

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION NO. 3:08-CV-0438-B
	§	
RYAN M. REYNOLDS, JASON WYNN,	§	
CARLTON FLEMING, BELLATALIA, LP,	§	ECF
WYNN INDUSTRIES, LLC, THOMAS	§	
WADE INVESTMENTS, LLC, LUGANO	§	
FUNDS, LLC, WYNN HOLDINGS, LLC,	§	
REGUS INVESTMENT GROUP, LLC,	§	
BEVERAGE CREATIONS, INC., ROBERT	§	
WIEDEN, and PATRICK DADO	§	
	§	
Defendants.	§	

AMENDED COMPLAINT

Plaintiff United States Securities and Exchange Commission (“Commission”) alleges:

SUMMARY

1. In a scheme to generate millions of dollars in the stock market, three stock promoters (Ryan Reynolds, Jason Wynn and Carlton Fleming) have purchased millions of shares in several small companies for pennies per share and immediately resold those shares at inflated prices to public investors without providing the full and fair disclosures mandated by the registration provisions of the federal securities law. These promoters hyped the shares through spam emails, an advertisement in USA Today, a commercial on CNBC, nationwide promotional mailers, and by inducing family and friends to create the appearance of market demand, while reselling millions of shares out of their own accounts for substantial profits. One of the

companies, Beverage Creations, Inc. (“BCI”), and its officers, Robert Wieden and Patrick Dado (collectively, BCI, Wieden and Dado are referred to as the “BCI Defendants”), compounded the harm to investors by falsely disclaiming BCI’s relationship to the stock promoters.

2. The scheme followed a simple formula: First, Reynolds, Wynn and Fleming (referred to collectively as the “Promoter Defendants”) purchased large blocks of stock through corporate proxies in various unregistered offerings. Second, they attempted to dodge the registration and resale restrictions of the Securities Act of 1933 (the “Securities Act”) through bogus claims of a registration exemption under Securities Act Rule 504. Third, they stoked demand for the stock by arranging for friends and family to purchase large quantities of stock on the first day of trading and then inundating the public with glossy mailers and spam e-mails. Fourth, they sold their stock into the public market at prices grossly inflated by their promotions.

3. The Promoter Defendants have operated this scheme through several corporate proxies under their control: Wynn Industries, LLC (“Wynn Industries”), Wynn Holdings, LLC (“Wynn Holdings”), Thomas Wade Investments (“TWI), Regus Investment Group, LLC (“Regus”), Bellatalia, LP (“Bellatalia”), and Lugano Funds, LLC (“Lugano Funds”) (collectively referred to as the “Promoter Entity Defendants”).

4. The Commission, in the interest of protecting the public from any further violations of the federal securities laws, brings this action against the Promoter Defendants, the Promoter Entity Defendants, and the BCI Defendants for violations of Section 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]. In addition, the Commission brings this action against Wynn, Wynn Holdings, Wynn Industries, and the BCI Defendants for violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5], based on their misleading promotional materials and misleading press release.

DEFENDANTS

Promoter Defendants

5. **Jason Wynn**, age 28, of Plano, Texas, is a penny stock promoter, former used car salesman, and consultant who helps companies draft press releases. Wynn operates through several corporate entities, including Wynn Holdings, Wynn Industries, and Inventive Investment Solutions, Inc.

6. **Carlton Fleming**, age 47, of McKinney, Texas, is a former stockbroker who purports to offer capital market advisory services through an entity called Lynn-Thomas Group. Fleming operates through several corporate entities including Regus and TWI.

7. **Ryan M. Reynolds**, age 36, of Dallas, Texas, is a former stock broker who was barred by the NASD, now the Financial Industry Regulatory Authority ("FINRA"), from the brokerage industry on January 21, 2003. Reynolds operates through several wholly-owned entities including Lugano Funds and Bellatalia.

Promoter Entity Defendants

8. **Wynn Industries, LLC** is a Texas limited liability company that distributed shares in unregistered stock offerings for the following companies: My Vintage Baby, Inc., Alchemy Creative, Inc., and Beverage Creations, Inc. Wynn is the sole owner and President of Wynn Industries.

9. **Wynn Holdings, LLC** is a Minnesota limited liability company with no apparent business purpose other than participating in unregistered public offerings. Wynn Holdings distributed shares in ConnectAJet.com, Inc.'s August 2007 unregistered stock offering and promoted ConnectAJet.com, Inc. stock in September 2007. Wynn is the majority owner, President, Secretary and Treasurer of Wynn Holdings.

10. **Thomas Wade Investments, LLC** is a Texas limited liability company whose primary business is trading shares of penny stock companies. TWI distributed shares in unregistered stock offerings for the following companies: My Vintage Baby, Inc., Alchemy Creative, Inc., and Beverage Creations, Inc. TWI is owned by the Fleming Family Trust. Fleming is a managing member and the sole employee of TWI.

11. **Regus Investment Group, LLC** is a Minnesota limited liability corporation with no apparent business purpose other than participating in unregistered public offerings. Regus distributed shares in several of My Vintage Baby, Inc.'s offerings. Fleming is the sole owner of Regus.

