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AUG 1 4 2000
J. DAVID NAVARRO, Clerk
By MELANIE L. BURKHARDT
DEPUTY

ALAN G. LANCE
ATTORNEY GENERAL
STATE OF IDAHO

Scott B. Muir
Deputy Attorney General
State of Idaho
Department of Finance
P.O. Box 83720
Boise, ID83720-0031
Telephone: (208) 332-8091
Facsimile: (208) 332-8099
Idaho State Bar Number 4229

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT

OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

STATE OF IDAHO, Department of Finance, Plaintiff, vs. WILLIAM D. ATKINS II, an individual and MORGAN STERLING CURRENCY EXCHANGE, INC., a Nevada corporation, Defendants.	Civil No. CV OC 0004200D **VERIFIED COMPLAINT** Fee Category: Exempt

Comes now the State of Idaho, Department of Finance, Gavin M. Gee, Director, by and through counsel, to complain and allege as follows:

JURISDICTION

1. This action is brought under the provisions of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, and the Idaho Commodity Code, Title 30, Chapter 15, Idaho Code, and in particular Idaho Code §§30-1442 and 1510, wherein the Director of the

Idaho Department of Finance ("Department") is empowered to bring actions seeking injunctive and other relief against defendants who have either violated or are about to violate provisions of the Idaho Securities Act, the Idaho Commodity Code or any Rule thereunder.

BACKGROUND

2. During early 1999, Defendant William D. Atkins II ("Atkins") sold securities to investors in the form of investment contracts for trading in foreign currency through his company, Morgan Sterling Currency Exchange, Inc. ("Morgan Sterling"). The investment contracts are also commodity contracts. The last known address for both Atkins and Morgan Sterling is 1801 Lincoln Blvd., Suite 207, Venice, CA 90291.

3. Investors were solicited to invest through Morgan Sterling and led to believe that their investment monies would be pooled with that of other investors and managed profitably.

4. The currency trading markets utilized by Defendants are not regulated under the federal Commodity Exchange Act or by the Commodity Futures Trading Commission (CFTC). Morgan Sterling and Atkins are not registered with the CFTC or any other regulatory body.

5. Defendants offered and sold foreign currency investment opportunities and/or foreign currency trading programs to at least one Idaho resident.

IDAHO SECURITIES ACT VIOLATIONS

COUNT ONE

The allegations contained in paragraphs 1 through 5 are hereby realleged as if fully set forth.

6. The discretionary foreign currency investment/trading programs offered and sold by Defendants are investment contract securities as defined in Idaho Code § 30-1402(12).

7. The securities offered and sold by Defendants have not been registered with the Idaho Department of Finance as required pursuant to Idaho Code § 30-1416.

8. Defendants have violated Idaho Code § 30-1416.

COUNT TWO

The allegations contained in paragraphs 1 through 8 are hereby realleged as if fully set forth.

9. At no time have Defendants been licensed by the Department of Finance as broker-dealers or salesmen for a broker-dealer to sell or offer for sale securities as required by Idaho Code § 30-1406. Therefore, Defendants have either transacted business in this state as broker-dealers or salesmen without having been registered, or have acted as broker-dealers or issuers, and employed salesmen who were not registered under the Act.

10. Defendants have violated Idaho Code § 30-1406.

COUNT THREE

The allegations contained in paragraphs 1 through 10 are hereby realleged as if fully set forth.

11. In connection with the offer or sale of securities, Defendants 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 in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2). The omissions of

Defendants include, but are not limited to, the following:

a. Defendants failed to inform investors that investment monies would be deposited in an account personally owned and controlled by Atkins.

b. Defendants failed to inform investors that investment monies might be held and applied towards Atkin's own personal and business expenses.

c. Defendants failed to inform investors of the significant risks associated with trading in foreign currency.

d. Defendants failed to inform investors that Morgan Sterling Currency Exchange, Inc. was an entity created and operated by Atkins himself.

e. Defendants failed to inform investors of the identity of the currency pool manager and the purported pool's history of profitable or unprofitable forex investing.

f. Defendants failed to inform investors of the managerial history and financial condition of Morgan Sterling.

g. Defendants failed to inform investors that Atkins and Morgan Sterling were prohibited under the Idaho Commodity Code from engaging in the offer and sale of commodity contracts in Idaho.

h. Defendants failed to inform investors that the securities were not registered with the Idaho Department of Finance as required under Idaho Code §30-1416.

i. Defendants failed to inform investors that they are not licensed with the Idaho Department of Finance as required under Idaho Code § 30-1406.

j. Defendants failed to inform investors that Atkins had state and federal tax liens filed against him.

