UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

U.S. SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	CASE NO. 21-cv-1943
v.	**COMPLAINT**
HOWARD S. KLEYMAN,	
Defendant	

COMPLAINT

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

NATURE OF THE ACTION

1. From at least July 2017 through July 2019, Howard S. Kleyman ("Kleyman" or "Defendant"), who – at that time – was a lawyer licensed in Minnesota, participated in a "prime bank" scheme in which at least nine investors lost over $1.22 million.

2. Kleyman served as a "paymaster" in at least nine transactions in which investors paid advanced fees to his attorney trust accounts, ostensibly to purchase, lease, and/or monetize purported bank instruments such as standby letters of credit or bank guarantees from The Hanson Group of Companies S.A. ("Hanson Group"). In fact, these were fictional "prime bank" investments.

3. Prime bank instruments and trading programs such as those for which

Kleyman served as paymaster are fictitious. The Commission, the FBI, the Federal Reserve Bank, the International Monetary Fund, and other federal and international authorities have publicly denounced these bank instrument program frauds in easily obtainable public information.

4. Kleyman knew or was reckless in not knowing that investors were relying on Kleyman, an attorney, to keep their funds safe and to disburse funds only upon successful completion of the transactions. Instead, Kleyman blindly disbursed the funds, without conducting any inquiry into whether the investors had received their promised instruments or funding.

5. Kleyman had no basis to believe that the purported bank instruments existed, or that they had any value. In fact, Kleyman learned of many red flags suggesting that these transactions were fraudulent.

6. Kleyman collected $12,499.12 in fees for the nine transactions for which he served as paymaster. These fees were paid from the defrauded investors' funds.

7. Despite the serial failure of these prime bank investments, complaints from investors, and the lack of any evidence that these transactions had been or could be completed successfully, Kleyman continued his involvement in prime bank schemes. In fact, even after he stopped acting as a paymaster, Kleyman participated in prime bank transactions in other ways.

8. Through the foregoing conduct and as alleged further below, Kleyman engaged in transactions, acts, practices, and courses of business that violated Section 17(a)(1) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77q(a)(1) and

(3)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. 78j(b)] and Exchange Act Rules 10b-5(a) and (c) [17 C.F.R 240.10b-5(a) and (c)].

9. The Commission brings this action to put a stop to Kleyman's violations of the federal securities laws, to prevent further harm to investors, and to seek disgorgement and civil penalties from Kleyman stemming from his violations of the securities laws.

JURISDICTION AND VENUE

10. The Commission brings this action under Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§78u(d) and 78u(e)].

11. This Court has jurisdiction over this action under Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

12. Venue is proper in this Court under Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Many of the acts, practices, and courses of business constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the District of Minnesota.

13. Kleyman resides and conducts business within the District of Minnesota.

14. Kleyman directly and indirectly made use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices, and courses of business alleged herein, and will continue to do so unless enjoined.

DEFENDANT AND RELATED PARTIES

15. **Howard S. Kleyman**, age 79, is a resident of St. Paul, Minnesota. Until

his recent disbarment by the Minnesota Supreme Court, Kleyman was an attorney licensed to practice in Minnesota. *See In re Petition for Disciplinary Action against Howard S. Kleyman*, A20-1304 (Minn. Sup. Ct. June 9, 2021).

16. **The Hanson Group of Companies S.A. ("Hanson Group")** is Panamanian company purporting to sell, lease, and monetize bank instruments to investors through the internet and brokers.

17. **Harold Soto Boigues** aka Harold Soto ("Soto"), age 41, is a citizen of the Dominican Republic. His current residence is unknown. He is the CEO of Hanson Group.

FACTS

A. Kleyman's Previous Involvement with Soto and Prime Bank Schemes

18. The nine transactions for which he acted as paymaster for Hanson Group were not Kleyman's first foray into prime bank schemes. In fact, Kleyman had been pursuing prime bank instrument transactions for about four years before he began acting as paymaster for Hanson Group. Every transaction he attempted failed.

19. Beginning in approximately 2013, Kleyman, together with an associate, pursued a series of transactions, seeking to obtain financing using bank instruments such as bank guarantees and standby letters of credit. All of those transactions failed.

