

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

FRANK J. CUSTABLE, JR.; SARA WETZEL;
SUBURBAN CAPITAL CORPORATION;
FRANCIS SCOTT WIDEN; WASATCH
PHARMACEUTICAL INC.;
DAVID GILES; GARY HEESCH; PACEL
CORPORATION; DAVID CALKINS;
GATEWAY DISTRIBUTORS, LTD.;
RICHARD BAILEY; THERMOELASTIC
TECHNOLOGIES, INC.; ROBERT BLAGMAN;
BLAGMAN MEDIA INTERNATIONAL, INC.;
and BRAD NORDLING,

Defendants,

PINE SERVICES, LTD., SOTHIS III, LDC, and
ACTIVE INVESTMENTS, INC.,

Relief Defendants.

Civil Action No: 03 C 2182

Judge Gottschall

Magistrate Judge Mason

**SECOND AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER
EQUITABLE RELIEF**

Plaintiff Securities and Exchange Commission (the "Commission") for its First
Amended Complaint for Injunctive and Other Equitable Relief, states as follows:

**PRELIMINARY STATEMENT CONCERNING
FILING OF SECOND AMENDED COMPLAINT**

Starting in at least November 2001 and continuing until the SEC filed this lawsuit
on March 27, 2003, Frank J. Custable, Jr. ("Custable"), a recidivist securities law

violator, orchestrated a complex scheme, through Suburban Capital, an entity he controlled, to provide financing to distressed bulletin board companies in exchange for non-restricted securities, in violation of the registration, antifraud, and reporting provisions of the federal securities laws. The schemes involved abuses with respect to the use of Form S-8, the removal of restrictive legends on restricted stock based on misrepresentations to attorneys, transfer agents and brokers, and violations of the reporting requirements of Section 13(d) of the Exchange Act, as Custable typically failed to disclose his beneficial ownership interest in the bulletin board stock that he caused to be dumped on the market shortly after his receiving it. Custable's multi-faceted schemes have involved at least seven penny-stock bulletin board companies and generated more than \$4 million in proceeds to Custable from sale of their stock.

In the pending lawsuit, which was filed as an emergency action in order to put an immediate stop to the unlawful schemes, the SEC obtained a preliminary injunction and asset freeze against Custable and his cohorts, and is in the midst of discovery with respect to the underlying claims. The SEC is now amending the complaint to add as additional defendants certain bulletin board companies and their principals, and to add allegations of additional transactions against defendants previously named in the original complaint.

This Second Amended Complaint adds the following bulletin board companies and their principals as defendants: (i) Blagman Media International, Inc. ("BMI") and its CEO, Robert Blagman ("Blagman"); and (ii) Brad Nordling ("Nordling"), Sharecom Inc.'s CEO. The original complaint contained allegations against Custable relating to both of these bulletin board companies, but did not name the issuers or their principals as defendants. The SEC, on the basis of more complete information and to further the

Commission's enforcement interest against these entities and individuals, is now adding them as parties in connection with their roles in these schemes. Other bulletin board companies, including Wasatch Pharmaceutical, Inc. ("Wasatch"), Gateway Distributors, Ltd. ("Gateway"), Pacel Corporation ("Pacel") and ThermoElastic Technologies, Inc. ("ThermoElastic")

This Second Amended Complaint also adds additional claims against Wasatch and its senior officers, Heesch and Giles, as well as against Custable, Wetzel and Suburban Capital relating to additional transactions undertaken in furtherance of the schemes previously alleged. Each of these persons and entities is already named in the pending action for claims involving (i) the misuse of and misrepresentations in Forms S-8 and in connection with the issuance and sale of this S-8 stock and (ii) misrepresentations made by the issuers, their officers and directors, and third parties, through attorney opinion letters, to transfer agents for the purpose of removing the restrictive legends from restricted stock and the subsequent transfer such unlegended shares to members of the Custable Group ("friendly party transactions"). The proposed new claims involve additional instances of illegal and fraudulent conduct in connection with the misuse of Form S-8 and the friendly party transactions that would give rise to additional monetary relief and provide additional bases for the injunctive relief sought by the Commission in this action.

The Second Amended Complaint also adds additional claims against Custable, Suburban Capital and Wetzel in connection with their scheme to hide Suburban Capital and Custable's ownership interest in Worldwide Holdings Delaware Corp. ("WWHD"), a

subsidiary of Gateway, that Suburban Capital acquired, and in connection with an unlawful scheme to provide freely tradable WWHD S-8 stock to Custable.

The Second Amended Complaint also adds additional fraud claims against Custable in connection with false information contained on various Schedule 13D filings relating to the above entities. Such filings are required under the federal securities laws for persons who have a beneficial ownership interest in excess of 5% of issued and outstanding shares of an issuer.

The Second Amended Complaint also alleges that currently-named defendants Gateway, ThermoElastic, Pacel, Calkins, and Bailey violated the registration provisions of the federal securities laws by issuing stock registered on Form S-8 stock to members of the Custable Group in exchange for services of little or no value and in connection with a capital raising transaction. The SEC previously charged that these defendants violated the anti-fraud provisions of the federal securities law with respect to these S-8 transactions.

Finally, the Second Amended Complaint expressly alleges two additional legal bases for seeking liability against Custable and Suburban Capital for their role as the architects and prime movers in this scheme: control person liability pursuant to Section 20(a) of the Exchange Act and aiding and abetting liability pursuant to Section 20(e) of the Exchange Act. While the legal theories for recovery do not have to be set forth in the complaint, the SEC thought it prudent to provide Custable and Suburban Capital with notice of these additional theories of liability.

For ease of review of the new allegations, to avoid confusion, and to minimize the burden on previously named defendants, the SEC has not made any changes to the factual

allegations contained in the First Amended Complaint, and instead has merely added the new factual allegations beginning at paragraph 80 herein. Accordingly, the Answers submitted by pre-existing defendants in response to the First Amended Complaint may simply be applied to paragraphs 1 through 79. As for the Counts and Relief Requested sections, these have been updated to include the fuller set of allegations against all of the formerly-named and newly-added defendants.

NATURE OF THE ACTION

1. This case concerns an ongoing scheme to violate the registration, antifraud and reporting provisions of the federal securities laws. Defendant Frank J. Custable, Jr. (“Custable”), a recidivist securities law violator, has orchestrated the multi-faceted scheme from its inception in 2001 until the present. Custable’s scheme has involved the securities of at least seven small public companies and has generated more than \$4 million in ill-gotten gains.

2. Custable’s scheme involves illegally obtaining large positions in penny stock issuers and then using nominees to engage in unregistered offerings of the stock, while fraudulently concealing Custable’s interest in the stock. To carry out his scheme, Custable has used Defendant Suburban Capital Corporation (“Suburban Capital”), a company controlled by Custable that purports to provide financing and consulting services to small public companies, as well as Defendants Sara Wetzel (“Wetzel”), and Francis Scott Widen (“Widen”), two individuals who work for Custable at Suburban Capital. Custable has also used various other individuals as nominees to obtain stock for his benefit without disclosing his interest in the stock. Acting at Custable’s direction, Suburban Capital, Wetzel, Widen and other nominees have repeatedly obtained large

amounts of stock from penny stock issuers and then promptly sold the stock to the investing public in violation of the registration provisions.

3. A significant amount of the stock that Suburban Capital, Wetzel, Widen and others have obtained for Custable's benefit was fraudulently obtained. The fraud involved includes sham Commission Form S-8 registration statements, forged stock authorization forms, and at least one bogus attorney opinion letter arranged by Custable.

4. Custable, through various "straw men" consultants, has obtained stock by Commission Form S-8 registration statements, which state that the issuer may only issue S-8 securities to consultants in exchange for *bona fide* consulting services and not in connection with a capital-raising transaction. In the case of stock that Custable's straw men obtained from Defendants Wasatch Pharmaceutical, Inc. ("Wasatch"), Gateway Distributors, Inc. ("Gateway"), Pacel Corporation ("Pacel"), and ThermoElastic Technologies, Inc. ("ThermoElastic"), as well as from Sharecom, Inc. ("Sharecom"), the issuers either obtained little or no *bona fide* services in exchange for the stock, or issued the stock in connection with a capital-raising transaction. The Commission has named as defendants in this action certain officers of the issuers involved in the sham S-8 registration statements. The officer defendants are: 1) Gary Heesch ("Heesch"), and David Giles ("Giles") of Wasatch, 2) David Calkins ("Calkins") of Pacel, and 3) Richard Bailey ("Bailey") of Gateway.

5. In the case of Blagman Media International, Inc. ("BMII"), Custable, Suburban Capital and Wetzel engineered a scheme in which they forged share issuance authorizations so that they could obtain and liquidate approximately 5.4 billion counterfeit shares of BMII.

6. In the case of Sharecom, Custable arranged for a significant amount of restricted Sharecom stock to become unrestricted and freely tradable through an attorney opinion letter premised on the fiction that the stock was owed for work performed more than two years before.

7. In carrying out this scheme, Custable has meticulously avoided using his name wherever possible. Custable has concealed his interest in the penny stocks involved in this action by using Wetzel, Widen, Suburban Capital and various straw men to effect stock transactions on his behalf. Custable has done so because he is rightly concerned that shareholders would be suspicious of any company in which Custable, a recidivist violator of the securities laws, had a substantial interest. In going to such lengths to conceal his interest in the penny stocks, he has fraudulently evaded the reporting requirements of the federal securities laws, which require reporting by anyone with an interest in more than 5% of the outstanding stock of a public company.

8. Custable has consistently dumped on the unsuspecting investing public the shares that he has obtained through his confederates and other straw men. In order to liquidate the large stock positions accumulated on his behalf, Custable has enlisted the assistance of individuals and entities to send, by e-mail and fax, huge volumes of unsolicited stock newsletters to the investing public. The stock newsletters have touted the stock that Custable has accumulated and stimulated market demand for the stock that Custable has then dumped on the market. Custable has generally paid for this “spamming” of potential investors with stock that he has acquired—legitimately or illegitimately—from the various small issuers enmeshed in his scheme.

9. Custable has tightly controlled the ill-gotten gains from his scheme. He controls Suburban Capital's bank accounts, which is where Wetzel, Widen and the straw men that Custable has used generally direct proceeds from their stock sales. Custable has also directed at least \$235,000 in proceeds from his scheme to offshore accounts and entities. Custable has also set up an entity in the offshore jurisdiction of Nevis, to shield his assets from recovery. Since at least June 2002, relief defendant Pine Services, Ltd. ("Pine Services"), has facilitated Custable's attempts to move assets beyond the reach of U.S. law enforcement by directing stocks and cash to bank accounts in Costa Rica. Further, between September 2002 and the present, Suburban Capital has transferred Gateway stock that it obtained in an illegal transaction to Sothis III, LDC ("Sothis"), an entity located in Costa Rica that has the same fax and phone number as Pine Services. Additionally, Custable and Wetzel have caused at least \$345,000 to be transferred from Suburban Capital's bank accounts to bank accounts controlled by Custable held in the name of Active Investments, Inc. ("Active Investments"), an entity that has used these funds to obtain interests in real estate properties.

10. By the above conduct, Custable has violated Sections 5(a), 5(c), 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 ("Securities Act"), Sections 10(b) and 13(d) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rules 10b-5, 13d-1 and 13d-2 thereunder. Suburban Capital and Wetzel have violated Sections 5(a), 5(c), 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Widen has violated Sections 5(a) and 5(c) of the Securities Act.

11. The Commission is requesting emergency injunctive and other equitable relief against Custable, Suburban Capital, Wetzel and Widen. The Commission requests that the Court issue a temporary restraining order and preliminary injunction against them enjoining further violations of the federal securities laws. Given the continuous nature of their illegal conduct, emergency injunctive relief is appropriate. The Commission further requests that the Court grant other emergency equitable relief against them, including an order requiring them to provide accountings, freezing their assets, prohibiting them from destroying or concealing documents and requiring them to repatriate assets to the U.S. The Commission further requests that the Court impose a temporary, preliminary and permanent penny stock bar against Custable and Suburban Capital, and bar them from further trading of securities during the pendency of this action. The Commission requests this equitable relief based on Custable's orchestration of a long-running and brazen scheme to violate the federal securities laws. The Commission also requests that the Court impose a permanent penny stock bar against Wetzel and Widen. The Commission further requests permanent injunctive relief, disgorgement, civil penalties and penny stock bars against Custable, Suburban Capital, Wetzel and Widen based on their conduct in this scheme.

12. The Commission requests disgorgement from relief defendants, Pine Services, Sothis and Active Investments because they have been unjustly enriched through their receipt of ill-gotten gains from the scheme. The Commission further requests emergency equitable relief against these relief defendants, including an asset freeze and repatriation order, as well as an order requiring each of them to provide a detailed accounting of their assets and for the transactions that are the subject of this

action, and an order prohibiting any of the relief defendants from destroying or concealing documents that are relevant to this action.

13. By the above conduct, Wasatch, Heesch and Giles have violated Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act. The Commission requests that the Court permanently enjoin Wasatch, Heesch and Giles from further violations, order them to pay disgorgement and civil penalties and enter an officer and director bar against Heesch and Giles. The Commission further requests that the Court impose a permanent penny stock bar against Heesch and Giles. As part of the requested temporary restraining order, the Commission seeks to have the Court require Wasatch, Heesch and Giles to provide an accounting of their assets and for the transactions that are the subject of this action and to be prohibited from destroying or concealing documents relevant to this action.

