

UNITED STATES DISTRICT COURT  
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, DC 20549-0808

Plaintiff,

vs.

LEWIS ALLEN RIVLIN; EDWIN EARL  
HULING III; AND ALFRED HUASCAR  
VELARDE,

Defendants,

and

Z-FINANCE, S.A.; ANTHONY P. ZILOUDAS;  
HEDLEY FINANCE, LTD.; CHRISTIAN  
DANTE; and CHRYSANTHOS  
CHRYSOSTOMOU,

Relief Defendants.

CASE NUMBER 1:99CV01455

JUDGE: Royce C. Lamberth

DECK TYPE: TRO/Preliminary Injunction

DATE STAMP: 06/08/99

**COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

**SUMMARY**

1. From January 1998 until at least June 1998, Defendants Lewis Allen Rivlin and Edwin Earl Huling III offered and sold interests in a fictitious trading program (the "Program") in violation of the antifraud and broker-dealer registration provisions of the federal securities laws. The Program supposedly involved the pooling of investor funds to purchase and resell deeply discounted bank instruments at a profit. Defendants lured investors into the Program through the use of numerous oral and written misrepresentations, including that the investments would be risk-free and would generate

tremendous profits ranging from 20% to 100% every ten international banking days. Four groups of investors transferred at least \$6,239,000 to foreign accounts pursuant to defendants' instructions. The investors never received any profits, and they lost all of their principal.

2. In the course of marketing the Program, Defendants Rivlin and Huling acted as brokers, and Defendant Rivlin continues to act as a broker in the marketing of other trading programs, even though neither Rivlin nor Huling has ever been registered with the Commission as a broker or dealer in violation of Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78(o)(a)(1)].

3. By engaging in such conduct, Defendants Rivlin and Huling directly or indirectly, have violated the antifraud provisions of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)], and 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.

4. Defendants Huling and Alfred Huascar Velarde aided and abetted the violations committed by Defendant Rivlin in violation of Section 20(f) of the Exchange Act [15 U.S.C. § 78t(f)].

5. Relief Defendants Z-Finance, S.A., Anthony P. Zioudas, Hedley Finance, Ltd., Christian Dante and Chrysanthos Chrysostomou have received investor funds that were unlawfully raised by defendants. The relief defendants have been unjustly enriched thereby, and should be ordered to disgorge those funds.

## JURISDICTION

6. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce and/or of the mails in connection with the securities transactions described in this Complaint.

## DEFENDANTS

7. **Lewis Allen Rivlin** is a U.S. citizen who resides in Rockville, Maryland. Rivlin is a lawyer practicing in Washington, D.C. During the relevant time period, Rivlin practiced with a firm known as Rivlin, Velarde & Taylor, LLP. Rivlin supplied the investors for the Program. Rivlin also signed the agreements governing each investor's participation in the program ("investment agreements"), and he had significant contact with each of the investors or their agents before and after they invested their funds.

8. **Edwin Earl Huling III** is a U.S. citizen who resides primarily in New York, New York, but who maintains a part-time residence in Washington, D.C. Between January 1998 and May 1998, Huling was the "Transactional Consultant" at Rivlin, Velarde & Taylor, LLP. Huling had significant contact with most of the investors or their agents and was responsible for passing along information to the investors, including false information.

9. **Alfred Huascar Velarde** is a U.S. citizen who resides in Vienna, Virginia. Velarde is a lawyer in McLean, Virginia with A.H. Velarde & Associates, PC. From February 1998 until about July 1998, Velarde was a partner at a firm known as Rivlin,

Velarde & Taylor, LLP. Velarde joined the Rivlin law firm to work on the Program. Velarde participated in drafting one or more documents pertaining to the Program and Velarde directly communicated with certain investors.

### **THE RELIEF DEFENDANTS**

10. **Z-Finance, S.A.** claims to be an Investment and Merchant Banking Services Company in Athens, Greece. At least \$1,739,000 of investor funds were transferred into a bank account in the name of Z-Finance. On information and belief, those funds are currently located in a different bank in Greece, also in an account in the name of Z-Finance.

11. **Anthony P. Zioudas** is a Greek citizen who resides in Athens, Greece. Zioudas is the Chairman and CEO of Z-Finance. Zioudas had signatory authority over the Z-Finance account into which at least \$1,739,000 of investor funds were transferred. On information and belief, Zioudas also controls the bank account in which those investor funds are currently located.

12. **Hedley Finance, Ltd.** is an off-shore company incorporated in the British Virgin Islands with an office in Glyfada, Greece. The majority of investors were directed by Rivlin, through their investment agreements, to wire their investment funds to a brokerage account at Salomon Smith Barney in the name of Hedley Finance. A portion of the funds and treasury bills that were purchased with the majority of the investor funds were subsequently transferred to two foreign bank accounts held in Hedley's name.