20. In 2015, Kleyman attempted another transaction, this time with a group that included Soto and Hanson Group, as well as James Louks and FiberPoP UK Ltd. ("FiberPoP UK"). FiberPoP UK – a company with no assets or operations – purportedly issued several €500 million bonds, which it planned to use to secure hundreds of millions

of Euros in bank guarantees, which would fund trading programs and generate enormous returns. Hanson Group, through Soto, facilitated this purported transaction. Ultimately, the transaction failed. FiberPoP UK investors in the United States lost at least $250,000, some of which flowed through Kleyman's accounts.

21. On September 1, 2015, the Commission brought fraud charges against Louks and his company, FiberPoP Solutions, Inc. The complaint accused Louks and FiberPoP of funneling investor funds into a series of prime bank schemes, including the scheme described above. *See SEC v. Louks et al.*, 15-cv-3456 (D. Minn.). The Commission obtained a Final Judgment against the defendants on January 13, 2017. *Id.* (DE 97).

22. In connection with the *Louks* matter, the Commission deposed Kleyman in October 2015. Commission staff showed Kleyman a warning notice from the FBI about common fraud schemes. The FBI warned of "Letter of Credit Fraud" and "Prime Bank Note Fraud," otherwise known as a prime bank scheme, where fraud artists offer letters of credit or bank guarantees as an investment, and claim to generate extremely high returns. In this notice, the FBI warned that investments in letters of credit "simply do not exist," and that "bank guarantees are never traded or sold by any kind of market."

23. After the failed FiberPoP UK transaction, but before Kleyman provided any paymaster services to Hanson Group, Kleyman participated yet another scheme with Soto. Soto gave Kleyman a debit or credit card in a third party's name and instructed Kleyman to charge thousands of dollars to the card using a beauty salon that Kleyman owned. Kleyman then disbursed those funds to Soto and another associate. The card

processor eventually reclaimed $17,000 from Kleyman's salon, threatening his business, and causing Kleyman to question whether the card was stolen or the transaction was otherwise fraudulent.

24. Despite the serial failure of these schemes, the Commission's *Louks* lawsuit, the FBI warning, and the dubious credit card scheme, Kleyman agreed to act as paymaster for Soto and Hanson Group.

B. Hanson Group's Prime Bank Scheme Offerings

25. Hanson Group offered to sell and lease bank instruments such as standby letters of credit, bank guarantees, bank drafts, and medium term notes through its public website and brokers. Investors were required to pay a deposit of between €75,000 and €500,000, depending on the size of the financial instrument.

26. Hanson Group also offered to "monetize" these bank instruments, meaning it offered to use bank instruments produce enormous returns for investors.

27. Hanson Group's promises of financial instruments and monetization were a ruse. Investors did not receive the instruments or the financial returns they were promised.

28. The investments offered by Hanson Group bore many of the indicia of prime bank schemes the FBI warns about in the notice described above. For example, Hanson Group required investors to enter into strict non-disclosure agreements, offered returns in "a year and a day," and touted instruments from the "top hundred [aka prime] banks." The instruments Hanson Group offered – standby letters of credit and bank guarantees – are typical of prime bank schemes.

29. On its public website, Hanson Group claimed that it only earned funds if the investor received his or her desired funding. It also claimed that investors' initial deposit was 100% protected. These statements were false. As explained below, Kleyman disbursed investors' fees to Soto or at Soto's direction just days after they tendered payment, without determining that the transactions succeeded.

30. On its website, Hanson Group also touted the involvement of its "attorney's office client trust account" as one of three levels of "protection" afforded to its investors.

C. Kleyman's Paymaster Services

31. From approximately January 2016 through July 2019, Kleyman served as paymaster for Hanson Group.

32. Kleyman conducted no due diligence on or vetting of Soto before or during his time as paymaster for Hanson Group. The only due diligence Kleyman performed on Hanson Group itself was a brief review of the landing page of the Hanson Group website.

33. Kleyman operated under an agreement with Hanson Group dated January 11, 2016 which set the terms of Kleyman's duties as paymaster (the "Paymaster Agreement"). Among other things, the Paymaster Agreement stated that "[f]or the avoidance of doubt, Payments shall only be made to the Beneficiaries if a relevant Transaction has successfully been concluded."

