

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiff,

v.

JAMES ROLAND DIAL,
EVAN NICOLAS JARVIS, and
ALEXANDER W. ELLERMAN,

Defendants.

Civil Action No. :

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") for its complaint alleges as follows:

SUMMARY

1. This case concerns a \$3.9 million stock manipulation scheme involving Grifco International, Inc. ("Grifco") during the period December 2004 through at least December 2006. Grifco is a publicly-traded corporation that claims to be an international provider of oil and gas services equipment. The scheme was orchestrated and devised by Defendants, James Roland Dial ("Dial"), Grifco's former president, chief executive officer and sole director, Evan Nicolas Jarvis ("Jarvis"), a stock promoter and *de facto* Grifco officer, and Alexander W. Ellerman ("Ellerman"), another stock promoter.

2. During the period from at least December 2004 through November 2006, Defendants Dial and Jarvis caused Grifco to issue at least 13,206,666 purportedly unrestricted Grifco securities to Ellerman, themselves or their nominees that then acted upon Defendants'

instructions to sell the Grifco shares. Shortly after receiving their shares, the Defendants and nominees sold the Grifco securities to the investing public, often times selling those shares into a rising, artificial market they created by disseminating false and material misleading information about Grifco to prospective investors and shareholders. Neither the issuance nor the resale of these securities was registered with the Commission and the transactions did not satisfy any exemption from registration. As a result of this conduct, the Defendants collectively received at least \$3,280,961 in ill-gotten gains from the sale of newly-issued Grifco stock during the relevant period. In addition, Dial misappropriated at least \$600,000 by looting Grifco's cash account from September 2005 through December 2006.

3. Defendants also engaged in a pump-and-dump scheme designed to defraud and deceive existing and potential investors into purchasing Grifco shares while defendants sold Grifco shares at inflated prices into an artificially active market that they created. Dial made false and misleading information about Grifco through press releases, investor conference calls and other statements to Grifco shareholders that Jarvis and Ellerman, at times, disseminated, or prepared and caused to be made and disseminated. Defendants knew that the press releases and other statements contained false and misleading information regarding Grifco's financial position and projected sales, its products and product development, and the company's total outstanding shares. The Defendants intended the false information to influence the investing public by enticing new and existing investors to purchase Grifco securities and to artificially raise Grifco's stock price. The Defendants then capitalized on Grifco's active market and artificially high price by selling many of their own Grifco shares at or near the release of the false information.

4. By engaging in this conduct, Defendants Dial, Jarvis, and Ellerman violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C §§

77e(a) 77e(c), and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C § 78j(b)] and Rule 10b-5 thereunder [15 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

5. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78(u)(d) and 78aa] of the Exchange Act. Defendants, directly, or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

6. Venue is appropriate in the Southern District of Texas under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78(u)(d) and 78aa]. Certain of the acts, transactions, practices and courses of business constituting the violations alleged herein occurred within this district.

DEFENDANTS

7. James Roland Dial (“Dial”), age 55, resides in Willis, Texas. From at least December 2004 through at least July 2008, Dial was Grifco’s president, chief executive officer and sole director. In March 2011, Dial pleaded guilty in the United States District Court for the Southern District of Texas (Houston Division) (“U.S. District Court”) to criminal conspiracy to commit wire fraud for disseminating false and misleading press releases and other information for the purpose of artificially inflating the price of Grifco’s common stock.¹

8. Evan Nicolas Jarvis (“Jarvis”), age 38, resides in Magnolia, Texas. From at least December 2004 through December 2007, Jarvis, a prior convicted felon, operated as a stock promoter for Grifco. Jarvis was also a *de facto* top officer for Grifco during the relevant period,

¹ *United States v. Alex Ellerman, et al.*, Dial Plea Agreement, CR. NO. H-10-56-S (S.D. Tex.) (March 4, 2011).
Re: *SEC v. Dial, et al.*

by virtue of his control and influence over Dial regarding all major financial and stock-related decisions involving Grifco, including its promotional activity and stock issuances. In March 2011, Jarvis pleaded guilty in U.S. District Court to criminal conspiracy to commit wire fraud for disseminating false and misleading press releases and other information for the purpose of artificially inflating the price of Grifco's common stock.²