13. **Christian Dante** is the Chief of Hedley's Administration who took a prominent role acting on behalf of Hedley Finance for the Program. Dante directed

Salomon Smith Barney to transfer the investor funds out of Hedley's Salomon Smith Barney account, completely unbeknownst to the investors.

14. **Chrysanthos Chrysostomou** is a foreign citizen who resides in Limassol, Cyprus. During the relevant time period, Chrysostomou was the Metropolitan of the Greek Orthodox Church in Limassol. In November, 1998, Chrysostomou resigned his position as Metropolitan of Limassol. Substantial investor funds were sent to accounts over which, on information and belief, Chrysostomou exercised control.

#### **THE FRAUDULENT SCHEME**

15. From December 1997 until approximately April 1998, Defendants Rivlin and Huling offered and sold at least \$6,239,000 worth of securities in the Program to at least four groups of investors through a series of material misrepresentations and omissions.

16. Rivlin was the principal spokesperson and source of information regarding the Program, and Rivlin signed up the investors for the Program. On information and belief, Rivlin was responsible for finding investors and facilitating their participation in and transfer of funds into the Program. He had innumerable conversations with the investors both before and after they transferred their funds, drafted or participated in the drafting of each investment agreement which governed the terms of the investments, and signed each investment agreement.

17. Huling was the "Transactional Consultant" in the Rivlin law firm from about February 1998 to May 1998. Huling coordinated the various individuals involved in the Program, acted as a contact person for the investors in Rivlin's absence, and

performed other tasks related to the Program such as answering the phones; speaking with investors both before and after they invested; preparing and sending documents to be completed by the investors; and forwarding to the investors fictitious account statements and misleading confirmations.

18. On or around February 4, 1998, Velarde joined the Rivlin firm as a partner. From that point forward, Velarde participated in reviewing documents required for participation in the Program, spoke with the investors and drafted at least one investment agreement.

19. Beginning in or about December 1997, Rivlin spread the word that persons looking to invest in high yield trading programs should contact him. Specifically, Rivlin made it known that he had access to a high yield trading program purportedly conducted under the auspices of the Metropolitan of Limassol, Chrysanthos Chrysostomou. Once approached by the investors, Rivlin and/or Huling provided the investors with investment agreements and, knowingly or recklessly, made false statements to the investors regarding the Program, as described in paragraphs 20 through 25 below:

20. Defendants touted the Program to investors as being risk-free and generating significant profits, from 20% to 100% every ten international banking days.

21. All of the investment agreements provided that investments would be "secured" either by a bank guarantee or by some other kind of security instrument such as U.S. Treasury STRIPS. ("STRIPS" is an acronym for "Separate Trading of Registered Interest and Principal Securities," zero-coupon securities issued by the Treasury.) All of the investors were told orally that their investments would be safe, secure and/or risk-free.

The funds were not safe or secure, however, and each investor lost his principal investment shortly after transferring it to the Program. In addition, at least two of the investors were told that their investment funds would be placed in a special subaccount in the investor's name and that the investor would have signatory authority over that subaccount. In fact, the investors lost control of their funds upon transferring them to the Program.

22. Each of the investment agreements stated that Rivlin or the Bishop had a relationship with at least one person (referred to orally as a "contract holder" or "commitment holder") who would conduct or control trading in the Program, specifically, the purchase and resale of bank negotiable instruments. Rivlin told at least one investor that the Bishop was the contract holder who would be used to enable trading to occur for the Program.

23. The investment agreements provided that trading would begin within some finite amount of time after transfer of the investor's funds, such as 5 or 10 days, or shortly after securitization of the funds. "Trading," in fact, never began.

24. The majority of investors were promised, through their investment agreements, that they could have their funds returned to them within five international banking days if certain milestones were not reached, or in the case of one investor, if the investor was not satisfied with the trading to date. Each of the investors requested, but did not receive, a return of his principal.

25. Rivlin gave at least two of the investors his "personal guarantee" against loss of their funds prior to their wiring funds for investment. On information and belief,

Rivlin did not then have the means to back any of those guarantees. To date, he has not made good on any of the personal guarantees he made to investors.

26. One of the investor groups was the Fundacion Perez Pallares (the "Fundacion"), an Ecuadorian charity for underprivileged girls. On January 30, 1998, pursuant to Rivlin's written instructions, the Fundacion wired \$1,739,000 to ING Bank in Athens, Greece to the account of Z-Finance. The funds were routed through Chase Manhattan Bank in New York.

27. Pursuant to the instructions provided in their respective investment agreements, three other investor groups wired their funds, collectively \$4,500,000, to a Hedley Finance account at Salomon Smith Barney, through Chase Manhattan Bank in New York in February and April 1998.

