

Metal Coatings Spur \$90M Securities Action

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RENO, Nev. (CN) — In a federal class action, investors want to know what a Nevada metal-coatings firm did with their \$90 million. Jerry Alexander and 21 co-plaintiffs sued Dean and Madylon Meiling, of Nevada, two other people and several businesses, chief among them Chemeon Surface Technology, Metalast Surface Technology and three other Meiling entities.

The lawsuit filed Monday claims the defendants conspired to defraud more than 900 investors of more than \$90 million in metal coatings businesses known as Metalast International, then MI94, and now marketed by Chemeon Surface Technology, of Minden, Nevada. The plaintiffs' investments began in 1994.

Alexander says lead defendants Dean and Madylon Meiling, who are married, “planned, schemed and conspired” to “fraudulently take or acquire the assets” of Metalast after telling the investors they would provide additional capital to develop special metal coatings.

Alexander says that to pull off the fraud, the “defendants feigned negotiating, and finalizing the terms of the funding arrangement, and misrepresented that defendant Janet Chubb was Meiling defendants’ legal representative, and that defendant James Proctor was Meiling defendant’s accountant and each was engaged to conduct due diligence for the funding arrangement.”

In the course of these “feigned negotiations,” Alexander says, the defendants “obtained access to confidential and proprietary information,” which they “secretly and improperly used to file a receivership action” to obtain the assets of Metalast.

Alexander says that in April 2013 the Meilings, with Chubb’s help, filed a request to appoint Proctor as Metalast’s receiver, and that Proctor removed Metalast’s manager and prevented its more than 900 investors from protecting their investments.

Proctor appointed the Meilings to take over Metalast’s operations “for the purpose of devaluing” it and to “misrepresent that the company could no longer continue as a going concern,” according to the complaint.

“The fraudulent scheme culminated with a contrived credit bid ‘sale,’ and the transfer and conversion of a majority” of Metalast’s assets to Chemeon, et al., according to the complaint.

Alexander says the Meilings, et al., “accepted and enjoyed the benefits of the assets, goodwill, money and profits of the plaintiffs, the class and Investment LLC,” and the plaintiff class is out more than \$90,000,000. Named as defendants are the Meilings, Chubb, Proctor, Chemeon, Metalast, D&M-MI; DSM Partners, Meiling Family Partners, and Meridian Advantage.

Alexander seeks class certification and actual and punitive damages for fraud, misrepresentation, unjust enrichment, conversion, professional negligence, conspiracy, bad faith, breach of contract and breach of fiduciary duty. Chemeon did not respond to a telephone request for comment.

Its website indicates that Chemeon’s roots go back to 1994 as a business-to-business provider of metal surfacing used to enhance cleaning and sealing, resist corrosion, and improve durability and paint adhesion. Its coatings are used in several industries, including automotive, aerospace, cookware, marine, electronics and several other global industries, according to the company website.

Chubb declined to comment.

No contact information could be found for the Meilings. Proctor did not return a call seeking comment.

The plaintiffs are represented by David Lee with Lee, Hernandez, Landrum & Garofalo, who was not immediately available by telephone Wednesday.