12. **Bellatalia, LP** is a Texas limited partnership that distributed shares in unregistered stock offerings for the following companies: My Vintage Baby, Inc., Alchemy Creative, Inc., and Beverage Creations, Inc. Bellatalia's primary business is trading shares of penny stock companies. Reynolds is the sole owner and employee of Bellatalia.

13. **Lugano Funds, LLC** is a Minnesota limited liability company formed for the apparent purpose of participating in ConnectAJet.com, Inc.'s unregistered stock offering. Lugano Funds distributed shares in ConnectAJet.com, Inc.'s August 2007 offering. Reynolds is the sole owner of Lugano Funds.

BCI Defendants

14. **Beverage Creations, Inc.**, a Delaware corporation, is a Minneapolis-based beverage company purportedly developing a proprietary sports drink. BCI was incorporated in June 2007, and in September 2007 became the surviving company from a reverse merger into a corporate shell. BCI's stock was quoted by Pink Sheets, LLC under the ticker "BVRG" from January 30, 2008 until February 20, 2008, when Pink Sheets discontinued its quotation and

labeled BCI's stock "Caveat Emptor" based on Wynn's promotional activity. BCI continues to trade on the "gray market," an informal process of phoning unsolicited orders for securities not quoted in any quotation service. BCI does not have a class of securities registered with the Commission and does not make periodic filings with the Commission.

15. **Robert Wieden**, age 43, of Eagan, Minnesota, is BCI's Chief Executive Officer, President, and Chairman of its Board of Directors.

16. **Patrick Dado**, age 40, of Inver Grove Heights, Minnesota, was BCI's Vice President of Operations and the Secretary of its Board of Directors until May 2008 when he resigned from both those positions. He is currently employed as an information technology consultant to various public companies.

JURISDICTION AND VENUE

17. The Commission brings this action pursuant to authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u (d)(1)].

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

19. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77u] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

20. Defendants, directly and indirectly, have made and, unless enjoined, will continue to make use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices and courses of business alleged herein in the Northern District of Texas and elsewhere.

FACTS

1. ConnectAJet.com, Inc.

A. ConnectAJet.com, Inc.'s Unregistered Public Offering

21. Wynn founded ConnectAJet.com, Inc. ("CAJ") in December 2006. CAJ claims to have created a real-time, online booking system for private jet travel, although no such system has ever been implemented on CAJ's website. As of October 2007, CAJ had no contracts for any jet operator to use the real-time system.

22. As of October 2007, CAJ had no profits. CAJ has no public financial statements.

23. In May 2007, CAJ arranged to raise money by selling its common stock to Lugano Funds and Wynn Holdings, business entities controlled by Reynolds and Wynn, respectively.

24. No registration statement was filed or in effect for the offer or sale of stock by CAJ.

25. In July 2007, Lugano Funds and Wynn Holdings each executed subscription agreements with CAJ, in which each agreed to purchase 10 million shares of CAJ's stock for one cent per share, a total offering price of \$100,000 each.

26. The subscription agreements stated that "the Securities are being purchased solely for the undersigned's account, for investment purposes only and not with a view to the distribution of said Securities and not with a view to assignment or resale thereof."

27. Lugano Funds and Wynn Holdings purchased shares from CAJ in an unregistered offering pursuant to a purported registration exemption under Regulation D, Rule 504 of the Securities Act and under two state law exemptions: Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170, both of which address sales to financial institutions and accredited investors. [17 CFR §230.504, Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170].

28. Rule 504 does not apply to CAJ's July 2007 stock offering. [17 CFR §230.504]. Furthermore, Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170 do not apply to CAJ's July 2007 stock offering because the offerings were not limited to accredited investors. [Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170].

29. On or about August 17, 2007, CAJ, through its transfer agent, distributed 10 million CAJ shares to Lugano Funds and 2 million shares to Wynn Holdings.

30. Less than one week later, on August 22 and 23, 2008, Lugano sold 1.35 million shares of CAJ in the public market, profiting \$1.55 million, a 1545% return on its original investment of \$100,000.

31. On August 22 and 23, 2008, Wynn Holdings also sold 1.20 million shares of CAJ in the public market, profiting \$1.36 million, a 1359% return on its original investment of \$100,000.

32. CAJ facilitated the immediate public distribution of its shares by issuing a press release on August 23, 2007 announcing that CAJ had "completed and formalized all necessary documentation to initiate trading."

33. On information and belief, at the time of the August 23, 2008 press release, the only shares purportedly available to create a public market in CAJ were the 20 million shares that CAJ had sold to Lugano Funds and Wynn Industries, 10 million shares issued to another investor, and a nominal amount of shares spread over dozens of previous investors in a shell into which CAJ had previously merged.

34. On August 24 and August 28, 2007, Wynn Holdings received the remaining 8 million shares to which it had subscribed.

35. In the following months, the Promoter Defendants and their entities continued to sell CAJ shares in the public market at prices ranging from \$0.55 to \$2.62.

