

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.:

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
v.)
)
DOUGLAS P. MARTIN and)
VHGI HOLDINGS, INC.,)
)
Defendants.)
_____)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From no later than August 2011 through November 2011, Defendants Douglas P. Martin and VHGI Holdings, Inc. engaged in a fraudulent scheme and market manipulation involving VHGI Holdings' stock. The scheme involved payment of an illegal bribe to a purportedly corrupt promoter so that he and his purported buying group would purchase shares of the company in the open market.

2. Defendants engaged in this manipulation in an effort to falsely generate the appearance of market interest in VHGI Holdings, induce public purchases of the stock, and artificially increase its trading volume and price.

3. Unbeknownst to Defendants, the purported buying group was a creation of the FBI, and the corrupt promoter was a witness cooperating with the FBI.

4. As a result of the conduct described in this Complaint, Defendants violated Section 17(a)(1) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §

77q(a)(1); and Section 10(b) and Rule 10b-5(a) and (c) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(a) and (c). Unless restrained and enjoined, Defendants are reasonably likely to continue to violate the federal securities laws.

5. The Commission respectfully requests that the Court enter: (a) a permanent injunction restraining and enjoining Defendants from violating the federal securities laws; (b) an order directing Defendants to pay disgorgement with prejudgment interest; (c) an order directing Defendants to pay civil money penalties; (d) an order barring Martin from participating in any offering of a penny stock; and (e) an order barring Martin from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

II. DEFENDANTS

6. Martin was the CEO of VHGI Holdings. He resides in Loxahatchee, Florida.

7. VHGI Holdings was a Delaware corporation with principal offices located in Fort Worth, Texas, and an additional office located in Fort Lauderdale, Florida at all times relevant to this action, but its principal offices now are located in Sullivan, Indiana. The company purported to be involved in the exploration, acquisition, and development of mining, energy and technological assets. Its common stock has been quoted on OTC Link operated by OTC Markets Group, Inc. under the symbol “VHGI” at all times relevant to this action. The common stock became registered with the Commission in

1989 pursuant to Section 12(g) of the Exchange Act and the company thereby became subject to Section 13(a) reporting obligations.

8. VHGI Holdings is a “penny stock” as defined by the Exchange Act. At all times relevant to this action, the stock’s shares traded at a high of 29 cents per share and an average price of approximately 10 cents per share. During the same time period, the stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the stock: (a) did not trade on a national securities exchange; (b) was not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47); (c) did not have net tangible assets (*i.e.*, total assets less intangible assets and liabilities) in excess of \$5,000,000; and (d) did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

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

10. This Court has personal jurisdiction over Defendants, and venue is proper in the Southern District of Florida, because Martin resides in the District and because a substantial part of Defendants’ acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, on October 13, 2011, Martin met with the cooperating witness in Broward County, and again on October 19, 2011, in Palm Beach County, to discuss the scheme. In addition, on October 19, Martin emailed the cooperating witness, who was located in the District, a preview of an investor presentation VHGI Holdings was planning to disseminate. Furthermore,

Martin arranged to wire the bribe payment to the cooperating witness in the District on October 24, 2011.

11. Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

12. In August 2011, Martin began discussing possible fraudulent transactions with the cooperating witness involving VHGI Holdings' stock.

13. The scheme Martin and the cooperating witness discussed was to work as follows: (a) the cooperating witness and his group would buy publicly-traded shares of VHGI Holdings' stock in the open market, and (b) after this manipulation scheme, another scheme would follow in which the subsequent stock purchases would be coordinated with press releases issued on VHGI Holdings' behalf.

14. Martin and the cooperating witness discussed that the witness would begin buying before the subsequent stock scheme to make it appear that there was public interest in the stock.

15. Martin also told the cooperating witness he wanted to increase VHGI Holdings' per share price to "15 cents" but in order to do so, he had to get rid of the low offers appearing for the company's stock.

16. At meetings on October 13 and 19, 2009 in the District, the parties agreed that, in exchange for the purchase of VHGI Holdings' stock in the open market by the cooperating witness and his purported buying group, Martin would provide the

cooperating witness with an inducement payment of 25 percent of the amount the cooperating witness and his buying group paid for the company's stock. As part of the manipulation, Martin also told the cooperating witness that a future stock promotion would follow to help facilitate the sale of the stock purchased by the witness and his buying group.

17. On October 19, 2011, Martin emailed the cooperating witness a preview of an investor presentation the company was going to disseminate.

18. On October 24, 2011, Martin arranged for \$2,000 to be wired to the cooperating witness in exchange for his and his buying group's purchase of \$8,000 worth of VHGI Holdings stock in the open market.

19. On October 25, 2011, the FBI purchased 80,000 shares of VHGI Holdings on the open market for a total cost of approximately \$8,325.

20. Also on October 25, 2011, Martin spoke with the cooperating witness several times and told him he was pleased with the buying.

21. The cooperating witness and Martin maintained communications for several months and met again in August 2012. Ultimately, however, there were no further transactions.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

22. The Commission realleges and incorporates paragraphs 1 through 21 of this Complaint.

23. From at least August through November 2011, Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in

interstate commerce, and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

24. By reason of the foregoing, Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Fraud in Violation of Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act

25. The Commission realleges and incorporates paragraphs 1 through 21 of this Complaint.

26. From at least August through November 2011, Defendants, directly and indirectly, by use of any means or instrumentalities of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

(a) employed devices, schemes, or artifices to defraud; or

(b) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

27. By reason of the foregoing, Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a) and (c), 17 C.F.R. § 240.10b-5(a) and (c).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Sections 17(a)(1) of the Securities Act and Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act, as indicated above.

III.

Disgorgement

Issue an Order directing both Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Penny Stock Bar

Issue an Order barring Martin from participating in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

VI.

Officer and Director Bar

Issue an Order pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 77t(e) and 15 U.S.C. § 78u(d)(2), barring Martin from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

VII.

Further Relief

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

VIII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

August 14, 2013

By:



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