14. By the above conduct, Pacel, Calkins, Gateway and Bailey have violated Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act. The Commission requests that the Court permanently enjoin Pacel, Calkins, Gateway and Bailey from further violations, order them to pay disgorgement and civil penalties and enter an officer and director bar against Calkins and Bailey. As part of the requested temporary restraining order, the Commission seeks to have the Court require Pacel, Calkins, Gateway and Bailey to provide an accounting of their assets and for the transactions that are the subject of this action and to be prohibited from destroying or concealing documents relevant to this action.

JURISDICTION

15. The Court has jurisdiction over this action pursuant to Sections 20 [15 U.S.C. §77t] and 22 of the Securities Act [15 U.S.C. §77v] and Sections 21(d)[15 U.S.C. §78u(d)] and 27 of the Exchange Act [15 U.S.C. §78aa].

16. The defendants have, directly and indirectly, made, and are making, use of the mails, and of the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

17. There is a reasonable likelihood that the defendants will, unless enjoined, continue to engage in the transactions, acts, practices and courses of business set forth in this Complaint, and transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

18. Suburban Capital Corporation, is a Delaware corporation headquartered in Addison, Illinois. Suburban Capital purports to provide financing and consulting services to small public companies. Custable runs the operations of Suburban Capital. Many of the nominees used to accumulate stock for Custable's benefit were either employed by Suburban Capital or did consulting work for Suburban Capital. Throughout the scheme alleged in this action, Suburban Capital accumulated stock for Custable's benefit and took control of the ill-gotten gains generated by the scheme.

19. Frank J. Custable, Jr. is a resident of Glendale Heights, Illinois. Custable is the president of Suburban Capital and has also identified himself as its secretary. Custable was a registered representative with various broker-dealer firms until February 1992. Custable has a significant disciplinary history in the securities industry. In 1994,

21. Francis Scott Widen (“Widen”) is a resident of Buffalo Grove, Illinois. At times relevant to this action, Widen was the head of Suburban Capital’s “mergers and acquisitions department” and supervises the consultants who work for Suburban Capital. According to S-8 registration statements filed with the Commission, Widen has supposedly provided consulting services to Sharecom and Pacel in exchange for S-8 stock.

22. Wasatch Pharmaceutical, Inc. (“Wasatch”) is a Utah corporation headquartered in Murray, Utah. The securities of Wasatch are registered with the Commission pursuant to Section 12(g) of the Exchange Act and are quoted on the OTC Electronic Bulletin Board, under the symbol WSCH. Wasatch purports to be engaged in designing, manufacturing, and marketing pharmaceutical and dermatological products.

23. Gary Heesch (“Heesch”) is the Chief Executive Officer and a director of Wasatch and a resident of Utah.

24. David Giles (“Giles”) is the Chief Financial Officer and secretary of Wasatch and a resident of Utah.

25. Pacel Corporation (“Pacel”) is a Virginia corporation headquartered in Manassas, Virginia. The securities of Pacel are registered with the Commission pursuant to Section 12(g) of the Exchange Act and are quoted on the OTC Electronic Bulletin Board, under the symbol PCEL. Pacel purports to be a software development and systems integration company.

26. David Calkins (“Calkins”) is a resident of Amissville, Virginia and is the president and a director of Pacel.

27. Gateway Distributors, Ltd. (“Gateway”) is a Nevada corporation headquartered in Las Vegas, Nevada. The securities of Gateway are registered with the Commission pursuant to Section 12(g) of the Exchange Act and are quoted on the OTC Electronic Bulletin Board under the symbol GTWY. Gateway purports to market and distribute nutritional and health supplements.

28. Richard Bailey (“Bailey”) is a resident of Las Vegas, Nevada and is the president, Chief Financial Officer, and a director of Gateway.

29. ThermoElastic Technologies, Inc. (“ThermoElastic”) is a Colorado corporation headquartered in Fox Island, Washington. The securities of ThermoElastic are registered with the Commission pursuant to Section 12(g) of the Exchange Act and are quoted on the OTC Electronic Bulletin Board under the symbol TMRO. ThermoElastic purports to market and distribute dental care and other oral hygiene products.

30. Pine Services Ltd. (“Pine Services”) is an international business entity chartered in Costa Rica and located in San Jose, Costa Rica.

31. Sothis III, LDC (“Sothis”) is an international business entity chartered in Belize and located in San Jose, Costa Rica.

32. Active Investments, Inc. (“Active Investments”) is an Illinois corporation doing business out of the same address as defendant Suburban Capital in Addison, Illinois. Defendant Wetzel is the President and Secretary of Active Investments, and defendant Custable is the sole signatory authority on accounts into which were deposited proceeds of sales of S-8 stock by one or more of the defendants in this action. These

funds were in turn used to enable Active Investments to make loans and obtain interests in real estate properties.

FACTS

Custable and Suburban Capital's Relationship with the Issuers

33. From at least November 2001 to the present, Custable, through Suburban Capital, an entity that he controls, has been engaged in providing small public companies with financing and consulting services. The companies that have worked with Suburban Capital are very small public companies, typically with market capitalizations under \$10 million. During the pendency of Custable's scheme, the stock of these companies generally traded at prices under \$.10 per share, and frequently traded for less than \$.01 per share. The stocks involved in this scheme are considered penny stocks. The stock of the companies involved in this scheme is quoted on the OTC Electronic Bulletin Board, which is a quotation service provided by the NASD.

34. Suburban Capital holds itself out to small public companies as a "one stop shop," capable of providing these companies with assistance in raising capital and other consulting services required by the small public companies. Although Custable controls Suburban Capital, he delegates various significant tasks to Wetzel and Widen. At times relevant to this action, Wetzel has served as Custable's primary assistant at Suburban Capital and acts as Suburban Capital's office manager. At times relevant to this action, Widen has served as the head of Suburban Capital's "mergers and acquisition department". In addition to Wetzel and Widen, Suburban Capital employed other consultants, including Robert Romine ("Romine"), James Carroll ("Carroll") and Paul Munnich ("Munnich"), to allegedly provide consulting services to the issuers identified in

this Complaint. Where Custable has retained an individual to obtain stock on his behalf, such as Munnich, Carroll and Romine, the individual is referred to herein as a “straw man”.

35. Through this relationship, Custable and Suburban Capital have obtained significant amounts of stock in the issuers identified in this Complaint.

36. One way that Custable has accumulated large positions in the penny stocks is through stock issued pursuant to a Form S-8 registration statement filed with the Commission by the issuer. Form S-8 registration is available to issuers who compensate their consultants in the form of securities, rather than cash. Small public companies use S-8 securities to fund their operations because they frequently do not have sufficient cash to do so. The instructions to Commission Form S-8 state that Form S-8 is available to register securities offered and sold to the issuer’s consultants and employees “only if (i) they are natural persons; (ii) they provide *bona fide* services to the registrant; and (iii) the services are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the registrant’s securities...” Custable accumulated significant positions in the issuers by having individuals acting on his behalf, such as Wetzel and Widen, identified on Form S-8 registration statements as consultants to the issuers. Wetzel, Widen and Custable’s straw men thus have received S-8 stock from the issuers and, at Custable’s direction, they have either sold such stock or transferred it to Suburban Capital or to another entity or individual.

37. Another way that Custable has provided capital to issuers is through secured loans made by Suburban Capital to the issuers. Such loans have been secured by

shares of the issuer's restricted stock, which are shares owned by one or more of the officers, directors or other persons affiliated with the issuer. Stock issued by a public company without the filing of a registration statement, and stock issued to the officers, directors, or other affiliates of a public company, is considered restricted stock at the time of its issuance. Restricted stock is restricted from resale or transfer pursuant to the federal securities laws. Restricted stock may be sold or transferred by the owner only upon the fulfillment of certain conditions, including a minimum time period for which the owner must hold the stock and limitations on the amount of restricted stock that can be sold during a certain time period. Certificates of restricted stock bear a restrictive legend that can only be lifted by the stock transfer agent. Transfer agents requested to lift the restrictive legend on restricted stock are required to assure themselves that it is appropriate to do so under the federal securities laws. Transfer agents generally do so by requiring an attorney opinion letter reflecting a legal opinion that it is appropriate to lift the restrictive legend. Custable has accumulated significant positions in the penny stocks involved in this scheme by foreclosing on the restricted stock pledged as collateral for loans made by Suburban Capital to the issuers. When Custable obtains restricted stock, he generally arranges for an attorney to provide to the issuer's transfer agent an opinion letter stating that it is appropriate to remove the restrictive legend from the stock certificates. Once the restrictive legend is removed, shares of stock may then be traded on the secondary market. Custable has used such stock as currency to fund his illegal enterprise.

Custable's Accumulation and Liquidation of S-8 Stock

The Accumulation of S-8 Stock

38. Between November 2001 to the present, Wetzel, Widen and the straw men, as well as entities controlled by Custable, including Suburban Capital, North Coast Investments, Inc., and Metropolitan Ventures, have obtained S-8 stock in Sharecom, Wasatch, Pacel, Premier Axiom, Gateway, BMII and ThermoElastic.

39. Wetzel, Widen and the straw men received this stock purportedly in exchange for providing consulting services to the issuers. Wetzel, Widen and the straw men would execute consulting agreements with the issuers, under which they were supposed to provide the issuers with strategic and marketing consulting services.

40. Pursuant to these consulting agreements, the issuers would file Form S-8 registration statements with the Commission. The issuers would then issue the S-8 stock, or options to purchase S-8 stock, to Wetzel, Widen and the straw men. In the event that Wetzel, Widen or the straw men received options to purchase the issuer's S-8 stock, Custable and Suburban Capital would pay to exercise the option.

41. The issuer's S-8 stock issued to Wetzel, Widen and the straw men often represented approximately 10 to 30 percent of the issuers' issued and outstanding stock at the time of issuance.

The Sham Form S-8 Registrations

42. Custable, Suburban Capital, Pacel, Calkins, Wasatch, Giles, Heesch, Gateway, Bailey, and ThermoElastic engaged in a scheme to issue S-8 stock to the straw men for services of little or no value or in exchange for financing.

43. Between April and July 2002, Munnich acted as a straw man with respect to Form S-8 registrations for Wasatch, Gateway and ThermoElastic. During this time period, Munnich was employed by Suburban Capital in its "mergers and acquisitions"

department. Custable decided to hire Munnich after interviewing him. Munnich is a high-school graduate who had experience working for a travel agency before going to work for Suburban Capital. At Suburban Capital, Munnich primarily made “cold calls” to private companies on behalf of Suburban Capital’s public company clients. The purpose of these calls was to see if a private company was willing to be acquired by the public company in exchange for stock in the public company. When he worked for Suburban Capital, Munnich reported to Widen and Custable. Munnich quit working for Suburban Capital in July 2002, having never closed a merger or acquisition. He was paid approximately \$10,000 in cash for his work at Suburban Capital.

44. Between April and July 2002, Munnich received approximately 380 million shares of Wasatch S-8 stock, 3.5 billion shares of Gateway S-8 stock, and 40 million shares of ThermoElastic S-8 stock. At the time the stock was issued, the Wasatch, Gateway, and ThermoElastic stock had a value of approximately \$1.52 million, \$4.25 million, and \$1.76 million, respectively. The stock that Munnich received represented a significant amount of the issued and outstanding stock of Wasatch, Gateway and Thermo Elastic, as detailed in Exhibit 1. Under the consulting agreements with Wasatch, Gateway and ThermoElastic, Munnich was supposed to assist the issuers with short and long range strategic planning, help develop and implement a marketing program, assist in recruiting of marketing and sales personnel, and identify, evaluate, structure, negotiate, and close strategic alliances. Munnich was unqualified to perform most of these services.

45. The Form S-8 registration statements for which Munnich was identified as a consultant were shams. Munnich never provided any services to ThermoElastic.

Thermo Elastic had previously agreed with Custable that it would issue the stock that it registered on Form S-8 in the name of Munnich in exchange for financing from Suburban Capital in the form of a restricted stock purchase agreement. In addition, Munnich worked approximately 5 hours under the two consulting agreements with Wasatch, and approximately 40 to 80 hours under his consulting agreement with Gateway. The little work that Munnich did for Wasatch and Gateway consisted of cold calling private businesses and inquiring whether they would be interested in being acquired by Gateway or Wasatch. Defendants Heesch and Giles signed the Form S-8 registration statements under which Munnich received Wasatch stock. Defendant Bailey signed the registration form under which Munnich received Gateway stock. In so doing, Heesch, Giles and Bailey falsely represented that Munnich was receiving securities for *bona fide* services and not in connection with a capital-raising transaction. Bailey, Heesch and Giles, as executive officers of small public companies, either knew at the time of the Form S-8 registrations, or were reckless in not knowing, that these representations were false.

46. Rather than provide ThermoElastic, Wasatch and Gateway with valuable services, Munnich acted as a straw man for Custable. Custable and Wetzel directed Munnich to transfer the stock that he received from ThermoElastic, Wasatch and Gateway to Suburban Capital and to individuals and entities associated with Custable and Suburban Capital. As a result, Munnich was merely a nominal consultant to the issuers and a nominal owner of the issuers' stock. Custable, through Suburban Capital, was the one with the real interest in the Thermo Elastic, Wasatch and Gateway stock issued in Munnich's name. For the most part, this stock was subsequently sold out of Suburban Capital's brokerage accounts.

47. Custable and Wasatch expressly agreed that the S-8 stock issued to Munnich was issued in exchange for financing. Specifically, the 380 million shares of Wasatch S-8 stock issued to Munnich was expressly in exchange for a \$100,000 loan from Custable and Suburban Capital. In a letter from Giles to Custable on May 13, 2002, Giles described the \$100,000 loan and the 380 million share S-8 issuance to Munnich as "one transaction."