36. In the six-month period from August 2007 through January 2008, Reynolds, through Lugano Funds, sold 4.6 million shares of CAJ in the public market, profiting \$3.2 million.

37. In the six-month period from August 2007 through January 2008, Wynn, through Wynn Holdings, sold 4.2 million shares of CAJ in the public market, profiting \$2.6 million.

38. No registration statement was filed or in effect for the offer or sale of CAJ stock to the public by the Promoter Defendants and their entities.

39. Reynolds and Wynn facilitated the process of liquidating Lugano Funds' and Wynn Holdings' CAJ shares by promoting CAJ to potential investors and by inducing friends and relatives to create the appearance of genuine market demand for CAJ stock.

B. Promoting CAJ to Facilitate Distribution in the Public Market

40. Beginning no later than August 24, 2007, Reynolds and Wynn, through their respective entities, began a nationwide promotional campaign touting CAJ stock.

41. No later than August 24, 2008, a stock-touting website, www.TheStockPic.com, began promoting CAJ stock on its website and through spam emails.

42. TheStockPic.com displayed CAJ as its "Hot Stock Pic" through September 2007.

43. Between August and October 2007, TheStockPic.com distributed at least 20 spam e-mails touting CAJ. For example, on August 24, 2007, TheStockPic.com distributed a spam email announcing CAJ as its "NEW STOCK PIC..." "It was a great startng [sic] day with our new pic CAJT.PK."

44. Wynn Industries ordered the initial development of TheStockPic.com in 2006, and has been billed for the website's monthly hosting fee.

45. Reynolds' sister is the administrator of the TheStockPic.com.

46. In September 2007, TheStockPic.com's disclaimer stated that it "had been compensated by one or more third parties on behalf of the companies listed herein. The owner of this website was paid 100,000 shares of CAJT."

47. On August 29, 2007, Reynolds' company, Lugano Funds, transferred 100,000 shares of CAJ stock to his sister and her husband.

48. Reynolds' sister and her husband did not pay for the 100,000 shares of CAJ stock received from Lugano Funds.

49. By October 31, 2007, Reynolds' sister had sold in the public market nearly 60% of the CAJ shares received from Lugano Funds.

50. Wynn, through Wynn Holdings, also touted CAJ to investors through a promotional mailer distributed nationwide by mail.

51. From August 23, 2007 through August 30, 2007, Wynn Holdings distributed over 3 million full-color, promotional mailers touting CAJ stock as a featured stock pick. The mailer proclaims "Got Money? The sky's the limit with this stock!" and "Turn \$10,000 into \$50,000 in weeks!"

52. The mailer is addressed "Dear Investor" and signed by "-The Staff at TheStockPic.com."

53. On or about September 4, 2007, Wynn, through Wynn Holdings, placed a full-page ad in USA Today, a nationally distributed newspaper, telling readers to "Join Early Investors and Buy CAJT Now Before the Rest of Wall Street Gets In."

54. The September 4, 2007 ad touted CAJ as a 5-star rated, "Strong Buy," and "2007 Top Stock Pick."

55. Wynn also paid for a commercial that aired on CNBC on or about September 4, 2007, that proclaimed: "Take off with ConnectAJet.com, a publicly traded company."

56. In mid-September 2007, Wynn, through Wynn Holdings, placed an additional order for another 1 million copies of the mailer touting CAJ.

57. On September 18, 2007, Wynn, through Wynn Holdings, distributed another 1 million copies of the mailers through the mail.

58. After active trading in CAJ began on August 22, 2007, CAJ's stock price tripled, from a low of \$1.00 per share on August 22, 2007 to its September 11, 2007 high of \$3.00 per share.

59. On October 1, 2007, the Commission halted trading in the stock of CAJ. The trading suspension expired on October 12, 2007.

C. Creating the Appearance of Genuine Market Demand

60. Reynolds and Wynn also facilitated the sale of CAJ shares by advising their friends, relatives and others when trading commenced in CAJ and inducing them to purchase the shares that they were selling.

61. Trades made by friends and family on August 22, 2007, the first day that Lugano Funds and Wynn Holdings began selling their CAJ stock, and in the month that followed, created a false impression of increased liquidity, trade volume and market demand for CAJ. In fact, the purchases were manufactured by Reynolds and Wynn.

62. For example, between August 22 and August 28, 2007, Reynolds' father purchased at least 83,000 CAJ shares. Reynolds' stepfather purchased at least 177,500 CAJ shares. A friend of Reynolds purchased at least 202,000 CAJ shares.

63. Between August 31, 2007 and September 11, 2007, Reynolds' father sold 97% of the CAJ shares, Reynolds' stepfather sold 30% of the CAJ shares, and Reynolds' friend sold 100% of the CAJ shares.

64. Reynolds also purchased CAJ stock in the public market on behalf of friends and relatives over whose accounts he had trading authority. On August 22, 2007, two such accounts under Reynolds' control purchased a total of 81,000 CAJ shares, and purchased an additional 30,000 CAJ shares six days later.

