respectfully submitted,



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