48. Custable also engaged in a scheme to conduct a sham S-8 offering with Sharecom. Beginning in approximately October 2001, Custable offered to have Suburban Capital provide financing to Sharecom in exchange for options to purchase at least 165 million shares of S-8 stock. Custable informed Sharecom's former president, Brad Nordling ("Nordling"), that although Sharecom could not sell S-8 stock to Custable, Sharecom could obtain money from Custable by issuing options to purchase S-8 stock to individuals whom Custable would designate.

49. The capital raising arrangement agreed to by Custable and Nordling required Sharecom to issue options to purchase its S-8 stock to Wetzel, Widen, and another Suburban Capital consultant, Carroll, pursuant to three separate consulting agreements. On November 21, 2001, Sharecom issued to Wetzel and Widen an option to purchase 130 million shares of Sharecom's S-8 stock. Under the consulting agreements with Wetzel and Widen, the options to purchase 65 million shares of Sharecom stock had an exercise price of \$.000923 per share. On January 4, 2002, Sharecom entered into a consulting agreement with Carroll. Under this consulting agreement, Sharecom issued to Carroll an option to purchase 35 million shares of its S-8 stock. Under the consulting agreement with Carroll, the option to purchase 35 million shares of Sharecom stock had

an exercise price of \$.003 per share. All of the options provided for in the consulting agreements with Wetzel, Widen and Carroll were immediately exercised, with Suburban Capital paying the exercise price. Custable also entered into a similar arrangement with Wasatch. Under this arrangement, Wasatch issued warrants to purchase its S-8 stock to Romine, Wetzel and Carroll in approximately January or February 2002. These warrants were exercised and the exercise price was received, directly or indirectly, from Custable and Suburban Capital.

50. Although Sharecom received some consulting services in exchange for the S-8 stock issued to Wetzel, Widen and Carroll, the primary purpose of the consulting agreements was to raise capital to maintain Sharecom's business operations. If Sharecom had not received financing in the form of the option exercise price, it would not have issued the options to Wetzel, Widen, and Carroll. Between November 2001 and April 2002, Sharecom received at least \$212,995 directly or indirectly from Suburban Capital.

51. Custable also used Romine as a straw man for at least one S-8 registration statements. Romine is an independent contractor who has worked for Suburban Capital and its clients. In or about January or February 2002, Wetzel requested that Romine open up a brokerage account in which he could receive stock. In or about January or February 2002, Romine opened up the brokerage account as Wetzel requested and signed paperwork giving Wetzel the authority to sell and transfer stock out of his account.

52. Pursuant to a Form S-8 registration statement dated February 29, 2002, Romine obtained 33 million shares of Pacel. Romine did not provide any consulting services in exchange for the Pacel stock and was unaware that the Pacel stock was issued in his name until October 2002. This stock was sold out of Romine's brokerage account

without his knowledge and the proceeds transferred into a bank account controlled by Custable. Calkins signed the Form S-8 registration statement on behalf of Pacel and thereby falsely represented that the Pacel stock was issued to Romine in exchange for *bona fide* consulting services and not in connection with a capital-raising transaction. Calkins knew, or was reckless in not knowing, that he made misrepresentations in connection with the Form S-8 registration involving Romine.

Custable Arranges for Spam Stock Newsletters to Create Market Demand for the Stock He Accumulated

53. After accumulating large positions in the issuers' stock, Custable took steps to create market demand for the sales he intended to make. Custable primarily created market demand by hiring several individuals ("spammers") to prepare and widely disseminate e-mail and fax newsletters to the investing public. The newsletters touted the stock of the companies as good investments. Many of these newsletters appear to have had a significant market effect, generally corresponding to a significant increase in trading volume and, at times, a price increase.

54. Custable arranged for the spammers to be compensated in unrestricted stock and cash for preparing the newsletters. In many cases, the stock paid as compensation for the stock newsletters was originally issued to third parties as restricted stock, allegedly for services rendered over two years in the past. Without receiving anything directly in return, these third parties then transferred the restricted stock to the spammer, at the direction of Custable.

55. After directing the transfer of restricted stock to the spammers, Custable retained attorneys to prepare opinion letters stating that because the stock was issued for

services rendered over two years in the past, the restrictive legend on the stock should be removed. The stock was then reissued in the name of the spammer, without a restrictive legend. The spammers then sold the stock.

56. In or about November or December 2001, Custable arranged for the restrictive legend on certain shares of Sharecom to be lifted based on a bogus attorney letter. In or about November or December 2001, Custable agreed with Nordling that Sharecom would issue 15 million shares of its stock to a so-called "friendly party", Thomas Wetzel (who is not related to Defendant Sara Wetzel). Because the stock Custable anticipated that Sharecom would issue to Thomas Wetzel would not be registered on Form S-8, Sharecom would be required to issue it as restricted stock. Custable, however, had devised a plan to instantaneously lift the restriction on the Sharecom stock to be issued to Thomas Wetzel, so that it could be sold in the secondary market. Under Custable's plan, Nordling had to fabricate a compensation dispute with Thomas Wetzel in which Thomas Wetzel demanded compensation for services that he provided to Sharecom more than two years earlier, for which he had not been compensated.

57. Thomas Wetzel had performed work for Sharecom in the past, but he was paid for the work that he had performed at or about the time that he performed the work. At the time that Thomas Wetzel demanded that Sharecom pay him stock for services that he had performed in the past, Sharecom did not owe Thomas Wetzel any stock, or any other form of compensation. Although Nordling told Custable these facts, Custable devised the fiction that Thomas Wetzel was owed this stock for work performed more than two years earlier. Custable then directed Nordling to prepare paperwork

documenting Thomas Wetzel's demand for payment in stock for services previously rendered to Sharecom. Custable reviewed Nordling's paperwork documenting Thomas Wetzel's false demand at the time that the paperwork was prepared. After Nordling prepared the paperwork to Custable's satisfaction, Custable arranged for an attorney opinion letter to be prepared so that Sharecom's transfer agent would allow the Thomas Wetzel stock to be issued without a restrictive legend. Sharecom's transfer agent did issue 15 million shares of unrestricted stock to Thomas Wetzel.

58. At or about the time that Sharecom issued 15 million shares of unrestricted stock to Thomas Wetzel, Thomas Wetzel directed the transfer agent to transfer the stock to various individuals involved in producing spam newsletters for Custable's benefit.

Thomas Wetzel requested that the stock issued to him be immediately transferred based on Custable's request, which was communicated to Thomas Wetzel through Nordling.

Wetzel, Widen and the Straw Men Liquidate S-8 Stock for Custable's Benefit in Unregistered Offerings

59. After accumulating large positions in the issuers' stock and arranging for spam newsletters, Custable would then use Wetzel, Widen and the straw men to liquidate the stock through massive selling to the investing public. Between November 2001 and the present, Suburban Capital, Wetzel, and Widen engaged in unregistered offerings of the stock of Wasatch, Gateway, Pacel, Thermo Elastic, BMII, Premier Axiom and Sharecom. The unregistered offerings are detailed in a summary schedule, which is attached to Glaser's Declaration as Exhibit 1 and incorporated herein by reference. They did so by selling the issuer's stock they had accumulated for Custable's benefit almost immediately after receiving it from the issuers. These stock sales by Suburban Capital,

Wetzel and Widen show that they acquired the stock from the issuers with a view to distributing it to the investing public.

60. Custable, Suburban Capital, Wetzel, Widen and the straw men did not file a registration statement with the Commission for the sales of stock detailed in Exhibit 1, even though many of the sales accounted for a significant amount of the issuer's outstanding stock at the time of the sales.

61. The sales made during the unregistered offerings were done through myriad brokerage accounts in order to conceal Custable's beneficial interest in the stock. In some instances, sales were made out of brokerage accounts in the name of Suburban Capital, Wetzel, Widen or one of the straw men used by Custable. In such instances, most of the proceeds from the stock sales were then transferred to a Suburban Capital bank account that Custable controlled. In other instances, Custable directed Wetzel, Widen and the straw men to transfer stock issued in their name to Suburban Capital. This stock would then be sold out of Suburban Capital's brokerage account. No matter which method was employed, the vast majority of the proceeds from the unregistered offerings were directed to Suburban Capital's bank account, which is an account controlled exclusively by Custable. Between November 2001 to the present, Suburban Capital, Wetzel, Widen and the straw men transferred at least \$4.3 million in proceeds from the unregistered offerings of stock into Suburban Capital's bank account. Custable then directed a small portion of these proceeds to Wetzel, Widen and the straw men.

Custable's Concealment of Beneficial Ownership

62. As a result of the issuances of stock described in this action, at various times between November 2001 and the present, Custable beneficially owned more than

5% of the issued and outstanding stock in Wasatch, Pacel, Gateway, ThermoElastic, Sharecom, and Premier Axium.

63. The federal securities laws require individuals and entities who accumulate a position of 5% or more of the issued and outstanding stock of an issuer to file a Schedule 13D disclosing their interest. A Schedule 13D discloses, among other things, the filer's beneficial ownership of stock in the issuer, the purpose of the stock acquisition and all material changes in beneficial ownership of the stock disclosed.

64. With the exception of two recently filed Schedules 13D disclosing his ownership in Wasatch and Gateway, Custable never filed a Schedule 13D, or any other documents, disclosing his personal beneficial ownership of any of these securities. Further, Custable did not file any statements or supplemental Schedules 13D disclosing the sales of stock in the issuers for his benefit.

65. Custable intentionally concealed his beneficial ownership of stock by not filing Schedules 13D. He did so because he knew that the investing public would be suspicious of investing in stock associated with Custable, a recidivist securities law violator.

Issuance and Sale of Counterfeit BMII Stock

66. Suburban Capital, Custable, and Wetzel also engaged in a fraudulent scheme to issue counterfeit shares of BMII to use for their own benefit. BMII is a bulletin board company that specializes in direct marketing. In Spring 2001, Custable approached Robert Blagman ("Blagman"), the chief executive officer of BMII, about providing BMII with financing and consulting services through Suburban Capital. Blagman agreed and thereafter Custable arranged for Suburban Capital and others to loan

Blagman and BMII more than \$1 million, with Blagman's restricted stock of BMII pledged as collateral. When Blagman and BMII failed to repay these loans, Custable foreclosed on the BMII stock pledged as collateral.

67. The relationship between Custable and Blagman began to break down around March 2002 when Custable failed to come through with additional financing that he had promised BMII. Custable requested that Blagman provide him with more BMII stock and Blagman refused. Thereafter, Custable, Suburban Capital and Wetzel executed a scheme to issue counterfeit BMII stock for their own benefit.

68. Between at least April 12 and May 22, 2002, Custable, through Suburban Capital and Wetzel, sent to BMII's transfer agent, the entity responsible for issuing physical certificates of BMII stock, numerous BMII share issuance authorizations purportedly from BMII and signed by Blagman. These share issuance authorizations resulted in the issuance of approximately 5.4 billion shares of BMII stock.

69. This stock was issued without the authorization of Blagman or BMII. The share issuance authorizations used to obtain the counterfeit BMII stock were forgeries. Blagman's signature and handwriting were forged on the share issuance authorization forms. Blagman has identified some of the handwriting used to forge the share issuance authorization forms as Wetzel's handwriting. The federal criminal authorities seized many of the original share issuance resolutions used to obtain the unauthorized BMII stock when they executed a search warrant at Suburban Capital's office in Addison, Illinois.

70. In addition to forged issuance authorization forms, Custable, Suburban Capital and Wetzel also fabricated consulting agreements to make it appear to BMII's

transfer agent that the share issuances were pursuant to Form S-8 registration statements. They did so by forging Blagman's signature on the consulting agreements. The consulting agreements supposedly justifying the issuance of the counterfeit BMII stock were never agreed to by BMII. The federal criminal authorities seized some of the forged consulting agreements during their execution of the search warrant on Suburban Capital's offices.

71. Based on the forged issuance authorization forms, the transfer agent delivered the unauthorized BMII stock directly to Suburban Capital's offices. As of May 22, 2002, the counterfeit BMII stock accounted for approximately half of BMII's issued and outstanding stock.

72. Custable, Suburban Capital and Wetzel controlled the counterfeit stock after its issuance. Wetzel sold at least 240 million shares of the counterfeit BMII stock, out of two separate accounts, generating proceeds of at least \$242,000, which she transferred to Suburban Capital's bank account. Other shares of the counterfeit BMII stock were transferred to individuals and entities that are involved in disseminating spam stock newsletters.

Expatriation of Assets

73. Since at least 2002, Custable has taken steps to direct his ill-gotten gains beyond the reach of U.S. law enforcement. In the summer of 2002, Custable set up an entity in Nevis, an offshore jurisdiction, to protect his assets from any potential civil or criminal judgment. Further, since June 2002, Custable and Suburban Capital have transferred over \$110,000 into an account at a Costa Rican bank for the eventual credit of Pine Services, or Suburban Capital. Pine Services is a Costa Rican entity located in San

Jose. The business operations of Pine Services, outside of its affiliation with Custable and Suburban Capital, are unknown.

74. As recently as February 14, 2003, Gateway issued Custable shares of its S-8 stock in exchange for purported consulting services. In most cases, Custable has immediately transferred this stock to Pine Services. Pine Services then transfers this stock into a brokerage account and sells the Gateway stock. Pine Services then transfers these sales proceeds into an account at Banco Nacional de Costa Rica.