65. By September 11, 2007, both accounts had resold all of their CAJ shares in the public market.

66. Wynn and Reynolds also created the appearance of demand for CAJ shares by purchasing shares in accounts in the names of Wynn Industries and Bellatalia, entities under their respective control.

67. Between August 24, 2007 and September 5, 2007, Bellatalia purchased at least 813,581 shares of CAJ and by September 10, 2007 had sold nearly all of them.

68. Between September 4 and September 11, 2007, Wynn Industries purchased at least 122,600 shares of CAJ stock and Wynn Industries sold at least 95,000 of those shares.

69. Lugano Funds also transferred CAJ shares at no cost to other accounts over which Reynolds had control. Thereafter, acting on behalf of those accounts, Reynolds sold those CAJ shares into the public market.

a. For example, on August 20, 2007, Lugano Funds transferred 50,000 CAJ shares for no money to his assistant, and transferred 100,000 CAJ shares – again, for free – to a business associate. Reynolds immediately began selling CAJ shares out of those brokerage accounts.

b. On August 24, 2007, Lugano Funds also transferred 500,000 CAJ shares for no money to Fleming's entity, Regus.

c. On August 29, 2007, Regus transferred some of the CAJ shares received from Lugano Funds to a different individual, who promptly began selling the shares in the public market.

d. Two weeks later, on September 12, 2007, Regus began selling CAJ shares into the public market.

e. From September 2007, Reynolds continued to sell stock from the friends' and relatives' accounts in which he had previously placed buy orders for CAJ shares.

70. At all times relevant to the conduct alleged in this complaint, Reynolds had trading authority over brokerage accounts for Lugano Funds, Bellatalia, Wynn Holdings, Wynn Industries, Regus, TWI and others. On at least ten different occasions, Reynolds called or emailed their mutual broker and placed sell orders on behalf of at least three and as many as ten of the accounts at the same time.

71. Reynolds and Wynn, and their respective entities Lugano Funds and Wynn Holdings, were underwriters who distributed CAJ stock to the public. They underwrote the CAJ offering by purchasing shares with a view to offering and selling the shares to others in connection with the distribution of the company's shares to public investors.

72. Reynolds, Wynn, Lugano Funds and Wynn Holdings sold their CAJ shares to the general public using the instrumentalities of interstate commerce. Reynolds and Wynn, domicile in Texas, and Lugano Funds and Wynn Holdings, domicile in Minnesota, sold CAJ shares through a securities broker-dealer located in Florida. These defendants also exchanged faxes, emails and telephone calls with their broker-dealer, CAJ, and each other. Wynn, through Wynn Holdings, also touted CAJ to investors through a nationwide promotional mailing. Investors who purchased shares from Wynn Holdings and Lugano Funds reside in several states.

73. At all times relevant to this complaint, CAJ stock has been a penny stock, as the company's net tangible assets and average revenue have been below the thresholds established under Section 3(a)(51) of the Exchange Act [15 U.S.C. 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1], and the stock has traded at a price under \$5 per share at all times since the stock began trading.

D. Wynn and Wynn Holdings Fraudulent Promotions of CAJ

74. The front page of the CAJ mailer distributed by Wynn, through Wynn Holdings, included a small-print disclosure, stating that Wynn Holdings

has received 10 million shares of CAJT stock that may be sold into the market at any time, without notice, for multiple purposes including, but not limited to: direct compensation, advertising costs, copywriting services, cost of production, mailing and other distribution expenses, as well as a fee for its' [sic] services. WHL has paid an advertising cost of nine hundred ninety thousand dollars to produce and distribute this public awareness mailer. WHL may also purchase or sell stock at any time without notice.

75. This disclaimer is incomplete and inaccurate.

76. The disclaimer omits that Wynn Holdings was selling its stock at the same time it was encouraging recipients of the promotional mailers to buy stock.

77. The "at any time" language does not convey that Wynn Holdings' sales were intentionally timed rather than coincidental with the publication of the mailer.

78. The disclaimer also omits Wynn Holdings' true role in the CAJ stock offering: that it had purchased shares of stock from CAJ in an unregistered offering with the intention of underwriting a public offering.

79. Lastly, the disclaimer misrepresented the nature of Wynn Holdings' receipt of CAJ shares. Contrary to the representation that Wynn Holdings received CAJ shares for multiple purposes such as advertising costs, Wynn Holdings purchased shares from CAJ for \$100,000 in an unregistered offering pursuant to an alleged Rule 504 exemption.

80. These misstatements and omissions are material because a reasonable investor would find it important that (a) Wynn Holdings simultaneously recommended that investors purchase CAJ stock while it was dumping its own shares; (b) contrary to the "at any time" language, Wynn Holdings' sales of CAJ were intentionally timed; and (c) Wynn Holdings received its shares and promoted the stock as part of a calculated effort to take CAJ public through an unregistered offering.

81. Wynn and Wynn Holdings made these misstatements and misleading omissions knowingly or with a reckless disregard for the truth.

2. My Vintage Baby, Inc.

82. My Vintage Baby, Inc. ("MVB") is a Florida corporation, with its principal place of business in Texas. MVB is a manufacturer and distributor of high-end children's clothing.