9. Alexander W. Ellerman ("Ellerman"), age 36, was a resident of Chicago, Illinois during the relevant period until approximately May 29, 2008. From at least October 2005 through October 2006, Ellerman received salary from Grifco while operating as a stock promoter for the company. On or about May 29, 2008, Ellerman moved from Chicago to Panama after learning details of multiple criminal investigations involving allegations that he and other persons connected to Grifco engaged in a continuing fraud scheme involving numerous violations of state and federal securities laws. In March 2011, Ellerman pleaded guilty in U.S. District Court for the Southern District of Texas to criminal conspiracy to commit wire fraud for disseminating false and misleading press releases and other information for the purpose of artificially inflating the price of Grifco's common stock.³

OTHER RELEVANT ENTITY AND INDIVIDUAL

10. Grifco International, Inc. ("Grifco"), based in Conroe, Texas and incorporated in Nevada, is a publicly-traded corporation that claims to be an international provider of oil and gas services equipment. Grifco has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act. At all relevant times, Grifco's stock was quoted on the Pink Sheets operated by OTC Markets Group, Inc. ("Pink Sheets") under the ticker symbol "GFCI."

² *Id.*, Jarvis Plea Agreement (March 4, 2011).

³ *Id.*, Ellerman Plea Agreement (March 8, 2011).

11. “Unnamed Assailant,” age 33, is a male Texas resident. On or about September 5, 2006, Unnamed Assailant, a convicted felon, assaulted Grifco’s then-chief financial officer (“CFO”) who was believed to be cooperating in the Commission’s investigation. In November 2008, Unnamed Assailant pleaded guilty in Texas state court to one count of robbery and another unrelated criminal drug-related felony. Unnamed Assailant is currently on parole and living in Texas.

FACTS

12. Dial and Jarvis caused Grifco to become a publicly traded corporation in November 2004 through a reverse merger involving LitFiber, Inc. (“LitFiber”), a then-publicly traded Nevada corporation that was owned and controlled by Jarvis’ brother. LitFiber purported to be in the business of wireless communications and internet web development and had few assets, much debt, and negligible revenue. LitFiber’s stock was quoted on the Pink Sheets under the ticker symbol “LTBI.” Prior to the reverse merger, Grifco was a small-privately owned Louisiana company that provided oil and gas services equipment.

The Defendants’ Unauthorized Securities Transactions

13. Almost immediately after Grifco became public, Dial and Jarvis started issuing themselves, their nominees, and Ellerman millions of shares of Grifco stock that they then sold into the marketplace. During the period from December 2004 through November 2006, Defendants caused Grifco to issue at least 13,206,666 purportedly unrestricted Grifco securities to themselves or their nominees, who then acted upon Defendants’ instructions to sell the Grifco shares. Shortly after receiving their shares, the Defendants and nominees sold the Grifco securities to the investing public, often times selling those shares into a rising, artificial market they created by disseminating false and material misleading information about Grifco to

prospective investors and shareholders. Neither the issue nor the resale of these securities was registered with the Commission and the transactions did not satisfy any exemption from registration. As a result of this conduct, the Defendants collectively received over \$3,280,961 in ill-gotten gains from the sale of newly-issued Grifco stock during the relevant period, as follows:

Name	Stock Issued	Stock Proceeds
Dial	3,723,333	\$740,000
Jarvis	6,933,333	\$1,754,313
Ellerman	2,550,000	\$786,648
Total	13,206,666	\$3,280,961

a. James Roland Dial

14. During the period from December 2004 through November 2006, Dial caused Grifco to issue at least 3,723,333 purportedly unrestricted Grifco securities to two nominees he controlled. Typically, Dial instructed Grifco's transfer agent to issue the stock certificates to the nominees by overnight mail. Shortly after receiving their shares, Dial instructed the nominees to sell the Grifco securities to the investing public on dates and times of his choosing. The first nominee returned 85 percent of the trading proceeds, or approximately \$658,000, to Dial in cash at a time and place of Dial's choosing. The second nominee returned 90 percent of the trading proceeds, or approximately \$82,000, to Dial in cash. As a result of this conduct, Dial received approximately \$740,000 in ill-gotten gains from the sale of newly-issued Grifco stock during the relevant period.

15. None of the securities transactions involving Dial's nominees were registered with the Commission and the transactions did not satisfy any exemption from registration. Dial created two bogus consulting agreements with the first nominee after the fact in an attempt to

conceal the nominee arrangement. There was no written documentation between Dial and the second nominee regarding their arrangement.

b. Evan Nicolas Jarvis

16. During the period from December 2004 through May 2006, Dial and Jarvis caused Grifco to issue at least 6,533,333 purportedly unrestricted Grifco securities to Jarvis and Fairview Capital, a Texas limited liability company Jarvis and Ellerman owned and controlled. Shortly after receiving these shares, Jarvis sold the Grifco securities to the investing public. As a result of this conduct, Jarvis received approximately \$1,709,313 in ill-gotten gains from the sale of newly-issued Grifco stock through four brokerage accounts that he owned or controlled during the relevant period.