75. Neither Pine Services, nor Custable, has ever filed a registration statement for these sales of Gateway stock.

76. Further, Custable and Suburban Capital have also transferred assets to another foreign entity, Sothis. On August 9, 2002, pursuant to an S-8 registration statement, Gateway issued 500 million shares of its stock to Suburban Capital. However, because S-8 stock cannot be issued to a corporation, this issuance of Gateway stock was not properly registered and therefore illegal. In September 2002, Suburban Capital transferred 300 million of these shares of Gateway stock to Sothis, which Sothis deposited into its brokerage account. Custable personally authorized this transfer. Although Sothis did not sell any of the Gateway stock before the entry of the temporary restraining order on March 28, 2003, after this action was commenced, Sothis sought to transfer assets out of its brokerage account.

77. Sothis is also affiliated with Pine Services. At certain times, brokerage accounts maintained by these entities have had the same signatory. Further, both Pine Services and Sothis have the same phone and fax number, and are both located in San

Jose, Costa Rica. The business operations of Sothis outside of its affiliation with Custable and Suburban Capital are currently unknown.

78. Upon information and belief, Sothis and Pine Services have no legitimate claim to the ill-gotten gains that they have received.

Transfers of Funds to Active Investments

79. Between November 2001 and August 2002, Custable and Suburban Capital have also transferred a portion of their ill-gotten gains to Active Investments, an Illinois corporation over which Wetzel serves as President and Secretary, and which, upon information and belief, is controlled by Custable. Some of these transfers were made to bank accounts held in the name of Active Investments at Parkway Bank & Trust Co., an account over which Custable has had sole signatory authority at all times relevant to this lawsuit. During this period, at least \$345,000 was transferred from Suburban Capital's account at Village Bank to the Active Investments account(s) at Parkway Bank & Trust. During this same period, at least approximately \$49,000 was transferred out of Suburban Capital's bank account at Continental Community Bank to the Active Investments account(s). Upon information and belief, Active Investments has no legitimate claim to the ill-gotten gains that it has received.

ADDITIONAL ALLEGATIONS NOT INCLUDED IN FIRST AMENDED COMPLAINT

Additional Defendants

80. Blagman Media International, Inc., n/k/a Innovation Holdings, Inc. is a Nevada corporation headquartered in Los Angeles, California. The securities of BMII are registered with the Commission pursuant to Section 12(g) of the Exchange Act and are

quoted on the OTC Electronic Bulletin Board under the symbol INOV. BMII purports to be engaged in direct marketing and advertising, including infomercials.

81. Robert Blagman, is a resident of Los Angeles, California and is the chief executive and financial officer and a director of BMII. He is not registered with the Commission in any capacity, and has no prior disciplinary history.

82. Brad Nordling, 46 years old, is a resident of Palatine, Illinois. Nordling was the CEO and director of Sharecom until at least February 2002. He is not registered with the Commission in any capacity and has no prior disciplinary history. He is no longer associated with the public entity formerly known as Sharecom, but continues to be the principal of a privately held company known as U.S. Alert/Sharecom.

The S-8 and Restricted Stock Schemes – Additional General Allegations and Schedules Listing Violative Transactions

83. As is alleged in the First Amended Complaint, between at least September 2001 and February 2003, Suburban Capital and Custable, through Wetzel, Widen as well as the strawmen and nominees entered into financing and consulting agreements with Sharecom, Wasatch, Pacel, Gateway, and ThermoElastic in which Custable and Suburban Capital, directly, or indirectly through Wetzel, Widen, the strawmen and nominees, received S-8 stock in exchange for financing.

84. The financing provided by Suburban Capital and Custable, directly or indirectly, was characterized in myriad ways, including payments of S-8 stock option exercise prices, loans secured by stock, payments of cash pursuant to separate stock purchase agreements, and payments of cash in exchange for convertible notes. These

various financing transactions are detailed in Exhibit 55, attached to this Second Amended Complaint and incorporated by reference.

85. In order to obtain this financing, Custable and Suburban Capital required BMII, Wasatch, Sharecom, Pacel, Gateway and ThermoElastic to execute consulting agreements with Suburban Capital and Custable, directly and indirectly through the strawmen and nominees, pursuant to which the bulletin board companies issued stock registered on a Form S-8. Custable told these issuers that unless they were willing to issue him S-8 stock, he would not provide them with financing.

86. The consulting agreements between Sharecom, Wasatch, Pacel, Gateway, and ThermoElastic and Wetzel, Widen, the strawmen and nominees, which were the operative agreements in this scheme, were drafted and negotiated by Suburban Capital and Custable. Further, Custable and Suburban Capital, as the control persons over Wetzel, Widen, the straw persons and the nominees, knew or were reckless in not knowing that these consulting agreements were really intended to cover up the full extent of the relationship between Suburban Capital, Custable and the bulletin board companies. In fact, Custable devised the scheme for just this purpose.

87. As detailed in Exhibit 56, Sharecom, Wasatch, Pacel, Gateway, and ThermoElastic filed numerous Form S-8 registration statements between November 2001 and June 2002. Exhibit 56 is attached to this Second Amended Complaint and incorporated by reference. Sharecom, Wasatch, Pacel, and Gateway attached the consulting agreements between the bulletin board defendants and Wetzel, Widen, and the strawmen and nominees to many of these Form S-8 registration statements. See Exhibit 56.

88. In reality, the primary purpose the issuance of the S-8 stock by the bulletin board companies to Suburban Capital and Custable, through Wetzel, Widen, the strawmen and nominees, was to raise capital for the bulletin board companies through an illegal and fraudulent scheme. These transactions are listed in Exhibit 56, as well as Exhibit 1 in the SEC's Compendium of Exhibits, which is also attached hereto and incorporated by reference.

89. A major component of the capital raising scheme involved the issuance by the bulletin board companies to Wetzel, Widen, the strawmen and nominees of options and warrants to purchase S-8 stock. These transactions were previously addressed in the First Amended Complaint and restated herein, and detailed in Exhibit 55 and in Exhibit 1 in the SEC's Compendium of Exhibits. Custable and Suburban Capital paid the option or warrant exercise price listed in the consulting agreements between Sharecom, Wasatch, Gateway and Pacel and the strawmen and nominees. Although cast in the consulting agreements as an option or warrant this really constituted a means by which the bulletin board companies could receive financing in exchange for S-8 stock. Wetzel, Widen the straw persons and the nominees either transferred the shares directly to Custable-controlled accounts or sold the S-8 stock that they received out of various brokerage accounts and remitted the vast majority of the proceeds to accounts controlled by Custable.

90. These consulting agreements, pursuant to which the S-8 stock was issued, stated that the consultants (who also happen to be the strawmen and nominees) were supposed to provide *bona fide* consulting services in exchange for this S-8 stock.

Specifically, these consulting agreements, described in Exhibit 56, stated that the S-8 stock was being issued to the consultant to induce the consultant to:

undertake for and consult with the Company concerning management, marketing, consulting, strategic planning, corporate organization and structure, sales matters in connection with the operations of the business of the Company. [Under the consulting agreement and in exchange for the S-8 stock] Consultant agrees to provide on a timely basis the following services, and additional services contemplated thereby: (a) The implementation of short-range and long-range strategic planning to develop and enhance the Company's products and services; (b) Develop and assist in the implementation of a marketing program to enable the Company to broaden the markets for its services and promote the image of the Company and its products and services; (c) Advise the Company relative to the recruitment and employment of marketing and sales personnel consistent with the growth of operations of the Company; (d) The identification, evaluation, structuring, negotiating and closing of strategic alliances.

91. Although the consulting agreements provided for a wide variety of services to be rendered, most of the "consulting services" rendered by Suburban Capital, through Wetzel, Widen, the strawmen and nominees to Sharecom, Wasatch, Pacel, Gateway, and ThermoElastic pursuant to these consulting agreements involved having Suburban Capital employees or agents cold call privately-held companies to inquire whether they were interested in being purchased by the bulletin board companies. In connection with these "consulting services", Custable, through Suburban Capital, promised Gateway, ThermoElastic, Wasatch, Sharecom, and Pacel, that he would provide them with financing in the event that the bulletin board companies wished to acquire, merge with or otherwise enter into a business combination agreement with the private companies cultivated by Suburban Capital's cadre of "cold callers", including Munnich. Thus, to the extent that any consulting services were actually provided by Wetzel, Widen, the strawmen and the nominees, such services were inherently capital-raising in nature,

because these services were all provided with a view to engaging reverse mergers or other business combination transactions, all of which were backed by Custable's promise of financing.

92. Another method by which Custable provided financing to the bulletin board companies in addition to the S-8 option and warrant issuances was to make short-term "loans" (typically due in 60 days or less) secured by restricted shares of stock in the bulletin board companies. These financing agreements are detailed in Exhibit 55.

93. In most cases, these shares of restricted stock posted as collateral were first issued to the bulletin board company's officers or other "friendly parties" and then pledged to Suburban Capital or whomever Custable used to make his "loan." All of the loan and financing transactions detailed in Exhibit 55 were defaulted upon by the bulletin board companies.

94. This pledged stock was typically illiquid, restricted securities in financially distressed public companies, which could not be immediately and profitably resold by Custable and Suburban Capital upon default by the bulletin board companies unless Custable could obtain attorney opinion letters stating that the restrictive legend could be removed under SEC Rule 144(k).

95. In some cases, Custable did not even attempt to resell the restricted stock, relying instead entirely on the S-8 stock sales to recoup his investment.

96. In other cases, as detailed below, Custable and Suburban Capital were able to obtain these attorney opinion letters and were able to sell the restricted stock. Many of these opinion letters relied on fabricated representations that the stock was being issued

as compensation for services rendered more than two years in the past, in an attempt to satisfy the two-year holding requirement under Rule 144.

97. In virtually all cases, Suburban Capital and Custable were acting as statutory underwriters in acquiring large volumes of these shares with the intent to distribute them to the public.

98. All of these transactions orchestrated by Custable and Suburban Capital and in which the bulletin board companies willingly participated were part of an illegal and fraudulent scheme to raise capital through the offer and sale of securities in violation of the registration requirements of the federal securities laws.

99. In exchange for the financing detailed in Exhibit 55, Suburban Capital and Custable, through brokerage accounts maintained in the name of Suburban Capital, Wetzel, Widen and the strawmen and nominees, sold most of this stock, profiting handsomely from these transactions. See Exs. 55, 56, 1 and 2 (Exhibit 2, which was originally included in the SEC's Compendium of Exhibits, is attached hereto and incorporated by reference.)

100. These fraudulent schemes also violated the anti-fraud provisions contained at Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

101. In addition, these schemes often involved the making of material false statements or the omission of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. These serve as separate and additional bases for liability for violations of the antifraud provisions of the federal securities laws.

102. The Form S-8 registration statements were materially misleading insofar as none of these capital raising transactions were disclosed by Sharecom, Pacel, Gateway, ThermoElastic and Wasatch in the Forms S-8 filed with the SEC. In addition, the consulting agreements, which were prepared and negotiated by Custable and Suburban Capital, and which were filed as Exhibits to the Sharecom, Wasatch, Pacel, and Gateway Forms S-8, were also materially misleading in that they stated that the stock was being issued in exchange for *bona fide* consulting services, but failed to disclose that the S-8 stock was being issued in connection with capital-raising transactions. Custable, Suburban Capital, as well as Sharecom, Pacel, Gateway, ThermoElastic and Wasatch, knew or were reckless in not knowing that the consulting agreements and related S-8 issuances were really executed in connection with a capital raising transaction but did not disclose this in the consulting agreements. Custable and Suburban Capital were able to further conceal this scheme by failing to file registration statements for their subsequent resale of the S-8 stock out of the brokerage accounts of Suburban Capital, Wetzell, Widen, or other strawmen or nominees.

103. Not only was the initial issuance of the S-8 stock to the Custable Group Defendants, the strawmen or the nominees violative of the registration and anti-fraud provisions of the federal securities laws, but the subsequent distributions of the shares to the public in the absence of valid registration statements also violated the registration provisions of the federal securities laws, and were part and parcel of the overall scheme that operated to deceive investors about the legitimacy of the consulting services provided to the bulletin board companies as well as the true nature of Custable and Suburban Capital's relationship with Sharecom, Pacel, Wasatch, Gateway and ThermoElastic.

104. Additionally, the use of fabricated past compensation claims (in connection with the issuance of shares as collateral for Custable Group loans) as a means of satisfying the holding-period requirements for restricted shares under Rule 144 also violated the antifraud provisions of the federal securities laws. The ensuing sales of the collateral stock by Custable and Suburban Capital, directly or indirectly, constituted separate violations of the registration provisions of the federal securities laws. The fabricated claims, which were essential to the success of the scheme, had the effect of allowing the bulletin board companies, Suburban Capital and Custable to obtain attorney opinion letters concluding that because the stock was owed for services rendered more than two years in the past, but for which no compensation was received, and the stock is now being transferred to a non-affiliate of the bulletin board company, it may be resold by Custable and Suburban Capital under SEC Rule 144(k), which allows sales of that restricted stock to be made without respect to among other limitations, the volume limitations of SEC Rule 144.

105. By virtue of making false representations to attorneys, transfer agents and brokers concerning these fabricated past compensation claims, Wasatch, Heesch, Giles, and Nordling also violated the antifraud provision of the federal securities laws.

Additional Allegations Relating to Gateway S-8 Transactions

106. The First Amended Complaint contained allegations that Gateway and Custable engaged in a scheme whereby Custable would obtain S-8 stock in connection with a capital-raising transaction, but where the transaction would be disguised as one for *bona fide* consulting services. The following paragraphs set forth additional facts further

demonstrating this scheme, and providing additional bases for injunctive and monetary relief sought herein.