12. Defendants have violated Idaho Code § 30-1403(2).

COUNT FOUR

The allegations contained in paragraphs 1 through 12 are hereby realleged as if fully set forth.

13. In connection with the offer or sale of securities, Defendant Atkins made untrue statements of material fact in violation of an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(2). The misrepresentations of Atkins include, but are not limited to, the following:

a. Atkins represented that any investment would be applied to a pool of funds being used to trade in the foreign currency markets. In fact, investor funds were applied towards the business and personal expenses of Atkins and Morgan Sterling.

b. Atkins represented that an investment in the foreign currency pool was low risk and that an investor only risked the loss of perhaps 20% of invested capital. In fact, investors have been unable to obtain a return of any of their invested capital.

c. Atkins represented that Morgan Sterling was run by persons other than Atkins. In fact, Atkins is the apparent sole incorporator and operator of Morgan Sterling.

d. Atkins represented that Morgan Sterling and its staff had expertise in profitably trading foreign currencies. In fact, there is no evidence to suggest that Atkins or Morgan Sterling had any prior experience in trading foreign currencies.

e. Atkins represented that Mr. Morgan Sterling was the founder of Morgan Sterling Currency Exchange, Inc. In fact, Atkins is the founder and apparent sole

incorporator of the company.

14. Defendant Atkins has violated Idaho Code §30-1403(2).

COUNT FIVE

The allegations contained in paragraphs 1 through 14 are hereby realleged as if fully set forth.

15. Defendants violated an antifraud provision of the Idaho Securities Act, Idaho Code §30-1403(3), in that they engaged in acts, practices, and courses of business which operated as a fraud or deceit upon other persons in connection with the offer or sale of securities. Defendants' acts, practices, and courses of business which operated as a fraud or deceit include, but are not limited to, the following:

a. The pattern of misrepresentations and omissions referred to in Count Three and Count Four, above.

16. Defendants have violated Idaho Code §30-1403(3).

COMMODITY CODE VIOLATIONS

COUNT SIX

The allegations contained in paragraphs 1 through 16 are hereby realleged as if fully set forth.

17. The foreign currencies allegedly traded on behalf of investors are commodities as defined at Idaho Code §30-1501(3).

18. The means through which these commodities were sold were "commodity contracts" as defined in Idaho Code § 30-1501(4).

19. Pursuant to Idaho Code §30-1502, no person shall sell or purchase or offer to sell or purchase any commodity under any commodity contract or under any commodity

option except as provided under §30-1503 or §30-1504.

20. The commodity transactions offered and sold by Defendants are not exempt pursuant to Idaho Code §30-1504.

21. The Defendants and their employees and/or agents are not exempt as provided under Idaho Code §30-1503.

22. Defendants have violated Idaho Code §30-1502.

COUNT SEVEN

The allegations contained in paragraphs 1 through 22 are hereby realleged as if fully set forth.

23. In connection with a commodity contract, Defendants 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 in violation of an antifraud provision of the Idaho Commodity Code, Idaho Code §30-1506(1)(b). The omissions of Defendants include, but are not limited to, the following:

a. Defendants failed to inform investors that investment monies would be deposited in an account personally owned and controlled by Atkins.

b. Defendants failed to inform investors that investment monies might be held and applied towards Atkin's own personal and business expenses.

c. Defendants failed to inform investors of the significant risks associated with foreign currency investing.

d. Defendants failed to inform investors that Morgan Sterling Currency Exchange, Inc. was an entity created and operated by Atkins.

e. Defendants failed to inform investors of the identity of the foreign currency

pool manager and the purported pool's history of profitable or unprofitable investing.

f. Defendants failed to inform investors of the managerial history and financial condition of Morgan Sterling.

g. Defendants failed to inform investors about the management and ownership of Morgan Sterling.

h. Defendants failed to inform investors that Atkins and Morgan Sterling were prohibited under the Idaho Commodity Code from engaging in the offer and sale of commodity contracts in Idaho.

i. Defendants failed to inform investors that Atkins had state and federal tax liens filed against him.

24. Defendants have violated Idaho Code § 30-1506(1)(b).

COUNT EIGHT

The allegations contained in paragraphs 1 through 24 are hereby realleged as if fully set forth.