83. MVB has never earned a profit. The company lost \$450,113 in 2006, \$775,206 in 2007 and \$278,439 in the first half of 2008.

84. In or around December 2006, Fleming met with MVB officers to discuss ways to obtain financing for MVB.

85. Fleming, on behalf of one of his companies, The Lynn Thomas Group, agreed to raise money for MVB in exchange for MVB issuing shares to companies owned by Fleming and others.

86. Fleming solicited the other Promoter Defendants to invest in MVB.

87. At Fleming's direction, in or around April 2007, MVB acquired a public shell and merged that entity into the existing My Vintage Baby, Inc.

88. From June 2007 through January 2008, MVB issued stock in a series of offerings pursuant to a purported Rule 504 exemption. The aggregate amount of these offerings exceeded \$1 million.

a. On June 1, 2007, Bellatalia and Regus each executed subscription agreements with MVB in which they each agreed to purchase 5 million shares from MVB for \$0.005 per share, for a total of \$25,000 each. These agreements were signed by Reynolds and Fleming, respectively.

b. On June 26, 2008, Bellatalia, Wynn Industries and Regus each executed subscription agreements with MVB in which Bellatalia and Regus each agreed to purchase 500,000 shares of MVB, and Wynn Industries agreed to purchase 1 million shares of MVB for \$0.07 per share. The agreements were signed by Reynolds, Wynn, and Fleming, respectively.

c. On July 16, 2007, Bellatalia and Regus each executed additional subscription agreements to purchase another 1 million shares each of MVB for \$0.07 per share. The agreements were signed by Reynolds and Fleming, respectively.

d. On July 31, 2007, Bellatalia, Wynn Industries and Regus each executed subscription agreements to purchase another 1 million shares of MVB for \$0.07 per share. The agreements were signed by Reynolds, Wynn and Fleming, respectively.

e. In September and October 2007, MVB sold another 1.2 million shares of stock to several investors for \$0.35 per share.

f. On December 19, 2007, Bellatalia and Regus each executed a subscription agreement to purchase another 1 million shares of MVB for \$0.07 per share. The agreements were signed by Reynolds and Fleming, respectively.

g. On January 7, 2008, Bellatalia and Thomas Wade Investments each executed a subscription agreement to purchase 928,571 shares from MVB for \$0.07 per share. The agreements were signed by Reynolds and Fleming, respectively.

89. In the subscription agreements, Reynolds, Wynn and Fleming represented that the investor (1) "will not engage in any activity that will constitute a distribution of the Shares," and (2) "has not offered or sold any portion of the Shares to others or with a view to reselling or otherwise disposing of any portion of the Shares."

90. Each of the agreements signed by Reynolds, Wynn and Fleming on behalf of Bellatalia, Wynn Industries and TWI, respectively, stated that the offerings were exempt from registration pursuant to two Texas state law exemptions, Texas Administrative Code Rule 109.4(b) and Rule 139.16, both of which address sales to accredited investors. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

91. Texas Administrative Code Rules 109.4(b) and 139.16 do not apply to MVB's stock offerings because the offerings were, in substance, an unregistered public offering

underwritten by the Promoter Defendants. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

92. The subscription agreements signed by Fleming on behalf of Regus purport to avail themselves of an exemption from registration under Regulation D, Rule 504, and under Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170, both of which address sales to financial institutions and accredited investors. [17 CFR §230.504, Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170].

93. Rule 504 does not apply to MVB's stock offerings to Regus. 17 CFR §230.504. Furthermore, Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170 do not apply to MVB's stock offerings to Regus because the offerings were, in substance, an unregistered public offering underwritten by the Promoter Defendants. [Minn. Stat. Section 80A.15(2)(g) and Minnesota Rule 2875.0170].

94. Shortly after each of the subscription agreements was executed, MVB distributed shares to the Promoter Defendants and their respective Promoter Entity Defendants.

95. MVB instructed the company's transfer agent to deliver the MVB shares "without restrictive legend" directly to the brokerage accounts of Bellatalia, Wynn Industries, TWI and Regus. MVB also declared that the shares were "free trading" and "free and clear of any encumbrances."

96. As MVB had requested, MVB's transfer agent issued share certificates to Regus, Wynn Industries, Bellatalia and TWI without a restrictive legend.

97. On June 1, 2007, the day that MVB first sold its stock to Bellatalia and Regus, MVB issued a press release announcing that MVB had "formalized all necessary documentation... to initiate trading." The press release quoted MVB's Chief Executive Officer

stating, “we are truly excited to offer a stake in our remarkable organization to the general public.”

98. No registration statement was filed or in effect for the offer or sale of stock by MVB.

99. Within days of receiving their shares, the Promoter Defendants and the Promoter Entity Defendants engaged in unregistered sales of MVB stock in the public market.

100. For example, Regus first received MVB stock into its brokerage account on June 13, 2007 and began reselling MVB stock in the public market six days later, on June 19, 2007.

101. Bellatalia first received MVB stock into its brokerage account on June 13, 2007 and began reselling MVB stock in the public market seven days later, on June 20, 2007.