107. Prior to October 23, 2002, as alleged above, Gateway and Custable, through Suburban Capital and Munnich, had entered into a series of parallel financing transactions. One track consisted of short-term loans made by Custable supported by convertible notes and promissory notes. Through these loans, Gateway obtained at least \$235,000 in financing, as detailed in Exhibit 55. Bailey and Custable signed these notes and were primarily responsible for their terms and content. Gateway defaulted on these notes, and Suburban Capital obtained this restricted stock. This restricted stock could not be resold absent the filing of a registration statement or unless there was an applicable exemption. Suburban Capital did not file a valid registration statement, nor was any valid registration statement in effect for the resale any of this stock, and, on information and belief, Suburban Capital never resold any of this restricted stock.

108. The second track of transactions consisted of the issuance of S-8 shares to Munnich and others purportedly in exchange for consulting services. Unlike the pledged restricted shares, Suburban Capital did sell some of the S-8 shares, relying on the pretense that the S-8 stock was issued for consulting services and not in connection with the \$235,000 of financing provided by Custable and Suburban Capital. The net proceeds from sales of these securities was at least \$151,822. See Exhibit 1. Suburban Capital did not file a valid registration statement, nor was a valid registration statement in effect, for these resales of stock.

109. With respect to the consulting services that were provided, these services were principally designed to cultivate reverse merger and business combination

candidates. Custable told Bailey and Gateway that he would provide all of the necessary financing in the event that a reverse merger or business combination candidate was located, and it was the intent of Gateway and Custable that Custable was to provide such financing, given Gateway's illiquidity, thin-capitalization and generally poor financial condition. Neither the consulting agreement between Munnich and Gateway attached by Gateway to the Form S-8, nor the Form S-8, disclosed this. See Exhibit 56. Custable, Suburban Capital, Gateway, and Bailey knew or were reckless in not knowing that the capital raising nature of the consulting services was not disclosed in these documents.

110. By October 2002, there were a multitude of consulting and financing agreements between Suburban Capital, the strawmen, nominees and Gateway. Both Gateway and Suburban Capital sought to consolidate all of these agreements into one consolidated consulting agreement that would supersede all of the prior agreements and provide Custable with additional S-8 stock that he could dump into the market in order to recoup the balance of the loans that Suburban Capital provided to Gateway, plus interest.

111. On October 23, 2002, Gateway and Suburban Capital entered into a consolidated consulting agreement, under which Gateway agreed to issue \$1,500,000 worth of Gateway S-8 stock in exchange for past rendered and prospective consulting services, as well as Suburban Capital's forgiveness of \$235,000 in debt owed to it by Gateway. Specifically, the October 23, 2002 agreement stated that

“[t]he parties recognize that Advisor currently holds convertible notes from the Company totaling \$235,000 (the “Notes”).... It is the intent of the parties that upon the execution of this Agreement, there shall be no further obligations for repayment of said Notes so long as Advisor receives payment in full of the Advisory Fee set forth herein prior to the expiration of the term of this Agreement or any extension thereof.”

112. As described below, Gateway issued S-8 stock to Custable pursuant to this October 23, 2002 agreement and Custable sold some of this stock out of a brokerage account maintained by Pine Services.

113. Subsequently, Gateway was advised by its own counsel that the October 23, 2002 consolidated consulting agreement violated both the registration and anti-fraud provisions of the federal securities laws.

114. Heeding the advice of Gateway's attorney, Gateway and Suburban Capital once again divided this financing transaction into two parallel tracks in order to evade the registration requirements of the federal securities laws. On January 14, 2003, Gateway and Suburban Capital entered into an agreement to supersede the October 2002 agreement. Under this agreement, Gateway agreed to provide Suburban Capital with \$550,000 worth of S-8 stock for consulting services past rendered. On January 30, 2003, Gateway entered into another agreement with Suburban Capital under which Gateway issued Suburban Capital 9,000,000 shares of restricted Gateway stock purportedly in exchange for Suburban Capital's forgiveness of \$235,000 in debt owed by Gateway to Suburban Capital. These two agreements are more form than substance, as they serve the same purpose of the October 23, 2002 agreement, which was to swap debt forgiveness for S-8 stock, which is inherently a capital raising transaction. On information and belief, as with the other essentially worthless restricted shares of Gateway, Suburban Capital took no steps to either register or resell these restricted shares.

115. Between December 18, 2002 and January 27, 2003, Custable received and sold 16,600,000 shares Gateway stock out of Pine Service's brokerage account, generating sales proceeds of \$86,507. In the Schedule 13D dated January 22, 2003, filed

by Custable, Custable admitted that the sales of these shares out Pine Service's account were made on his behalf.

116. Custable and Bailey signed the October 23, 2002 Consulting Agreement, which Custable attached to the Schedule 13D that he filed on or around January 22, 2003. Custable and Bailey signed the January 14 and 30, 2003 agreements.

117. There was no valid registration statement on file or in effect for these issuances of Gateway stock to Custable by Gateway.

118. There was no valid registration statement on file or in effect for these sales of Gateway stock by Custable out of Pine Services brokerage account.

Additional Allegations Relating to Wasatch Loan Transactions

119. As alleged above, Custable, through Suburban Capital, Wasatch, Heesch and Giles, engaged in a fraudulent and illegal scheme involving the issuance and distribution of S-8 stock in connection with capital raising transactions.

120. In addition, as is alleged below, Custable, through Suburban Capital and Wasatch, Heesch and Giles also violated the registration provisions of the federal securities laws in connection with the issuance to Suburban Capital and its resale of Wasatch stock used by Wasatch, through various individuals, including Heesch and Giles, as collateral for "loans" made to Wasatch by Suburban Capital. These violative transactions are listed in Exhibit 55 attached to this complaint.

121. In each transaction that Suburban Capital "loaned" money to Wasatch, the loans were secured by stock that was contemporaneously issued to Heesch and Giles and others purportedly as consideration for services rendered to Wasatch more than two years in the past and for which such persons were purportedly not previously

compensated. In every one of these “friendly party” transactions listed in Exhibit 55, Wasatch defaulted on the loans and the stock was transferred to Suburban Capital. In most cases, the stock was then sold by Suburban Capital.

122. There was no valid registration statement on file or in effect for the issuances of the Wasatch stock to Heesch, Giles and the others listed in Exhibit 55.

123. There was no valid registration statement on file or in effect for the sales of this Wasatch stock by Suburban Capital.

124. In each transaction listed in Exhibit 55, Heesch, Giles and the others were not owed the stock or other consideration for services rendered more than two years in the past but for which they had not been compensated. In each of these cases, Heesch and Giles knew or were reckless in not knowing that they, as well as the other friendly parties, were not owed the stock.

125. For at least 3 of these transactions, which are described in detail below, Heesch, Giles or Custable obtained attorney opinion letters which stated that because the recipient of the stock was purportedly owed for services rendered more than two years in the past for which they had not been compensated, the stock issued in satisfaction of the purported compensation dispute, when transferred to Suburban Capital upon the loans going into default, could be sold by Suburban Capital under SEC Rule 144(k). In connection with these attorney opinion letters, Heesch and Giles made representations to the preparing attorney that they were entitled to receive the stock because they performed services more than two years in the past but for which they had not been compensated. As stated above, these compensation disputes were mere fabrications created by Wasatch, Heesch and Giles in order to receive financing from Suburban Capital. These opinion

letters were in turn provided to transfer agents, who relied upon the information in those opinion letters to reissue the stock without a restrictive legend, which permitted Suburban Capital to sell these shares pursuant to SEC Rule 144(k) without filing a registration statement and without being subject to the volume limitation restrictions set forth in SEC Rule 144.

126. In none of the transactions, listed in Exhibit 55, did Heesch, Giles, or the other “friendly parties” assume the risk of ownership of the Wasatch stock until the date on which they agreed to receive the stock in consideration for the forgiveness of the purported compensation dispute. Because of this, the holding period requirements under SEC Rule 144 were not satisfied by Suburban Capital, and it could not sell the Wasatch stock under Rule 144(k) without filing a registration statement and without being subject to the volume limitation restrictions set forth in SEC Rule 144.

127. Each of these transactions set forth in Exhibit 55 were based on phony compensation disputes, and each of the resales of this collateral stock by Suburban Capital constituted a separate violation of the registration provisions of the federal securities laws for which Wasatch, Heesch, Giles, Suburban Capital and Custable may all be held liable.

128. In each transaction detailed in Exhibit 55, Wasatch, Heesch and Giles knew or were reckless in not knowing that they were not owed the Wasatch securities for services rendered more two years in the past but for which they had not yet been compensated.

129. In addition to their violations of the registration provisions of the federal securities laws, Wasatch, Giles and Heesch violated the antifraud provisions of the

federal securities laws by making false statements to attorneys that the stock was issued to Heesch, Giles and the others for services rendered more than two years in the past, but for which they were not compensated, in order to obtain opinion letters which Suburban Capital used to resell the stock. We set forth the details of some of these violative loan transactions below.

Loan Transactions Secured by Heesch and Giles Stock

130. As detailed in Exhibit 55, in November 2001, pursuant to two promissory notes, Suburban Capital loaned Wasatch, through Heesch and Giles, \$88,000. These promissory notes were each secured by 4,400,000 shares of Wasatch restricted stock issued to Heesch and Giles. Heesch and Giles caused Wasatch to issue them this stock on November 8, 2001. On January 7, 2002, Wasatch defaulted on these loans.

131. Although the 8.8 million shares of Wasatch stock that secured these two notes was restricted, it was reissued, without a restrictive legend, based on two attorney opinion letters. These attorney opinion letters stated that Heesch and Giles were owed this stock for services rendered more than two years in the past. The factual bases for these opinion letters were false statements to the attorney by Heesch and Giles that they were owed this stock for services rendered to Wasatch prior to April 10, 1999.

132. Both Heesch and Giles made misrepresentations as to the fact that they were owed these shares for services rendered, but for which they were not compensated, prior to April 10, 1999. In fact, Heesch and Giles were not entitled to this stock as it was not issued in consideration for the forgiveness of a compensation dispute relating to compensation owed to Heesch and Giles for services rendered over two years in the past, but for which they had not yet been paid. Moreover, even if Heesch and Giles were owed

past compensation, they did not assume the risk of ownership of the stock in question until they agreed to accept the stock as compensation for such purported past compensation owing.

133. Based on the false statements made by Heesch and Giles, which were incorporated into the attorney opinion letters, these shares were reissued to Suburban Capital without a restrictive legend. Between January 3 and February 4, 2002, Custable and Suburban Capital sold these 8.8 million shares out of a brokerage account, generating sales proceeds of \$523,557.

134. No valid registration statement was filed on in effect for the initial issuance of this Wasatch stock to Heesch and Giles or the resales by Suburban Capital.

135. On March 1, 2002 Suburban Capital loaned Wasatch, through Heesch, \$25,000 pursuant to a promissory note dated March 1, 2002, secured by 20 million shares of Wasatch restricted stock. Wasatch defaulted on this note on May 4, 2002, and Suburban Capital foreclosed on the 20 million shares of stock posted as collateral.

136. Pursuant to an attorney opinion letter dated May 30, 2002, these 20 million shares were reissued without a restrictive legend on June 6, 2002. This attorney opinion letter stated that Heesch was owed this stock for services rendered prior to November 8, 1999. This opinion letter was again based on false statements made to the attorney by Heesch that he was owed this stock for services rendered to Wasatch prior to November 8, 1999. And again, even if Heesch was owed past compensation, he did not assume the risk of ownership of the stock in question until he agreed to accept the stock as compensation for such purported past compensation owing.

137. As stated above, Heesch was not entitled to this stock for services rendered prior to November 8, 1999, and, in any event, did not satisfy the two-year holding requirement of Rule 144.

138. On April 20, 1999, Heesch again caused himself to be issued additional shares of stock, this time 100 million shares. Again these shares were purportedly provided as compensation for services rendered more than two years in the past. Again these shares were pledged as collateral for Suburban Capital loans. Again Wasatch defaulted on the loans. Again the shares were transferred to Suburban Capital, this time on May 16, 2004. Again Suburban Capital caused the restrictive legend to be removed from the stock based on the fictitious past compensation claim. And again, Suburban Capital and Custable resold these shares to the public, without filing any registration statement, in violation of the registration provision of the federal securities laws.

139. As with the prior transactions, Heesch as not entitled to this stock or services rendered prior to receiving the stock on April 20, 2004, and, in any event, did not satisfy the two-year holding requirement of Rule 144 that would permit Suburban Capital to resell the stock without volume limitations.

140. In each of these transactions, Wasatch, Heesch and Giles knew or were reckless in not knowing that they were not owed the Wasatch securities for services rendered more two years in the past but for which they had not yet been compensated, and they also knew that they had not assumed the risk of ownership with respect to this stock until sometime contemporaneous with the actual issuance of the stock.

141. No valid registration statement was filed on in effect for the issuance of this stock to Heesch.

142. Custable and Suburban Capital sold these shares out of a brokerage account shortly after securing the removal of the restrictive legends. No valid registration statement was filed on in effect for these resales by Suburban Capital.

143. In addition to these loan transactions, Heesch and Giles pledged stock on numerous other occasions to Custable, Suburban Capital or others associated with them, and, in most instances made false representations about the basis for their issuance of stock to themselves to support the removal of any restrictive legends and resales that appeared to comply with Rule 144. Heesch and Giles also issued themselves huge amounts of restricted stock, to maintain their majority ownership interest in spite of the massive amounts of stock being distributed to the public, and also in an attempt to keep Custable's ownership interest at all times below the 5% reporting threshold.

144. All of these additional issuance of stock by Heesch and Giles provide further evidence of the sham nature of the past compensation disputes, as Heesch and Giles simply kept on issuing themselves more and more stock, whenever they pleased and for whatever purpose they pleased, using the same "past compensation" excuse over and over again.

