

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No.
	:	
JAMES WHEELER and	:	
MICROHOLDINGS US, INC.,	:	
	:	
Defendants.	:	

COMPLAINT

Plaintiff U.S. Securities and Exchange Commission (the “Commission”) alleges that:

SUMMARY

1. From no later than May 2011, through June 2011, Defendants James Wheeler (“Wheeler”) and MicroHoldings US, Inc. (“MCHU”), engaged in a fraudulent kickback and market manipulation scheme involving ZIPG common stock in violation of the federal securities law.
2. Wheeler, the CEO of MCHU, made a series of illegal kickback payments to a purported corrupt hedge fund representative to induce the hedge fund representative to buy MCHU common stock with the hedge fund’s money. The kickbacks consisted of cash payments directed by Wheeler to the hedge fund representative and disguised as payments pursuant to a bogus consulting agreement. Wheeler and the hedge fund representative created the consulting agreement as a means for carrying out the scheme.
3. Wheeler participated in this scheme in order to obtain money from the representative’s hedge fund, to enrich himself, and in an effort to generate the appearance of interest in MCHU,

induce public purchases of its stock, and ultimately increase the stock's trading price.

4. As a result of the conduct described in this Complaint, the Defendants violated 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]. Unless restrained and enjoined, they are reasonably likely to continue to violate the federal securities laws.

5. Based on these violations the Commission seeks: (1) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (2) an order directing the Defendants to pay civil monetary penalties; (3) disgorgement of Defendants' ill-gotten gains, plus prejudgment interest; (4) an order barring Wheeler from acting as an officer or director of a public company; and (5) an order barring Wheeler from participating in any offering of a penny stock.

AUTHORITY AND JURISDICTION

6. The Commission brings this action pursuant to enforcement authority conferred by Section 21 of the Exchange Act [15 U.S.C. § 78u].

7. This Court has jurisdiction over this action pursuant to Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u & 78aa]. The District of Massachusetts is the proper venue for this action under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because many of the Defendants' acts and transactions constituting violations of the Exchange Act took place in the District of Massachusetts.

8. The Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mail in connection with the acts, practices, and course of business alleged herein.

DEFENDANTS

9. James Wheeler, age 50, resides in Camas, Washington. He is the CEO of MCHU.

10. MicroHoldings US, Inc., an Oklahoma corporation with its principal place of business in Vancouver, Washington, describes itself as ‘a Public Holding Company positioned for new mergers or acquisitions.’ Its common stock is currently quoted on the OTC Pinks under the symbol ‘MCHU.’ It has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act.

11. MCHU’s stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this Complaint, the stock’s shares traded at less than \$5.00 per share.

THE FRAUDULENT SCHEME

12. On or about May 17, 2011, Wheeler met with an individual who purported to be a Boston-based representative of a major hedge fund (the “hedge fund representative”). In fact, the hedge fund representative was a Special Agent of the Federal Bureau of Investigation working in an undercover capacity. Wheeler and the hedge fund representative discussed and agreed upon a scheme whereby the representative’s hedge fund would purchase \$5 million of MCHU common stock in return for the payment of a kickback to the hedge fund representative. Wheeler participated in this scheme in order to obtain money from the representative’s hedge fund, to enrich himself, and in an effort to generate the appearance of interest in MCHU, induce public purchases of its stock, and ultimately increase the stock’s trading price.

13. During their discussions the undercover Special Agent told Wheeler that as a representative of the hedge fund he owed a fiduciary duty to the fund and that, as a result, it was imperative that his employer and the fund not become aware of the kickback arrangement. Wheeler and the purported hedge fund representative also discussed structuring the transaction

into smaller, so-called "tranches," so that it would avoid detection by the hedge fund's compliance personnel and by securities regulators. Also, in order to conceal the nature of the transaction, Wheeler agreed to make the kickback payments to the representative through a shell corporation. Wheeler executed a purported "consulting agreement" between MCHU and the shell corporation to create the false appearance that the kickback payments were compensation for consulting services.

14. On May 17, 2011, pursuant to a subscription agreement between MCHU and the representative's hedge fund, the hedge fund agreed to purchase 120,000 restricted shares of MCHU common stock for \$18,000. On that same date, MCHU and the shell corporation entered into a consulting agreement prepared by Wheeler. On May 20, 2011, \$18,000 was wired by the hedge fund representative to the bank account of MCHU for the restricted stock purchase. On May 20, 2011, the shell corporation sent an invoice for consulting services rendered to MCHU. On May 24, 2011, MCHU sent a wire for \$9000 to the shell corporation's bank account, representing the payment on the phony invoice and therefore the 50% kickback

15. On June 2, 2011, pursuant to another stock subscription agreement between MCHU and the representative's hedge fund, the hedge fund agreed to purchase an additional 166,667 restricted shares of MCHU common stock for \$30,000. On or about that same date, MCHU and the shell corporation entered into a consulting agreement prepared by Wheeler. On June 8, 2011, \$30,000 was wired by the representative of the hedge fund to the bank account of MCHU for the restricted stock purchase. On June 7, 2011, the shell corporation sent two separate invoices for consulting services rendered to MCHU for \$9000 and \$6000. On June 10, 2011, MCHU sent two wires for \$9000 and \$6000 to the shell corporation's bank account, representing a total of \$15,000 in payments on the phony invoices and therefore the 50% kickback

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

(Against Wheeler and MCHU)

16. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 - 15.

17. From May 2011 through June 2011, the Defendants, directly and indirectly, by use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully and recklessly employed devices, schemes and artifices to defraud.

18. By reason of the foregoing, Wheeler and MCHU, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment that:

I.

Permanently enjoins Wheeler, MCHU, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future 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.

II.

Orders Wheeler and MCHU to disgorge the ill-gotten gains they received as a result of their violations of the federal securities laws and to pay prejudgment interest thereon.

III.

Orders Wheeler and MCHU to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

IV.

Issues an Order barring Wheeler from participating in any offering of penny stock, pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

V.

Issues an Order, pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), barring Wheeler from serving as an officer or director of a public company.

VI.

Granting such other and further relief as the Court may deem just and proper.

Dated: Boston, Massachusetts
December 1, 2011

On behalf of the Commission,

/s Martin F. Healey
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Michelle Giard Draeger (ME Bar No. 8906)
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