25. In connection with a commodity contract, Defendant Atkins made untrue statements of material facts in violation of an antifraud provision of the Idaho Commodity Code, Idaho Code §30-1506(1)(b). The misrepresentations of Atkins include, but are not limited to, the following:

a. Atkins represented that any investment would be applied to a pool of funds being used to trade in the foreign currency markets. In fact, investor funds were applied towards the business and personal expenses of Atkins and Morgan Sterling.

b. Atkins represented that an investment in the foreign currency pool was low risk and that an investor only risked the loss of perhaps 20% of invested capital. In fact, investors have been unable to obtain a return of any of their invested capital.

c. Atkins represented that Morgan Sterling was run by persons other than Atkins. In fact, Atkins is the apparent sole incorporator and operator of Morgan Sterling.

d. Atkins represented that Morgan Sterling and its staff had expertise in profitably trading foreign currencies. In fact, there is no evidence to suggest that Atkins or Morgan Sterling had any prior experience in trading foreign currencies.

e. Atkins represented that Mr. Morgan Sterling was the founder of Morgan Sterling Currency Exchange, Inc. In fact, Atkins is the founder and apparent sole incorporator of the company.

26. Defendant Atkins has violated Idaho Code §30-1506(1)(b).

COUNT NINE

The allegations contained in paragraphs 1 through 26 are hereby realleged as if fully set forth.

27. Defendants violated an antifraud provision of the Idaho Commodity Code, Idaho Code §30-1506(1)(c) in that they engaged in transactions, acts, practices and courses of business which operated as a fraud or deceit upon other persons in connection with a commodity contract. Defendants' transactions, acts, practices, and courses of business which operated as a fraud or deceit include, but are not limited to, the following:

a. The pattern of misrepresentations and omissions referred to in Count Seven and Count Eight, above.

28. Defendants have violated Idaho Code §30-1506(1)(c).

PRAYER FOR RELIEF

Wherefore, Plaintiff prays for a Judgment in favor of Plaintiff and against Defendants as follows:

A. That Defendants be adjudged to have violated the Idaho Securities Act and the Idaho Commodity Code.

B. That Defendants be permanently enjoined from engaging in any acts, practices or omissions which would constitute violations of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, the Idaho Commodity Code, Title 30, Chapter 15, Idaho Code, and in particular, that they be permanently enjoined from:

1. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as the securities have been registered with the Idaho Department of Finance in accordance with Title 30, Chapter 14, Idaho Code;
2. Selling or offering for sale nonexempt securities in any form in the State of Idaho until such time as Defendants have registered as broker-dealers or salesmen for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;
3. Selling or offering for sale nonexempt commodities in the State of Idaho.
4. While engaged in or in connection with the offer, sale or purchase of any security or commodity:
   (a) Employing any device, scheme or artifice to defraud any investors in the securities or commodities;
   (b) Making any untrue statement of a material fact or omitting to state a material

fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

(c) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

5. Aiding, abetting, counseling, inducing or causing any other person to engage in any of the types of conduct described in paragraphs 1, 2, 3, or 4, above.

C. That Defendants be prohibited from claiming the availability of, using, or offering or selling securities or commodities, under any exemptions under the Idaho Securities Act or the Idaho Commodity Code without receiving the prior written consent of the Director.

D. That Defendants be ordered to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act or the Idaho Commodity Code.

E. That Plaintiff be awarded attorney's fees and costs incurred in the preparation and the prosecution of this action, and if judgment is taken by default herein, that $5,000 is a reasonable attorney's fee.

G. Such other and further relief as this Court may deem equitable and just.

DATED this 14th day of August, 2000.

Scott B. Muir
Deputy Attorney General
Department of Finance

VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and says:

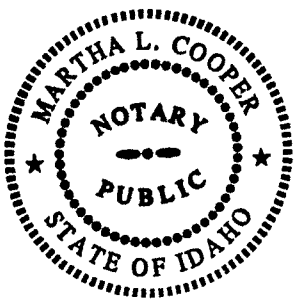
That she has read the foregoing verified complaint; that she knows the contents thereof, and that the same are true to the best of her knowledge.

DATED this 14th day of August, 2000.

Marilyn T. Chastain

MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 14TH day of August, 2000.



Martha L. Cooper

NOTARY PUBLIC FOR IDAHO
Residing at: Boise, Id
My Commission expires: 11-26-02