Loan Transactions Secured by Garth Potts and Mike Ator Stock

145. At some point in time, Heesch and Giles began using other "friendly parties" through whom to facilitate their fabricated past compensation dispute scheme with the Custable Group Defendants, coupled with the pledging of shares issued in resolution of such disputes as collateral for additional loans.

146. Such "friendly parties" included Garth Potts and Mike Ator. On multiple occasions, Wasatch, Heesch and Giles issued stock to Potts or Ator which was in turn

transferred to one of the Custable Group Defendants or a person or entity associated with them.

147. Such issuances and subsequent transfers included the following:

Date	No. Shares	Initial Holder	Transferee(s)
1/28/02	10 million	Ator	Jesse Boskoff
3/8/02	30 million	Ator	North Coast Inv. Boskoff
3/18/02	30 million	Ator	Suburban Capital
4/15/02	50 million	Potts	Suburban Capital
4/18/02	10 million	Potts	Bojadijev
5/30/02	310 million	Potts	Conway SEC

148. No valid registration statement was filed on in effect for the original issuance of this stock by Wasatch to Ator and Potts.

149. Neither Ator nor Potts were entitled to this stock for services rendered more than two years prior to issuance, and, in any event, neither Ator nor Potts satisfied the two-year holding requirement of Rule 144.

150. In each of these transactions, Wasatch, Heesch and Giles knew or were reckless in not knowing that Ator and Potts were not owed the Wasatch securities for services rendered more two years in the past but for which they had not yet been compensated, and they also knew that they had not assumed the risk of ownership with respect to this stock until sometime contemporaneous with the actual issuance of the stock.

151. Suburban Capital, which sold much of this stock to the public, violated the registration provisions of Rule 144, since neither Ator nor Potts satisfied the two-year holding period required by the Rule for resales without regard to volume limitations.

152. No valid registration statement was filed on in effect for these resales by Suburban Capital.

Loan Transactions Secured by Larry Landsem Stock

153. In addition to fabricating compensation disputes as a means to get freely tradable stock to Custable in exchange for financing, Wasatch, Heesch and Giles also misused S-8 stock as collateral for yet another financing transaction.

154. In connection with \$72,000 in financing that Wasatch received from Suburban Capital, Wasatch filed a Form S-8 registration statement and for 10 million shares and caused these 10 million shares of S-8 stock to be issued to Larry Landsem. Upon the issuance of this stock, Wasatch caused Landsem to pledge these 10 million shares of stock as collateral for the \$72,000 loan from Suburban Capital.

155. According to the consulting agreement between Wasatch and Landsem, dated November 16, 2001, which Wasatch filed as an exhibit to the Form S-8, the 10 million shares of S-8 stock were issued to Landsem purportedly for consulting services that Landsem was to render to help Wasatch set up additional medical clinics in which to sell its dermatology products. At the time, Wasatch only operated two such clinics.

156. The consulting agreement provided that Landsem would receive the stock only upon the execution of contracts with at least 6 additional medical clinics. Notwithstanding the terms of this agreement, Landsem received all 10 million shares of the stock on December 14, 2001, and then pledged the stock to Wetzel on December 21, 2001. On December 21, 2001, Landsem transferred the stock to Wetzel.

157. On March 29, 2002, Wetzel put these shares in a street name to facilitate sales of the stock, and then proceeded to sell the shares in the ensuing few weeks. By mid-April, Wetzel sold the entire 10 million shares, generating proceeds of approximately \$68,000.

158. Meanwhile Wasatch's own books and records did not reflect a default on this loan until June 4, 2002.

159. The sale by Wetzel of the Landsem stock prior even to the actual default reflects the sham nature of the loan transaction.

160. Moreover, there is no evidence that Wasatch was able to execute any contracts with any medical clinics, much less the 6 such contracts required as a condition for the release of the S-8 stock to Landsem.

161. There was no valid registration statement filed or in effect either for the original issuance of the 10 million shares of S-8 stock to Landsem or for the subsequent resales of that stock to the public by Wetzel.

162. Heesch, Giles, and Wasatch knew or were reckless in not knowing that the consulting agreements were being entered into and the Form S-8 was being filed in connection with a capital raising transaction and not in exchange for bona fide consulting services. As stated above, Wasatch, Heesch, and Giles did not disclose the true nature of the consulting relationship in the consulting agreements or in the Forms S-8.

163. By virtue of the conduct alleged above, Wasatch, Heesch and Giles violated the registration provisions of the Securities Act as well as Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, as well as Rule 10b-5 thereunder.

164. In addition, Suburban Capital, Custable, and Wetzel violated the registration provisions of the federal securities laws by selling this stock without a valid registration statement being on file or effective for the sales.

Sharecom Transactions – Claims Against Newly-Added Defendant Nordling and Additional Claims Against the Custable Group

165. In the first amended complaint, the SEC alleged violations against Suburban Capital, Custable and Wetzel of the antifraud and registration provisions of the federal securities laws in connection with the issuance and distribution of securities registered on Form S-8 that were issued in connection with a capital-raising transaction, and in connection with a “friendly party” transaction involving stock Sharecom/Nordling issued to a third party (Thomas Wetzel) in connection with a fabricated past compensation claim, as well as two loans provided to Sharecom/Nordling by Custable and G.K. Kumar, which were secured by shares of restricted stock issued to Nordling as a result of a fabricated past compensation claim.

166. The SEC now adds Nordling and Sharecom as parties and adds claims against them for violations of Sections 5 and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in connection with these fraudulent and illegal transactions, and alleges additional claims against Nordling, Sharecom, SCC and Custable in connection with the stock schemes involving the use of fabricated past compensation claims in order to satisfy the two years holding requirement under Rule 144.

167. Each of these transactions with the Custable Group (one secured with stock pledged by Thomas Wetzel and the other two with stock pledged by Nordling)

involved the removal of the restrictive legend on the Sharecom stock through making false statements to Sharecom's transfer agent as to when these securities were earned.

Thomas Wetzel-Sharecom Fabricated Past Compensation Claim

168. The first transaction, as described in paragraphs 53-58, above, occurred in December 2001, when Nordling caused Sharecom, on December 15, 2001, to issue 15,000,000 shares of its restricted stock to Thomas Wetzel. Although this stock was purportedly issued as consideration for services past rendered, Nordling and Thomas Wetzel have both admitted that Thomas Wetzel was not owed any compensation for services past rendered.

169. On December 20, 2002, by prearrangement, Thomas Wetzel transferred this stock to a Custable and Suburban Capital designee. Pursuant to an opinion letter which stated that Thomas Wetzel was owed this stock for services rendered prior to December 10, 1999, these 15 million shares of Sharecom stock were reissued in the designee's name without a restrictive legend.

170. This opinion letter was based on false written representations made by Nordling to the attorney that this stock was owed to Thomas Wetzel for services rendered more than two years in the past. In reality, Thomas Wetzel was not owed any compensation. No valid registration statement was filed or in effect for the issuance of this stock to Thomas Wetzel.

171. Nordling knew or was reckless in not knowing that the stock was not owed to Thomas Wetzel for services rendered by him to Sharecom over two years in the past but for which he had not been compensated.

172. Between January 29 and March 7, 2002, Boskoff sold 15 million shares of Sharecom stock, generating sales proceeds of \$25,560. No valid registration statement was filed or in effect for this resale by Boskoff.

Sharecom Obtains \$80,000 in Loans Using Fabricated Past Compensation Claim Stock Issued to Nordling

173. On January 8, 2002, Suburban Capital and G.K. Kumar, provided Sharecom, indirectly through Nordling, with two short-term loans of \$40,000. Each of these loans was secured by 65 million shares of restricted Sharecom stock issued to Nordling. Each of these loans was evidenced by promissory notes, dated January 8, 2002, with each promissory note being secured by 65 million shares of the Sharecom restricted stock that Nordling had just issued to himself. Custable negotiated the terms of both of these loans with Sharecom, and simply used Kumar and Suburban Capital as a means to provide Sharecom with cash.

174. Each 65 million stock certificate represented 8.7% of Sharecom's issued and outstanding stock. No valid registration statement was filed or in effect for the original issuance of this stock to Nordling.

175. Nordling knew or was reckless in not knowing that he was not owed this stock for services rendered by him to Sharecom over two years in the past but for which he had not been compensated. Nordling has admitted that he was not owed this stock. Rather, Nordling issued this stock because Custable made it a condition to the Suburban Capital and Kumar providing Sharecom with loans.

176. On or around March 8, 2002, Nordling and Sharecom defaulted on these promissory notes and Suburban Capital took possession of the restricted stock pursuant to the security agreements.

177. In connection with these promissory notes, Suburban Capital and Custable obtained two separate opinion letters stating that the shares posted by Nordling as security for the promissory notes should be reissued to without a restrictive legend because Nordling provided Sharecom with services before February 1, 1999 for which he had not yet been compensated. These attorney opinion letters were based on misrepresentations made to the attorney by Nordling this stock was owed to him for services rendered by him to Sharecom prior to February 1, 1999 for which he had not been compensated.

178. Between March 6, 2002 and June 4, 2002, Suburban Capital sold all 130 million shares of the Sharecom restricted stock through one of its brokerage accounts. The sales of this stock resulted in sales proceeds of \$268,269. No registration statement was filed on in effect for these resales by Suburban Capital.

Sharecom Issues S-8 Stock to Wetzel, Widen and other Strawmen and Nominees in Connection With A Capital Raising Transaction

179. As detailed in paragraphs 48-50, above, and Exs. 1, 55 and 56, and in the Declaration of Brad Nordling, Nordling accepted Custable's S-8 stock financing proposal. On November 21, 2001, Sharecom filed a Form S-8 registration statement, registering 130 million shares of its stock to be issued pursuant to the consulting agreements between Sharecom and Wetzel and Widen, which were attached to the Form S-8. On November 21, 2001, pursuant to these consulting agreements, Sharecom issued options to purchase 65 million shares of Sharecom S-8 stock to both Sara Wetzel and

Francis Scott Widen at an exercise price of \$.000923 per share. Wetzel and Widen exercised these options on or around November 30, 2001 and January 24, 2002, respectively.

180. The scheme continued when Sharecom filed a Form S-8 registration statement on January 8, 2002, registering 35 million shares of its stock to be issued pursuant to the consulting agreement between Sharecom and Carroll, which was attached to the Form S-8. The consulting agreement issued an option to purchase 35 million shares of S-8 stock to James Carroll, another straw person employed by Custable. On or around January 25, 2002, Carroll exercised this option.

181. In consideration for exercising these options, the Custable Group, through a brokerage account maintained by Luce, wired at least \$204,675 into Sharecom's bank account.

182. In its Form 10KSB for the year ending December 31, 2001, signed by Nordling, Sharecom stated that it issued 130 million shares of its S-8 stock to two consultants in exchange for their rendering of "various business services to the Company". This Form 10QSB did not disclose that the stock was really issued in connection with a capital raising transaction, which Nordling has since admitted was the case. No valid registration was filed or in effect for the issuance of these shares to Widen, Wetzel or Carroll, or with respect to their subsequent resale either.

183. All of the consulting agreements entered into between Sharecom were drafted and negotiated by Custable and Suburban Capital, and all of them were filed as exhibits to the Forms S-8.

184. Between November 30, 2001 and February 14, 2002, the Custable Group sold all 165 million shares of Sharecom S-8 stock, generating proceeds of \$983,626. No valid registration statement was filed on in effect for these resales by Wetzel, Widen and the other nominees and straw persons, as detailed in Exhibit 1 in the SEC's Compendium of Exhibits.

185. Nordling knew or were reckless in not knowing that the consulting agreements were being entered into and the Form S-8 was being filed in connection with a capital raising transaction and not in exchange for *bona fide* consulting services. As stated above, Nordling did not disclose the true nature of the consulting relationship in the consulting agreements or in the Forms S-8.

186. Based on these allegations, and the allegations contained in the First Amended Complaint, Nordling and Sharecom violated Sections 5 and 17 of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

187. The new allegations also provide additional factual bases for relief previously sought against Suburban Capital and Custable.

BMII Transactions: Charges Against Newly-Added Defendants BMII and Blagman, Additional Claims Against Custable Group Defendants

188. In the First Amended Complaint, the SEC charged the Custable Group with violations of Section 5 of the Securities Act and violations of Section 10(b) of the Exchange Act in connection with various Form S-8 abuses and other stock schemes involving Blagman Media International, Inc. (BMII). The SEC also charged members of the Custable Group with securities violations stemming from their fraudulent issuance of billions of shares of BMII stock through the use of doctored stock issuance resolution

forms without the consent of BMII. The SEC is now adding BMII and Blagman as defendants, and sets forth additional allegations directly below relating to the various unlawful schemes involving BMII and the Custable Group to provide financing to BMII in exchange for freely tradable stock. These schemes form the basis for the SEC's claims against BMII and Blagman for violations of Section 5 of the Securities Act. They also provide additional bases for relief against the Custable Group for violations of both the registration requirement and the anti-fraud provisions of the federal securities laws.

BMII Restricted Stock Issuances

189. Between September 2001 and April 2002, BMII issued at least 607 million shares of its stock to Suburban Capital and Custable, through Wetzel, Carroll, Widen, Lee Traupel ("Traupel"), and Romine. These issuances of stock are detailed in Exhibit 1 filed herewith, and previously filed in SEC's Compendium of Exhibits filed on March 28, 2003. Robert Blagman, BMII's chief executive officer and director, authorized the issuance of this stock and signed the BMII stock issuance resolutions authorizing the issuance of this stock.