28. Defendants' misrepresentations continued after the investors had committed their funds to the Program. After the Fundacion had made its investment, Rivlin told the Fundacion: (1) that a bank guarantee or other security instrument would arrive in the Fundacion's account; (2) that the Fundacion was being "credited" for trading, even though trading never began; (3) that trading had in fact begun; and (4) after the Fundacion requested the return of its funds, that the Bishop would pay it back out of his own funds or that Rivlin would pay the Fundacion back personally.

29. After the other three groups of investors transferred their funds as directed, Rivlin, Huling, and Velarde also made a series of misrepresentations about their investments. Among other things, the other investors were told the following: (1) that trading would begin imminently; (2) that their funds were safe; and (3) after they

requested the return of their funds, that the Bishop would pay them back out of his own funds or that Rivlin would pay them back and “honor the personal guarantee.”

30. The other investors received none of the promised guarantees, trading, profits, or a return of their principal. In order to make it appear to the investors that their principal was protected by security instruments, Rivlin and Huling sent the investors copies of Salomon Smith Barney confirmations showing that U.S. Treasury STRIPS had been purchased. Hedley Finance forwarded those confirmations to the Rivlin firm together with phony Hedley “subaccount statements” indicating that Treasury STRIPS were being held in a special subaccount for each investor. In fact, there were no subaccounts in Hedley’s account at Salomon Smith Barney, and the investors did not have signatory authority over any account in which the Treasury STRIPS were held. Within three weeks of each purchase of the Treasury STRIPS, Dante directed Salomon Smith Barney to transfer them out of Hedley’s Salomon Smith Barney account and into a foreign bank account in the name of Hedley Finance. Salomon Smith Barney transferred the STRIPS pursuant to Dante’s instructions.

31. Rivlin has continued to engage in activities relating to trading programs. There are currently at least three judgments against Rivlin arising from his involvement in high yield trading programs, including the Program at issue in this Complaint, which on their face, render Rivlin liable for at least \$18,000,000. In papers and testimony submitted in these actions, Rivlin has stated (1) that he will be able to compensate the investors who have obtained judgments with profits from other investors’ participation in trading activity conducted through a purported commitment holder; and (2) that \$200,000 which he

recently paid to the Fundacion were funds that had been entrusted to him by others for future trading activities.

**FIRST CLAIM FOR RELIEF**

**Violations of Exchange Act Section 15(a)  
(Rivlin and Huling)**

32. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

33. From in or about January 1998 to the present, Rivlin has made use of the means and instrumentalities of interstate commerce and of the mails to effect, induce, and attempt to induce the purchase and sale of securities without being registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act, and when no exemption from registration was available.

34. From in or about January 1998 to May 1998, Huling has made use of the means and instrumentalities of interstate commerce and of the mails to effect, induce, and attempt to induce the purchase and sale of securities without being registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act and when no exemption from registration was available.

By reason of the foregoing, Rivlin and Huling have violated, and Rivlin is violating, section 15(a) [15 U.S.C. §78o(a)] of the Exchange Act.

**SECOND CLAIM FOR RELIEF**  
**Violations of Securities Act Section 17(a)**  
**(Rivlin and Huling)**

35. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

36. Rivlin and Huling, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as fraud or deceit.

37. As part of and in furtherance of this scheme, Rivlin and Huling directly and indirectly prepared, disseminated or used contracts, investor and other documents and oral communications which contained untrue statements of material fact and which 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, including but not limited to those statements and omissions set forth in paragraphs 1 through 31 above.

38. Rivlin and Huling made the above-referenced misrepresentations and omissions knowingly or with reckless disregard of their falsity.

39. By reason of the foregoing, Rivlin and Huling have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

**THIRD CLAIM FOR RELIEF**  
**Violations of Exchange Act Section 10(b) and Rule 10b-5**  
**(Rivlin and Huling)**

40. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

41. Rivlin and Huling, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or 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 light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

42. As part of and in furtherance of this scheme, Rivlin and Huling, directly and indirectly prepared, disseminated or used contracts, investor and other documents and oral communications, which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth in paragraphs 1 through 31 above.

43. Rivlin and Huling made the above-referenced misrepresentations and omissions knowingly or with reckless disregard of their falsity.

44. By reason of the foregoing, Rivlin and Huling have violated, and unless 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].

**FOURTH CLAIM FOR RELIEF**  
**Aiding and Abetting Violations of Exchange Act**  
**Section 10(b) and Rule 10b-5**  
**(Huling and Velarde)**

45. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

46. Rivlin used oral and written material misrepresentations to sell investments in the Program to investors and to lull investors into inaction after making their investments.