102. Wynn Industries first received MVB stock into its brokerage account on June 29, 2007 and began reselling the stock in the public market less than two weeks later, on July 12, 2007.

103. Reynolds also advised friends and family members when trading commenced and induced them to purchase the MVB stock that Wynn Industries, Bellatalia, and Regus were selling, thus creating the appearance of increased liquidity, trading volume and market demand for MVB stock. In fact, all of the trades were caused by Reynolds.

104. From June 19, 2007 to June 25, 2007, Reynolds’ father purchased 20,000 shares of MVB, Reynolds’ stepfather purchased 41,952 shares, and Reynolds’ friend purchased 10,000 shares, all at prices ranging from \$0.52 to \$0.65.

105. By July 23, 2007, Reynolds’ father, stepfather and friend had sold all of their MVB holdings in the public market.

106. Reynolds directed MVB trading in at least four accounts over which he had control, including Bellatalia, Regus, Wynn Industries and the account of a business associate who also invested in CAJ. For example, on August 23, 2007, Reynolds emailed his broker to sell 47,000 shares from the account of the business associate that day, and another 20,200 the following day.

107. Between June and July 2007, TheStockPic.com touted MVB on its website.

108. According to a disclaimer on TheStockPic.com website, the owner of TheStockPic.com received compensation for promoting MVB stock.

109. MVB did not exercise reasonable care to ensure that the Promoter Defendants would not engage in a distribution of MVB shares. MVB did not instruct the company's transfer agent to place a restrictive legend on the MVB stock certificates. MVB did not issue a "stop transfer" instruction to its transfer agent. MVB did not obtain a signed statement from the purchasers that the securities would not be resold without registration. MVB did not have reasonable grounds to believe that the purchase was for investment rather than for distribution.

110. On September 26, 2007, the Commission sued Reynolds and Bellatalia, alleging that they had engaged in the unregistered resale of penny stock to the public with respect to six companies. See SEC v. Offill et al., 07-cv-01643 (N.D. Tex) (Hon. Sidney A. Fitzwater). The Commission alleged that Reynolds earned over \$3.4 million in net profits by reselling unregistered stock to the public in those offerings.

111. Even after the public announcement of that litigation, the Promoter Defendants continued to execute subscription agreements on behalf of their corporate entities for the purpose of purchasing MVB shares and quickly reselling those shares in the public market.

112. For example, TWI first received MVB stock into its brokerage account on December 20, 2007, and began reselling the stock in the public market the very same day.

113. From June 13, 2007 through January 14, 2008, the Promoter Defendants offered and sold MVB shares at prices ranging from \$0.14 to \$2.34.

114. Regus sold 7.8 million MVB shares in the public market, profiting \$4.39 million.

115. Bellatalia sold 8.6 millions shares of MVB in the public market, profiting \$3.57 million.

116. Wynn Industries sold 2.2 million MVB shares in the public market, profiting \$1.17 million.

117. TWI sold 2.0 million MVB shares in the public market, profiting \$163,484.

118. No registration statement was filed or in effect for the offer or sale of MVB stock by the Promoter Defendants and their entities.

119. The Promoter Defendants and their entities were underwriters who distributed MVB stock to the public. They underwrote the MVB offering by purchasing shares with a view to offering and selling the shares to others in connection with the distribution of the company's shares to public investors.

120. The Promoter Defendants resold their shares to the general public using the instrumentalities of interstate commerce. Reynolds, Bellatalia, Wynn, Wynn Industries, Fleming, Regus and TWI, all located in Texas, sold shares through a securities broker-dealer located in Florida. These defendants also exchanged faxes, emails and telephone calls with their broker-dealer, MVB, and each other.

121. At all times relevant to this complaint, MVB stock has been a penny stock, as the company's net tangible assets and average revenue have been below the thresholds established

under Section 3(a)(51) of the Exchange Act [15 U.S.C. 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1], and the stock has traded at a price under \$5 per share at all times since the stock began trading.

3. Alchemy Creative, Inc.

A. Alchemy's Unregistered Public Offering

122. Alchemy Creative, Inc. ("Alchemy") is a Florida corporation with its principal place of business in Plano, Texas. Alchemy claims to be developing educational entertainment products such as DVDs and games based on a series of children's novels.

123. Alchemy's most recent unaudited financial statements show that, as of September 18, 2007, it only had \$1.52 in the bank, \$23.80 in revenues and a net loss of \$608,443 for the previous three quarters.

124. In or around December 2006, Fleming met with Alchemy officers to discuss ways to obtain financing for Alchemy.

125. Fleming, on behalf of one of his companies, The Lynn Thomas Group, agreed to raise money for Alchemy through a public offering in exchange for Alchemy issuing shares to companies owned by Fleming and others.