34. As paymaster, Kleyman accepted investors' funds into his attorney trust account. Then, upon receiving instructions from Soto, Kleyman disbursed the investors' funds to Soto, Soto's wife, and others. Kleyman typically disbursed the funds within several days of receipt.

35. Before disbursing funds, Kleyman did not perform any inquiry to determine whether the investors had received their requested bank instruments. In fact, Kleyman never saw any evidence that Soto had ever provided a Hanson Group investor with a bank instrument that had any value.

36. For his paymaster service, Kleyman was to receive a fee equal to one percent of the funds deposited into his account.

37. Under at least three of the agreements between Hanson Group and investors, which Kleyman reviewed, Kleyman himself was supposed to send the bank instruments to the investors. However, Kleyman never sent any bank instruments to any investors.

38. Kleyman performed paymaster services for at least nine transactions between July 2017 and July 2019.

39. For example, on July 17, 2017, Kleyman received a wire for $168,106.43 into his attorney trust account from Investor A. This money was an advanced fee to lease a one million Euro bank draft. Two days later, pursuant to Soto's instructions, Kleyman transferred $166,425.37 to an LLC controlled by Soto's wife. Kleyman transferred the remaining $1,671 to his personal bank account.

40. In November 2017, after not receiving the financial instrument as promised, Investor A contacted Kleyman, requesting a refund of his $168,106.43. Investor A provided Kleyman with an agreement bearing Kleyman's signature. According to the agreement, Kleyman was supposed to confirm the arrival of the financial instrument and refund Investor A's money within four weeks if Investor A did not receive the instrument.

As Kleyman later learned, Hanson Group had affixed Kleyman's signature to the agreement without Kleyman's knowledge or consent.

41. Kleyman did not repay Investor A. Investor A never received the bank instrument he had contracted for.

42. After the Investor A transaction, Soto never provided Kleyman with any assurances that other investors were not similarly told that Kleyman guaranteed or verified their transactions. Kleyman never asked Soto to confirm that Hanson Group was not providing the other investors with the same type of guarantee that Investor A had received.

43. Despite the failure of the Investor A transaction and Hanson Group's forging of his signature on a document containing false guarantees, Kleyman continued acting as paymaster for eight more Hanson Group transactions.

44. As another example, Investor B agreed to pay $75,000 to lease and monetize a $10 million standby letter of credit. Kleyman told Investor B's representative that Kleyman had been involved in 15 to 20 transactions with Hanson Group, and that no one had ever lost any money. This representation was false. Kleyman had only been paymaster for 7 transactions at that time, and he knew at least Investor A had lost money. Kleyman also told the investor's representative that he would hold the investor's funds in his attorney trust account until he received authorization to transfer the funds. Kleyman explained that the transfer would only be authorized once the bank had verified and confirmed the standby letter of credit.

45. Kleyman's representations caused Investor B and Investor B's representative to feel comfortable proceeding with the investment. Investor B wired $75,000 to Kleyman's attorney trust account on July 15, 2019.

46. Contrary to his representation, Kleyman disbursed most of Investor B's funds about a week later, per Soto's instructions. Kleyman transferred $55 to his personal account. Kleyman did not obtain any evidence that Investor B received the promised instrument or returns.

47. When Investor B did not receive the standby letter of credit, Investor B's representative contacted Kleyman to ask about the status of the transaction. Kleyman responded that he did not know the status of the transaction.

48. Several months later, Hanson Group notified Investor B that there had been an issue with the due diligence performed by the "monetizing bank," and demanded another $925,000 fee. Investor B's representative called Kleyman several times, but Kleyman never answered or returned the calls. Investor B never received the standby letter of credit or any funds from Hanson Group, and the $75,000 was never returned.

49. In all, Kleyman's attorney trust account received over $1.2 million from nine Hanson Group investors. Kleyman disbursed most of those funds per Soto's directions, including over $615,000 to accounts controlled by Soto or Soto's wife. Kleyman disbursed $12,499.12 of the funds to his own account.

50. Investors felt comfortable investing with Hanson Group, in part, because Kleyman, an attorney, was involved. At least some investors understood that Kleyman

would not disburse their funds until and unless the contemplated transaction was complete.

51. Kleyman knew or was at least reckless in not knowing that one reason that Hanson investors felt comfortable investing in Hanson Group's bank instruments was the involvement of an attorney and an attorney trust account.