47. Huling knew or recklessly disregarded that Rivlin's conduct was improper and Huling provided knowing and substantial assistance to Rivlin in using oral and written misrepresentations to sell the Program to investors and to lull them into inaction after making their investments.

48. Velarde knew or recklessly disregarded that Rivlin's conduct was improper and he provided knowing and substantial assistance to Rivlin in using written misrepresentations to sell investments in the Program to investors and oral misrepresentations to lull investors into inaction after making their investments.

49. By reason of the foregoing, Defendants Huling and Velarde aided and abetted Rivlin's violations of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5]. Huling and Velarde therefore are liable pursuant to

Section 20(f) of the Exchange Act [15 U.S.C. §78t(f)], and are likely to commit such violations in the future unless they are enjoined.

**FIFTH CLAIM FOR RELIEF**  
**Aiding and Abetting Violations of Exchange Act**  
**Section 15(a)(1)**  
**(Huling)**

50. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

51. Rivlin made use of the means and instrumentalities of interstate commerce and of the mails to effect, induce, and attempt to induce the purchase and sale of securities without being registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act, and when no exemption from registration was available.

52. Huling knew or recklessly disregarded that Rivlin's conduct was improper, and Huling provided knowing and substantial assistance to Rivlin in inducing and attempting to induce the purchase and sale of securities without being registered.

By reason of the foregoing, Huling aided and abetted Rivlin's violations of Section 15(a)(1) of the Exchange Act [15 U.S.C. §78o(a)(1)]. Huling is therefore liable pursuant to Section 20(f) of the Exchange Act [15 U.S.C. §78t(f)], and is likely to commit such violations in the future unless he is enjoined.

**SIXTH CLAIM FOR RELIEF**  
**(Relief Defendants Z-Finance and Zioudas)**

53. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

54. Z-Finance and Zioudas have received at least \$1,739,000 of investor funds that were raised as a result of the unlawful conduct of the named defendants as alleged above. Investors have not received value from Z-Finance and Zioudas in return for the use of the investor funds. Accordingly, Z-Finance and Zioudas have no just claim to these investor funds and are obliged to return them to the investors.

**SEVENTH CLAIM FOR RELIEF**  
**(Relief Defendants Hedley Finance and Dante)**

55. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

56. Hedley Finance and Dante have received at least \$4,500,000 of investor funds that were raised as a result of the unlawful conduct of the named defendants as alleged above. Investors have not received value from Hedley Finance and Dante in return for the use of the investor funds. Accordingly, Dante and Hedley Finance have no just claim to these investor funds and are obliged to return them to the investors.

**EIGHTH CLAIM FOR RELIEF**  
**(Relief Defendant Chrysostomou)**

57. Paragraphs 1 through 31 are hereby realleged and incorporated by reference.

58. Chrysostomou has received at least \$4,500,000 of investor funds that were raised as a result of the unlawful conduct of the named defendants alleged above.

Investors have not received value from Chrysostomou in return for the use of the investor funds. Accordingly, Chrysostomou has no just claim to these investor funds and is obliged to return them to the investors.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court:

I.

Grant a Preliminary Injunction, enjoining Defendant Rivlin, and his officers, agents, servants, employees, attorneys, and those in active concert or participation with him who receive actual notice by personal service or otherwise, from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] and a Permanent Injunction enjoining him and his officers, agents, servants, employees, attorneys, and those in active concert or participation with him who receive actual notice by personal service or otherwise, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) [15 U.S.C. § 78j(b)] and 15(a) [15 U.S.C. § 78o(a)] of the Exchange Act and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.

Grant a Permanent Injunction, enjoining Defendant Huling, and his officers, agents, servants, employees, attorneys, and those in active concert or participation with him who receive actual notice by personal service or otherwise, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) [15 U.S.C. § 78j(b)] and 15(a) [15 U.S.C. § 78o(a)] of the Exchange Act and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**III.**

**Grant a Permanent Injunction, enjoining Defendant Velarde and his officers, agents, servants, employees, attorneys, and those in active concert or participation with him who receive actual notice by personal service or otherwise, from violating 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].**

**IV.**

**Order Defendants Rivlin and Huling to account for and disgorge all their illegal gains, together with prejudgment interest.**

**V.**

**Order the relief defendants to account for and disgorge the funds they obtained from investors as a result of the unlawful acts of the defendants.**

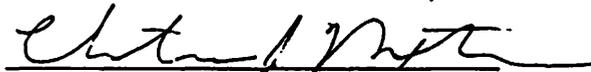
**VI.**

**Order the defendants, and each of them, to pay civil money penalties, 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)].**

VII.

Grant such other relief as this Court may deem just and proper.

Dated: June 8, 1999



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