126. In June 2006, Alchemy agreed to work with Fleming to raise money through a public offering.

127. Fleming solicited the other Promoter Defendants to invest in Alchemy.

128. At Fleming's direction, Alchemy acquired a publicly traded shell company in or around October 2007.

129. On September 5, 2007, Alchemy issued a \$210,000 convertible note to TWI.

130. In December 2007, Bellatalia, Wynn Industries and TWI each purchased 13 million shares of Alchemy stock in two unregistered stock offerings. Each of these entities agreed to pay \$66,667 for the first 3.33 million shares each, and to pay an additional \$70,000 for another 1 million shares each.

131. On or around December 18, 2007, Bellatalia, Wynn Industries and TWI executed subscription agreements representing that “the undersigned will not engage in any activity that will constitute a distribution of the shares.” The agreements were signed by Reynolds, Wynn and Fleming, respectively.

132. The agreements stated that the offerings were exempt from registration pursuant to two Texas state law exemptions, Texas Administrative Code Rule 109.4(b) and Rule 139.16, both of which address sales to accredited investors. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

133. Texas Administrative Code Rules 109.4(b) and 139.16 do not apply to Alchemy’s stock offerings because the offerings were, in substance, an unregistered public offering underwritten by the Promoter Defendants. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

134. Shortly after the subscription agreements were executed, Alchemy distributed shares to the Promoter Defendants and their respective Promoter Defendant Entities.

135. Alchemy instructed its transfer agent to deliver the Alchemy shares “without restrictive legend” directly to the brokerage accounts of Bellatalia, Wynn Industries, and TWI. Alchemy also declared that the shares were “free trading” and “free and clear of any encumbrances.”

B. Promotions and Resales

136. Bellatalia, Wynn Industries and TWI began reselling Alchemy stock into the public market before they even received the shares.

137. On December 3 and December 4, 2007, Bellatalia, Wynn Industries and TWI each sold over 300,000 shares of Alchemy in the public market, profiting over \$320,000 each. They did not receive the Alchemy shares until December 5, 2007.

138. When trading commenced, Reynolds induced friends and family members to purchase the Alchemy stock that Bellatalia and Wynn Industries were selling, creating the false impression of increased liquidity, trading volume and demand for Alchemy stock when, in fact, the trades were caused by Reynolds.

139. Between December 4 and 5, 2007, Reynolds' father purchased 9,200 shares of Alchemy; Reynolds' stepfather purchased 1,500 shares; and Reynolds' friend purchased 5,000 shares, all at prices ranging from \$1.25 to \$1.95.

140. By December 10, 2007, Reynolds' father, stepfather and friend had sold all of their Alchemy shares in the public market.

141. Reynolds traded Alchemy on behalf of at least four brokerage accounts under his control, including those of Bellatalia, TWI, Wynn Industries and a business colleague who also traded in CAJ shares. On several occasions, Reynolds emailed the broker servicing these accounts to place buy and sell orders at the same time for the same accounts. For example, on January 11, 2008, Reynolds directed his broker to buy approximately 8,666 Alchemy shares, and to sell 113,105 Alchemy shares at the same time for the Bellatalia, TWI and Wynn Industries accounts.

142. In or about December 2007, Wynn, through his entity Inventive Investment Solutions, Inc. (“IIS”), began promoting Alchemy stock to investors.

143. In December 2007, Wynn, through IIS, distributed full-color, promotional mailers touting Alchemy stock as a featured stock pick. Wynn distributed these mailers nationwide through the mail. The mailer proposed “7 Reasons to Own This Stock!” and recommended that investors “Fuel Your Portfolio with ALMY!” ALMY is the ticker symbol for Alchemy.

144. On December 4, 2008, Alchemy announced in a press release that it had “initiated trading.”

145. Wynn drafted the December 4, 2008 press release.

146. Wynn also drafted a subsequent Alchemy press release, which was published on December 5, 2008.

147. On or about December 5, 2007, Alchemy’s transfer agent issued share certificates without a restrictive legend, as Alchemy had requested, and delivered them into the brokerage accounts of Bellatalia, Wynn Industries and TWI.

148. On December 5, 2007, Bellatalia, Wynn Industries and TWI each received 3.33 million Alchemy shares pursuant to their subscription agreements, which they used to cover the sales they had made on December 3 and 4, 2007.

149. Alchemy did not exercise reasonable care to ensure that the Promoter Defendants would not engage in a distribution of Alchemy shares. Alchemy did not instruct the company’s transfer agent to place a restrictive legend on the Alchemy stock certificates. Alchemy did not issue a “stop transfer” instruction to its transfer agent. Alchemy did not obtain a signed statement from the purchasers that the securities would not be resold without registration. Alchemy did not

have reasonable grounds to believe that the Promoter Entities' purchases were for investment rather than for distribution.

150. Between December 3, 2007 and March 4, 2008, the Promoter Defendants offered and sold Alchemy shares at prices ranging from \$0.04 – \$3.23.

151. Bellatalia sold at least 3.7 million Alchemy shares in the public market, profiting \$2.4 million.

152. Wynn Industries sold at least 3.7 million Alchemy shares in the public market, profiting \$2.4 million.

153. TWI sold at least 3.7 million Alchemy shares in the public market, profiting \$2.4 million.

154. No registration statement was filed or in effect for the offer or sale of Alchemy stock by the Promoter Defendants and their entities.