190. This stock was issued in exchange for BMII's receipt of consulting services from Suburban Capital and its consultants and promises by Suburban Capital and Custable to provide BMII with at least \$3,000,000 in financing. Between June 2001 and April 2002, Custable and Suburban Capital provided BMII with at least \$1,139,000 in financing. The issuance resolutions for this stock, signed by Robert Blagman, state that this stock was issued pursuant to a Form S-8 registration statement.

191. No S-8 registration statement was filed or in effect the issuance and sale of the purported S-8 stock issued to Wetzel, Carroll, Widen, Traupel and Romine.

192. None of the stock certificates issued to these individuals contained a restrictive legend stating that the stock was restricted stock and could not be re-sold in large amounts unless an exemption was available to BMII under the federal securities laws.

193. As stated in Paragraph ____, above, as well as in Exhibit 1, Suburban Capital, Wetzel and others sold this BMII stock almost immediately after its receipt out of securities brokerage accounts maintained in their names.

194. No valid registration statement was on file or in effect for the issuance of this stock by BMII to Suburban Capital, Custable, the strawmen and the nominees.

195. No valid registration statement was on file or in effect for the resales of this stock by Suburban Capital, Custable, the strawmen and the nominees.

196. By virtue of the above conduct, BMII, Blagman, Suburban Capital and Custable violated Section 5 of the Securities Act.

Rule 144 Holding Period Manipulation

197. On March 15, 2002, BMII issued 400 million shares of restricted BMII stock to Suburban Capital. This stock was issued to Suburban Capital pursuant to a March 18, 2002 consent of BMII's board of directors, which states that "the Board would like to compensate Suburban Capital Corp. for services rendered as to the 'Century' acquisition and otherwise related, which services were rendered over one year ago but less than two years ago...and solely based upon the Board's determinations, it is ordered that a total of 400 million shares of stock be issued to said Consultant, for consideration received by the Company and, for Rule 144 purposes, to be deemed, as to when the consideration was received, as to the respective portions of the shares, as follows...."

The consent then states that the 400 million shares should be deemed to have been due on March 1, 2001.

198. On March 20, 2002, attorney Richard Rossi prepared an opinion letter addressed to BMII's transfer agent, Signature Stock Transfer, stating that because this stock was deemed issued on March 1, 2001, the restrictive legend may be removed and the "applicable portion of the shares reissued as to that portion reported sold in a brokers transaction through the brokerage firm."

199. On or around March 19 and April 17, 2002, Suburban Capital executed and provided to North American Institutional Brokers ("NAIB") with two "Seller's Rule 144 Letters" for the purpose of selling these 400 million shares of the BMII stock, which stated that Suburban Capital had been the beneficial owner of the Stock for a period of at least one year. Wetzel signed these letters on behalf of Suburban Capital.

200. In reality, Suburban Capital was not the beneficial owner of these shares for a period of at least year. Suburban Capital, nor anyone associated with Suburban Capital, ever provided BMII any services until July 2001.

201. As a result of these misrepresentations, made by Suburban Capital and Wetzel, Suburban Capital was able to freely sell large amounts of this restricted stock. Between March 28 and April 24, 2002, Suburban Capital deposited 400 million shares of BMII stock into its account at NAIB. Between April 8 and May 2, 2002, Suburban Capital sold these 400 million shares of the restricted BMII stock out of its brokerage account at NAIB, generating sales proceeds of \$581,105.

202. Suburban Capital, Custable, and Wetzel knew or were reckless in not knowing that Suburban Capital was not owed these 400 million shares of BMII stock for services rendered to BMII by Suburban Capital before March 1, 2001.

203. No registration statement was filed or in effect for the issuance of this BMII stock to Suburban Capital.

204. No registration statement was filed or in effect for these resales of BMII stock by Suburban Capital.

205. By virtue of the conduct alleged above, BMII, Blagman, Suburban Capital, Wetzel and Custable violated Section 5 of the Securities Act.

206. By virtue of the conduct alleged above, Suburban Capital, Wetzel and Custable also violated Section 10(b) of the Exchange and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act, for knowingly making false statements to a brokerage firm and transfer agent concerning when the appropriate holding period for these securities. Additionally, Custable is liable as a control person of both Suburban Capital and Wetzel.

New Charges Against Previously-Named Defendants Pacel, Calkins, Gateway, Bailey and ThermoElastic For Violations of Section 5 of the Securities Act

207. In the SEC's First Amended Complaint, the SEC alleged, among other things, that Custable and Suburban Capital violated the registration requirements of Section 5 of the Securities Act in connection with the S-8 schemes alleged relating to various issuers, including, but not limited to defendants Pacel, Gateway and ThermoElastic, each of whom were named as defendants in the First Amended

Complaint, and against each of whom the SEC alleged violations of the anti-fraud provisions of the federal securities laws.

208. The SEC now adds claims against each of these defendants, as well as Calkins (CEO of Pacel) and Bailey (CEO of Gateway), based on the facts previously alleged, for violations of the registration provisions contained in Section 5 of the Securities Act.

209. As discussed in paragraphs 51-52, above, as well as in Exhibits 1, 55 and 56, between November 2001 and June 2002, Pacel, Gateway and ThermoElastic issued to Suburban Capital and Custable directly, or indirectly through the strawmen and nominees, stock registered on Form S-8 in connection with a capital raising transaction or in return for services of little or no value.

210. Accordingly, no valid registration statement was filed or in effect at the time of the issuance of these securities.

New Charges Against Custable Relating to False Schedule 13D filings

211. In the SEC's First Amended Complaint, the SEC alleged various failures to file 13D registration statement and a scheme by Custable to evade the reporting requirements for beneficial ownership of 5 percent or more of an issuer's issued and outstanding shares. In this Second Amended Complaint, the SEC now adds allegations of affirmative false statements made in certain of the 13D filings.

212. On or around April 25, 2002, Suburban Capital filed a Schedule 13D disclosing its beneficial ownership of 400 million shares of BMII stock. This 13D stated that these 400 million shares of BMII stock represented 6.57% of BMII's then issued and outstanding stock. This Schedule 13D, filed by Suburban Capital, contained an electronic

signature of Daniel Davis, an individual who the 13D stated was the president of Suburban Capital.

213. On or around May 22, 2002, Suburban Capital filed another Schedule 13D disclosing its beneficial ownership of 800 million shares of BMII stock. This 13D stated that these 800 million shares of BMII stock represented 8.0% of BMII's then issued and outstanding stock. This Schedule 13D, filed by Suburban Capital, also contained an electronic signature of Daniel Davis, and also claimed that Mr. Davis was the president of Suburban Capital.

214. On or around December 21, 2001, Suburban Capital filed a Schedule 13D disclosing its beneficial ownership of 8.8 million shares of Wasatch stock. This 13D stated that these 8.8 million shares of Wasatch stock represented between .97% and 2% of Wasatch's then issued and outstanding stock. This Schedule 13D, filed by Suburban Capital, contained an electronic signature of Sara Wetzel, an individual who the 13D stated was the president of Suburban Capital.

215. All three Schedules 13D filed by Suburban Capital disclosing its ownership interest in BMII and Wasatch stock were filed with the SEC. These 13Ds were available to the investing public on the SEC's website, www.sec.gov.

216. At all times between March 1, 2001 and March 28, 2003, Custable was the president of Suburban Capital. Daniel Davis was never the president of Suburban Capital. In addition, Wetzel was never the president of Suburban Capital. Mr. Davis had never seen the two Schedules 13D filed by Suburban Capital disclosing its interest in BMII until October 2004. Further, Mr. Davis did not know of any Suburban Capital

ownership interest in BMII stock until around March 28, 2003, after the SEC filed this lawsuit.

217. Moreover, at the time of the filing, the 8.8 million shares of Wasatch stock constituted more than 50 percent of the then issued and outstanding stock, not the less than 1 percent figure set forth in the Schedule 13D.

218. Accordingly, Suburban Capital made misrepresentations about the president and ultimate beneficiary of the stock ownership disclosed in these 13Ds, as well as the percentage of stock beneficially owned.

219. Suburban Capital knew or was reckless in not knowing that this Schedule 13D contained false information concerning the identity of the president of Suburban Capital and the percentage of stock beneficially owned.

220. Custable is also liable for these violations as control person of Suburban Capital.

New Fraud and Registration Violation Claims Against the Custable Group Defendants Concerning the WWHD Stock Scheme.

221. The First Amended Complaint did not contain any allegations concerning the Custable Group's fraudulent scheme to cover up Suburban Capital's acquisition and control over Worldwide Holdings Delaware Corp. ("WWHD"), and Custable's scheme to gain access to freely tradable S-8 stock of WWHD even though he was the true beneficial owner and control person of that company.

Fraud In Connection With Suburban Capital/Custable's Acquisition of TRSG

222. On November 27, 2002, Suburban Capital entered into a stock purchase agreement with Defendant Gateway to purchase approximately 51% of the stock in

WWHD, which at the time was called TRSG, Inc. This agreement became effective on December 31, 2002. Under the terms of the agreement, Suburban Capital obtained the controlling interest in WWHD. In its Form 10KSB for the year ended December 31, 2002, WWHD confirmed that Gateway sold 51% of WWHD's shares to Suburban Capital for \$15,000.

223. On November 25 and 26, 2002, Suburban Capital wired \$10,000 and \$5,000, respectively, into Gateway's operating account for the purpose of acquiring WWHD.

224. Although Suburban Capital and Custable were the majority owners of WWHD beginning on at least December 31, 2002, they tried to cover up their beneficial ownership of WWHD. In order to conceal their association with WWHD Suburban Capital and Custable first tried to have Gateway rescind the purchase agreement between Gateway and Suburban Capital, in favor of one between Dan Davis, an employee of relief defendant Active Investments, and Gateway.

225. When Gateway refused to do this, Custable and Suburban Capital caused WWHD, through Wetzel, WWHD's sole officer and director, to file irreconcilable, false and misleading statements in SEC filings in an attempt to cover up Custable and Suburban Capital's ownership of WWHD.

226. The first misrepresentation came in a Form 8-K, dated March 20, 2003, signed by Wetzel, in which WWHD reported that on December 3, 2002, Dan Davis acquired the controlling stake of WWHD stock from Gateway. However, in WWHD's Form 10QSB for the first quarter of 2003, signed by Wetzel, the company stated that that as of December 31, 2002 and also as of May 21, 2003, the company's majority

shareholder was Suburban Capital, who purchased the interest from Gateway effective December 31, 2002. Davis' purported acquisition of WWHD is not mentioned in this filing. Further, there is no mention of Davis' purported disposition of the controlling stake in WWHD to Suburban Capital between December 3 and December 31, 2002.

227. Second, in WWHD's Schedule 14C, signed by Wetzel, WWHD stated that its majority owner, as of April 22, 2003 was Mark Schoppe ("Schoppe"). None of WWHD's other filings refer to Schoppe and WWHD's filings never explain the circumstances under which Schoppe obtained or disposed of his controlling stake in WWHD. Wetzel signed this 14C.

228. WWHD made additional false statements in its June 4, 2003 Form 8-K, which stated that Suburban Capital purchased the controlling interest in WWHD from Dan Davis on or around April 14, 2003.

229. At all times between November 27, 2002 and June 2003, Suburban Capital was the owner of the majority interest of WWDH stock. At all times between March 1, 2001 and June 2003, Custable as the president, secretary, sole director, and 100% shareholder of Suburban Capital, was the control person of Suburban Capital.

230. Suburban Capital, Wetzel and Custable knew or were reckless in not knowing that Suburban Capital was the beneficial owner of the majority of TRSG/WWDH stock from at least November 27, 2002 to June 2003.

231. At a bare minimum, Suburban Capital, Wetzel and Custable knew or were reckless in not knowing that Suburban Capital was the beneficial owner of the majority of TRSG/WWDH stock from at least December 31, 2002 to June 2003.

shareholder was Suburban Capital, who purchased the interest from Gateway effective December 31, 2002. Davis' purported acquisition of WWHD is not mentioned in this filing. Further, there is no mention of Davis' purported disposition of the controlling stake in WWHD to Suburban Capital between December 3 and December 31, 2002.

227. Second, in WWHD's Schedule 14C, signed by Wetzel, WWHD stated that its majority owner, as of April 22, 2003 was Mark Schoppe ("Schoppe"). None of WWHD's other filings refer to Schoppe and WWHD's filings never explain the circumstances under which Schoppe obtained or disposed of his controlling stake in WWHD. Wetzel signed this 14C.

228. WWHD made additional false statements in its June 4, 2003 Form 8-K, which stated that Suburban Capital purchased the controlling interest in WWHD from Dan Davis on or around April 14, 2003.

229. At all times between November 27, 2002 and June 2003, Suburban Capital was the owner of the majority interest of WWDH stock. At all times between March 1, 2001 and June 2003, Custable as the president, secretary, sole director, and 100% shareholder of Suburban Capital, was the control person of Suburban Capital.

230. Suburban Capital, Wetzel and Custable knew or were reckless in not knowing that Suburban Capital was the beneficial owner of the majority of TRSG/WWDH stock from at least November 27, 2002 to June 2003.

231. At a bare minimum, Suburban Capital, Wetzel and Custable knew or were reckless in not knowing that Suburban Capital was the beneficial owner of the majority of TRSG/WWDH stock from at least December 31, 2002 to June 2003.

232. Suburban Capital and Custable are liable for Wetzel and WWHD's violations as control persons of WWHD. Custable is also liable for SCC's violations as control person for SCC.