52. Given the red flags Kleyman encountered, including the facts discussed above, Kleyman knew or was reckless in not knowing that Hanson Group would not produce the financial instruments and financial returns that the investors paid for.

53. Kleyman used interstate emails, telephone calls, and wire transfers in connection with the offer and sale of the bank instrument investments offered by Hanson Group.

D. Kleyman's Monetization Services

54. Hanson Group's website also advertised "monetization" services. It stated that "[t]he leased bank instruments are something that we do ourselves, and the monetization we complete through an attorney-trustee office in the USA."

55. On at least three occasions, Kleyman agreed to facilitate the monetization of a financial instrument purportedly owned by one of Soto's clients. Kleyman agreed to perform monetization services for these investors even though he had never monetized a bank instrument before.

56. For example, in January 2020, Kleyman agreed to facilitate the monetization of a leased $200 million standby letter of credit.

57. Kleyman was unable to monetize any of the bank instruments.

E. Kleyman's Continued Involvement in Prime Bank Schemes

58. Separate from his involvement in the Hanson Group transactions, Kleyman has also been pursuing similar transactions through other entities. Since at least 2015, Kleyman, together with two associates, has been pursuing prime bank scheme transactions through two entities for which Kleyman has held himself out as CEO and/or general counsel ("Company A and Company B").

59. For example, in October 2019, Company A unsuccessfully tried to "facilitate the sale" of a €5 billion German bond from a Nigerian entity to a U.S.-based LLC for €15 billion. Company A agreed to place the bond into a "private asset purchase program" to be managed by Company A, producing "tranches" of €200 million returns.

60. Based on his past conduct described above, unless Kleyman is restrained and enjoined, he will engage in the transactions, practices, and courses of business set forth in this Complaint and in transactions, practices, and courses of business of similar type and object.

COUNT I

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

61. Paragraphs 1 through 60 are realleged and incorporated by reference.

62. Defendant, directly or indirectly, with scienter, by use of the means or instrumentalities of interstate commerce, or of the mails, employed devices, schemes, or artifices to defraud and engaged in acts, practices, or courses of business which have been and are operating as a fraud or deceit upon the purchasers or sellers of securities.

63. Defendant knowingly or recklessly engaged in the conduct described above.

64. By reason of the foregoing, Defendant violated Section 10(b) of the Exchange Act") [15 U.S.C. 78j(b)] and Exchange Act Rules 10b-5(a) and (c) [17 C.F.R 240.10b-5(a) and (c)].

COUNT II

Violations of Section 17(a)(1) and (3) of the Securities Act

65. Paragraphs 1 through 60 are realleged and incorporated by reference as though fully set forth herein.

66. Defendant, directly or indirectly, with scienter, by use of the means or instrumentalities of interstate commerce, or of the mails, has employed, is employing, or is about to employ devices schemes or artifices to defraud and has engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

67. Defendant knowingly, recklessly, or negligently engaged in the conduct described above.

68. By reason of the foregoing, Defendants have violated Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1), (3)].

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

Enter judgment in favor of the Commission finding that Kleyman violated the federal securities laws and Commission rules as alleged in this Complaint.

II.

Enter a Permanent Injunction restraining and enjoining Kleyman and those persons in active concert or participation with Kleyman who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, 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] thereunder.

III.

Enter a Permanent Injunction restraining and enjoining Kleyman and those persons in active concert or participation with Kleyman who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly participating in, including acting as a paymaster in connection with, the issuance, offer, or sale of any security, including but not limited to bank guarantees, medium term notes, standby letters of credit, and similar instruments; provided, however, that this injunction shall not prevent Defendant from purchasing or selling securities listed on a national securities exchange for his own personal account.

IV.

Issue an Order requiring Kleyman to disgorge the ill-gotten gains received as a result of, or benefits in any form derived from, the violations alleged in this Complaint, including prejudgment interest thereon, pursuant to Sections 21(d)(5) and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(5), and 78u(d)(7)].

V.

With regard to Kleyman's violative acts, practices and courses of business set forth herein, issue an Order imposing upon Kleyman appropriate civil 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)].

VI.

Retain jurisdiction of this action in accordance with the principals of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission hereby requests a trial by jury.

Date: August 30, 2021

Respectfully submitted,

/s/ Ariella O. Guardi

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