155. The Promoter Defendants and their entities were underwriters who distributed Alchemy stock to the public. They underwrote the Alchemy offering by purchasing shares with a view to offering and selling the shares to others in connection with the distribution of the company's shares to public investors.

156. The Promoter Defendants resold their shares to the general public using the instrumentalities of interstate commerce. Reynolds, Bellatalia, Wynn, Wynn Industries, Fleming, and TWI, all located in Texas, sold shares through a securities broker-dealer located in Florida. These defendants also exchanged faxes, emails and telephone calls with their broker-dealer, Alchemy, and each other. Wynn, through IIS, also promoted Alchemy to investors through nationwide promotional mailers.

157. At all times relevant to this complaint, Alchemy stock has been a penny stock, as the company's net tangible assets and average revenue have been below the thresholds established under Section 3(a)(51) of the Exchange Act [15 U.S.C. 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1], and the stock has traded at a price under \$5 per share at all times since the stock began trading.

4. Beverage Creations, Inc.

A. BCI's Unregistered Public Offering

158. BCI describes itself as a beverage company. It claims to be developing a proprietary sports drink that incorporates a canister of breathable, pressurized oxygen. The company has no revenue from operations, has not manufactured or produced any proprietary sports drink, and offers no other products. As of December 2007, BCI had no production facilities.

159. At all times relevant to this complaint, BCI stock has been a penny stock, as the company's net tangible assets and average revenue have been below the thresholds established under Section 3(a)(51) of the Exchange Act [15 U.S.C. 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1], and the stock has traded at a price under \$5 per share at all times since the stock began trading.

160. At all times relevant to this complaint, BCI Chief Executive Officer Robert Wieden and former BCI Vice President of Operations Patrick Dado were control persons of BCI.

161. As of December 2007, BCI's financial condition was such that the company had lost \$43,760 in the preceding three months. At the end of December 2007, BCI had \$14,500 in credit card debt, with only \$12,506 in its bank account.

162. In 2007, Wieden and Dado attended several meetings with Fleming and/or BCI's management consultants to discuss possibilities for raising capital. After considering several possible options, Wieden and Dado decided to pursue an "IPO" as proposed by Fleming.

163. Wieden and Dado took several steps to facilitate the unregistered public distribution of BCI stock. For example, on September 24, 2007, Wieden executed Amended Articles of Incorporation to purchase a public shell company.

164. On December 17, 2007, Bellatalia, Wynn Industries, and TWI each executed subscription agreements with BCI, in which each agreed to purchase 3,333,333 shares of BCI's stock for two cents a share, a total offering price of \$199,999. The agreements were signed by Reynolds, Wynn, and Fleming, respectively.

165. Wieden signed the December 17, 2007 subscription agreements on behalf of BCI. Those agreements stated that the offering was exempt from registration pursuant to two Texas state law exemptions, Texas Administrative Code Rule 109.4(b) and Rule 139.16, both of which address sales to accredited investors. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

166. Texas Administrative Code Rules 109.4(b) and 139.16 do not apply to BCI's January 2008 stock offering because the offerings were, in substance, an unregistered public offering underwritten by the Promoter Defendants. [Tex. Admin. Code, tit. 7 § 109.4(b) and Tex. Admin. Code, tit. 7 § 139.16].

167. The subscription agreements also stated that Wynn Industries, Bellatalia, and TWI (1) "will not engage in any activity that will constitute a distribution of the Shares," and (2) "ha[ve] not offered or sold any portion of the Shares to others or with a view to reselling or otherwise disposing of any portion of the Shares."

168. Wieden and Dado knew that Wynn Industries, Bellatalia, and TWI would sell their shares in the public market shortly after receiving them.

169. Further, BCI took several steps to facilitate the resale distribution of its stock by Wynn Industries, Bellatalia, and TWI:

a. On December 17, 2007, Wieden instructed BCI's transfer agent to deliver BCI shares "without restrictive legend" directly to the brokerage accounts of Bellatalia, TWI, and Wynn Industries. On December 17, 2007, in a letter "To Whom It May Concern," Wieden also stated that the shares were "free trading" and "free and clear of any encumbrances."

b. In January 2008, BCI filed a limited disclosure form with Pink Sheets in order for the stock to be listed on that website.

170. On January 25, 2008, BCI distributed 9,999,999 BCI shares to Wynn Industries, Bellatalia, and TWI.

171. BCI's transfer agent issued share certificates without a restrictive legend, as BCI had requested, and delivered them into the brokerage accounts of Bellatalia, TWI and Wynn Industries.

172. BCI did not exercise reasonable care to ensure that Wynn Industries, Bellatalia, and TWI would not engage in a distribution of BCI shares. BCI did not instruct its transfer agent to place a restrictive legend on the BCI stock certificates. BCI did not issue a "stop transfer" instruction to its transfer agent. BCI did not obtain a signed statement from the purchasers that the securities would not be resold without registration. BCI did not have reasonable grounds to believe that the purchase was for investment rather than for distribution.