Fraud Re Sale to Wozniak/Issuance of S-8 Stock to Custable

233. After the SEC filed its lawsuit in this case, and after the Court entered an asset freeze order against the Custable Group, Custable engineered a series of fraudulent and unlawful transactions that provided Custable with freely tradable WWHD stock registered on Form S-8, and which Custable secretly sold out of the account of a foreign entity not directly traceable to Custable. This conduct has already been the basis for a contempt finding entered by the Court against Custable. The conduct also involves willful violations of Section 5 and serves as an additional basis for entry of injunctive relief against and additional civil penalties against Custable, as it constitutes yet another fraudulent scheme. The core allegations relating to this scheme directly below.

234. On March 28, 2003, the SEC filed this lawsuit. On that same day, the Court entered an order freezing all assets of Custable and Suburban Capital.

235. Also on March 28, 2003, Suburban Capital filed a Form S-8 registration statement, authorizing the issuance of up to 800 million shares of S-8 stock to employees and consultants for services rendered on behalf of the company.

236. On May 21, 2003, TRSG changed its name to WWHD.

237. Notwithstanding that freeze, on May 29, 2003, Suburban Capital and Custable transferred nominal ownership interest in WWHD to Wozniak, an accountant working for Custable for \$625 per week. This was a sham transaction, as Custable continued to exercise control over the entity even after the transfer.

238. The nominal transfer was effectuated because Custable could not have obtained and sell in unlimited quantities, without filing a registration statement, S-8 shares directly from WWHD as long as he continued to be a "control" person. So Custable arranged this nominal transfer in order to appear as though he was no longer a control person.

239. On May 14, 2003, at the instruction of Custable, Wozniak authorized a 1 for 25,000 stock split, which reduced the number of issued and outstanding shares from approximately 200 million shares to approximately 7,800 shares. Wozniak's 133 million shares were proportionately reduced to 5,320 shares.

240. On June 4, 2003, at the direction of Custable, Wozniak issued Custable 23 million shares of S-8 stock purportedly for consulting services.

241. Not only was the transfer of nominal ownership of WWHD a sham designed to enable Custable to gain access to freely tradable S-8 shares, but the number of S-8 shares issued to Custable grossly exceeded the amount authorized by the Form S-8 registration statement, in light of the 1 for 25,000 reverse split.

242. Paragraph 10 of the 2003 Benefit Plan pursuant to which the Form S-8 was filed plainly provided that the number of common shares subject to the plan are subject to proportionate adjustment in the event of various changes in capitalization, including stock splits. Pursuant to paragraph 10 of the 2003 Benefit Plan, the total number of S-8 shares authorized in the March 28, 2003 Form S-8 registration statement should have been reduced to 32,000 shares.

243. Instead of limiting the issuance of S-8 shares to 23 million, or filing a new registration statement, Wozniak and Custable simply issued 23 million shares to Custable.

244. Custable proceeded to transfer these shares to an offshore entity, and to cause approximately 9 million of these shares to be sold to the public, garnering proceeds of \$xx, which he transferred to an overseas account.

245. In furtherance of his illegal scheme to obtain and sell these S-8 shares, Custable caused Wozniak to issue himself 500 million restricted shares of WWHD stock on the same day that he issued Custable his 23 million shares.

246. By so doing, this enabled Custable to sell the 23 million shares without appearing to run afoul of the Schedule 13D reporting requirement for 5% beneficial ownership.

247. There was no legitimate basis, however, for this issuance. This 500 million share issuance had the effect of essentially wiping out any value held by the minority shareholders, whose 33 percent ownership interest was effectively reduced from 33 percent of 200 million shares, to approximately 2000 shares out of 500 million, or .0004 percent.

248. Based on the above conduct, Custable willfully violated Section 5 of the Securities Act.

Custable Coordinates Promotion Efforts in Furtherance of Stock Schemes

249. In order to stimulate the trading volume in the stocks of the bulletin board companies so that Custable, Suburban Capital, the strawmen and the nominees could dispose of their stock, Custable and Suburban Capital coordinated, with the bulletin board

companies, the preparation and dissemination of fax and e-mail newsletters profiling the bulletin board companies. In many cases, Custable demanded that the bulletin board companies retain Boskoff or other specific persons to prepare and disseminate e-mails and fax newsletters profiling the bulletin board companies.

250. Custable and Suburban Capital also coordinated, with the bulletin board companies, Boskoff, and others, a campaign to post positive information as well as to combat negative information posted about the bulletin board companies on message internet stock message boards, including the well-known message board Raging Bull.

251. Although not *per se* illegal or fraudulent, this promotional campaign facilitated demand to purchase the stock in the bulletin board companies, into which Custable, Suburban Capital, the strawmen, and the nominees sold their stock in the bulletin board companies. In other words, this campaign was an important part of the massive unregistered offerings conducted by Custable, Suburban Capital, the strawmen, and the nominees, intended to maximize their profits.

252. The promotional campaign is further evidence that Suburban Capital and Custable were acting as underwriters insofar as they received large volumes of stock with a view to distributing the stock to the public.

Control Person Liability

253. Custable and Suburban Capital are also liable, as control persons, for the violations of Wetzel, Widen, Munnich, Carroll, and Romine, as well as others who acted as straw persons and nominees. Additionally, Custable is liable, as control person, for Suburban Capital's violations. The strawmen and nominees engaged in the prohibited S-8 stock transactions on Custable and Suburban Capital's behalf and for Custable and

Suburban Capital's benefit. In the case of Munnich, Wetzel, and Widen, they were employees of Suburban Capital at the time that they engaged in the illegal S-8 transactions. Substantially all of the proceeds from the sales of S-8 stock issued to the Custable Group were transferred into bank accounts that Custable and Suburban Capital controlled. In addition, Suburban Capital and Custable negotiated the terms of the consulting agreements pursuant to which the S-8 stock was issued to members of the Custable Group. Custable owns and controls Suburban Capital and is its sole shareholder. Further, at all times between March 2001 and June 2003, Custable was the president, secretary and sole director of Suburban Capital.

COUNT I

Violations of Section 17(a) (1) of the Securities Act [15 U.S.C. §77q (a) (1)]

254. Paragraphs 1 through 253 are hereby realleged and incorporated by reference herein.

255. From at least November 2001 through the present, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud.

256. Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling knew or were reckless in not knowing the facts and circumstances described in Paragraphs 1 through 253 above.

257. By reason of the foregoing, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling have violated and are violating Section 17(a) (1) of the Securities Act.

COUNT II

Violations of Section 17(a) (2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(2) and § 77q(a)(3)]

258. Paragraphs 1 through 253 are hereby realleged and incorporated by reference herein.

259. From at least November 2001 through the present, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, have obtained and are obtaining money and property by means of untrue statements of material fact and have omitted and are omitting 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 have engaged and are engaging in transactions, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers and prospective purchasers of stock in the issuers.

260. By reason of foregoing, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling have violated and are violating Sections 17(a)(2) and 17(a)(3) of the Securities Act.

COUNT III

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] thereunder

261. Paragraphs 1 through 253 are hereby realleged and incorporated by reference herein.

262. From at least November 2001 through the present, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling, in connection with the purchase and sale of securities by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have omitted and are omitting 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 have engaged and are engaging in acts, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers and sellers of such securities.

263. Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling, knew or were reckless in not knowing of the activities described in Paragraphs 1 through 253 above.

264. By reason of foregoing, Custable, Wetzel, Suburban Capital, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling, have violated and are violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

265. By their conduct described in paragraphs 1 through 253, Custable and Suburban Capital knowingly and substantially assisted Gateway, Bailey, Wasatch, Heesch, Giles, Pacel, Calkins, Nordling, and ThermoElastic'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]

thereunder, and thereby aided and abetted Gateway, Bailey, Wasatch, Heesch, Giles, Pacel, Calkins, Nordling, and ThermoElastic's violations of those provisions of the federal securities laws.

COUNT IV

Violations of Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]

266. Paragraphs 1 through 253 above are realleged and incorporated herein by reference.

267. From at least November 2001 to the present, Custable, Suburban Capital, Wetzel, Widen, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, Blagman, BMII, and Nordling directly and indirectly, and notwithstanding that there was no applicable exemption: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried and/or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; and (iii) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

268. No valid registration statement was filed with the Commission in connection with Custable, Suburban Capital, Wetzel, Widen, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, Blagman, BMII, and Nordling's sales of, and offers to sell, securities in the issuers identified in this complaint.

269. By reason of the foregoing, Custable, Suburban Capital, Wetzel, Widen, Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, Blagman, BMII, and Nordling have violated and are violating Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

COUNT V

Violations of Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)], and Rule 13d-1 and 13d-2 thereunder [17 CFR 240.13d-1, 13d-2]

270. Paragraphs 1 through 253 above are realleged and incorporated herein by reference.

271. Section 13(d) of the Exchange Act and Rule 13d-1 thereunder require that any person that acquires more than 5% of a company's class of stock registered under Section 12 of the Exchange Act must notify the issuer and the Commission within 10 days of the acquisition. Exchange Act Rule 13d-2 requires that the person notify the issuer and the Commission of any material increases or decreases in the percentage of beneficial ownership.

272. From at least November 2001 to the present, Defendant Custable 1) beneficially owned more than 5% of the issued and outstanding stock of Sharecom, Wasatch, Pacel, Premier Axiom, Gateway, and ThermoElastic; and 2) failed to file a Schedule 13D, or any other report or schedule, disclosing his beneficial ownership interest in Sharecom, Wasatch, Pacel, Premier Axiom, Gateway, and ThermoElastic.

273. By reason of foregoing, Custable violated and, unless enjoined, will continue to violate Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rules 13d-1 and 13d-2 thereunder [17 C.F.R. 240.13d-1, 13d-2].

COUNT VI

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] thereunder by Custable and Suburban Capital as control persons under Section 20(a) of the Exchange Act [15 U.S.C. § 20(a)]

274. Paragraphs 1 through 253 above are realleged and incorporated by reference.

275. Wetzel, Widen, Munnich, Romine, and Carroll, as well as other strawmen and nominees, under Custable and Suburban Capital's control, directly and indirectly, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have omitted and are omitting 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 have engaged and are engaging in acts, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers and sellers of such securities.

276. Wetzel, Widen, Munnich, Romine, and Carroll, as well as other strawmen and nominees, knew or were reckless in not knowing of the activities described in Paragraphs 1 through 253 above.

277. By reason of the activities described in paragraphs 22-24 above, Wetzel, Widen, Munnich, Romine, and Carroll, as well as other strawmen and nominees violated 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.

278. By reason of the activities described in paragraphs 22 through 25 above, and pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Custable and Suburban Capital are liable for Wetzel, Widen, Munnich, Romine, and Carroll, as well as other strawmen and nominees' 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] thereunder.

279. In addition, Suburban Capital, under Custable's control, directly and indirectly, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have omitted and are omitting 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 have engaged and are engaging in acts, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers and sellers of such securities.

280. Suburban Capital, knew or were reckless in not knowing of the activities described in Paragraphs 1 through 253 above.

281. By reason of the activities described in paragraphs 22, 27 and 28 above, Suburban Capital violated 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.

282. By reason of the activities described in paragraphs 22, 27-29 above, and pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Custable is liable for Suburban Capital'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] thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

A. Grant an Order of Permanent Injunction, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining:

(1) Custable, Suburban Capital, Wetzel, and Widen from violating Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)];

(2) Custable, Suburban Capital and Wetzel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Order of Permanent Injunction by personal service or otherwise from directly or indirectly engaging in acts practices or courses of business described above, or in conduct of a similar purport and object, in violation of Section 17(a)(1), (2), and (3) of the Securities Act [15 U.S.C. § 77q(a)];

(3) Custable, Suburban Capital and Wetzel, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Order of Permanent Injunction by personal service or otherwise from directly or indirectly engaging in acts, practices or courses of business described above, or in conduct of a similar purport and object, in violation of Section 10(b) of the Exchange Act [15

employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Order of Permanent Injunction by personal service or otherwise from directly or indirectly engaging in acts practices or courses of business described above, or in conduct of a similar purport and object, in violation of Section 17(a)(1), (2), and (3) of the Securities Act [15 U.S.C. § 77q(a)].

- (3) Wasatch, Heesch, Giles, Pacel, Calkins, Gateway, Bailey, ThermoElastic, and Nordling their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Order of Permanent Injunction by personal service or otherwise from directly or indirectly engaging in acts practices or courses of business described above, or in conduct of a similar purport and object, in violation 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], thereunder.

B. Order Custable, Suburban Capital, Wetzel, Widen, Wasatch, Giles, Heesch, Pacel, Calkins, Gateway, Bailey, ThermoElastic, BMI, Blagman, and Nordling to disgorge any and all ill-gotten gains, plus prejudgment interest, and also order relief defendants Pine Services, Sothis and Active Investments to disgorge any and all ill-gotten gains, plus prejudgment interest.

C. **Impose civil penalties against Custable, Suburban Capital, Wetzel, Widen, Wasatch, Giles, Heesch, Pacel, Calkins, Gateway, Bailey, ThermoElastic, BMII, Blagman, and Nordling pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].**

D. **Issue an order permanently prohibiting Custable and Suburban Capital from participating in any offering of penny stock pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].**

E. **Issue an order permanently prohibiting Wetzel, Widen, Heesch and Giles from participating in any offering of penny stock pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].**

F. **Issue an order requiring Custable, Suburban Capital, Wetzel, Widen, Pine Services, Sothis and Active Investments to repatriate to U.S. financial institutions all assets in which they have a direct, indirect or beneficial interest.**

G. **Issue an order permanently barring Heesch, Giles, Bailey and Calkins from serving as an officer or director of any public company pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].**

H. **Issue an order appointing a receiver for Suburban Capital.**

I. **Grant such other and further relief as may be necessary and appropriate.**

J. **Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court**

Respectfully submitted,



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