17. None of the securities transactions were registered with the Commission and the transactions did not satisfy any exemption from registration. Neither Jarvis nor Fairview Capital requested a legal opinion, and none was received. Jarvis did not perform any due diligence to determine whether the securities transactions were in compliance with the registration provisions of the Securities Act and, instead, claimed to rely entirely upon his mistaken understanding that the stock was free trading without restriction.

18. In August and September 2006, Jarvis caused Grifco to issue 400,000 purportedly unrestricted Grifco securities to Unnamed Assailant. Shortly after receiving his shares, Unnamed Assailant arranged for an attack on Grifco's then-CFO and attempted to steal his laptop because of concerns that the CFO had gathered documents regarding the Defendants' market manipulation of Grifco and that the CFO intended to share the information with Commission staff and criminal regulatory authorities. During this time period, Unnamed Assailant sold the Grifco securities to the investing public and returned 90 percent of the trading

proceeds, or approximately \$45,000, to Jarvis in cash at a time and place of Jarvis's choosing. There was no written documentation between Jarvis and Unnamed Assailant regarding their arrangement. None of these securities transactions were registered with the Commission and the transactions described above did not satisfy any exemption from registration.

c. Alex Ellerman

19. During the period from December 2004 through July 2005, Dial and Jarvis caused Grifco to issue at least 2,550,000 purportedly unrestricted Grifco securities to Ellerman and Fairview Capital. Shortly after receiving these shares, Ellerman sold the Grifco securities to the investing public. As a result of this conduct, Ellerman received approximately \$786,648 in ill-gotten gains from the sale of newly-issued Grifco stock during the relevant period.

20. None of the securities transactions were registered with the Commission and the transactions did not satisfy any exemption from registration. Ellerman did not request a legal opinion, and none was received. Ellerman did not perform any due diligence to determine whether the securities transactions were in compliance with the registration provisions of the Securities Act and, instead, claimed to rely entirely upon his mistaken understanding that the stock was free trading without restriction.

21. During the relevant period, Ellerman completed a novel about a stock fraud scheme similar to the Grifco market manipulation that was then under investigation by the Commission and various criminal law enforcement agencies. On or around April 2007, Ellerman drafted a cover letter to an agent that explained his novel was based on Ellerman's real life experiences. In the letter, Ellerman made the following statement: "Originally it was novel. . . Then something odd happened; the book started coming true . . . Post facto. . . . I made a

million dollars in a year, out of thin air. I broke rules and maybe a few laws. The way the novel said.”

The Defendants’ Market Manipulation Scheme

22. During the relevant period, Defendants engaged in a pump-and-dump scheme designed to defraud and deceive existing and potential investors into purchasing Grifco shares while selling Grifco shares at inflated prices into an artificially active market they created. From March 2005 through at least August 2005, Dial made false and materially misleading information about Grifco through press releases and investor conference calls to Grifco shareholders that Jarvis and Ellerman, at times, prepared and disseminated, or caused to be disseminated. Defendants knew that the press releases and investor conference calls contained false and materially misleading information regarding Grifco’s total outstanding shares, its revenues, profit figures and projections, the company’s product development, and new product information. Defendants intended the false information to influence the investing public by enticing new and existing investors to purchase Grifco securities and to artificially raise Grifco’s stock price.

23. The Defendants then capitalized on Grifco’s active market and artificially high price by selling many of their own Grifco shares at or near the release of the false information. From at least March 2005 to August 2006, Dial also conducted investor conference calls and made other statements that contained false and misleading information about Grifco to entice investors to purchase the company’s securities at artificially inflated prices.

24. On March 3, 2005, Defendants prepared and released a press release titled, “GFCI Operational Update and Earnings Guidance for 2004-2005.” The press release contained the following representations:

Grifco International, Inc. (GFCI), a provider of oil and gas services equipment to the worldwide oil and gas industry, announces net income of \$2.6 million, or approximately \$0.13 per share on \$7.5 million gross revenue for the six months ending December 31st, 2004.

25. The March 3, 2005 press release also contained the following quote attributed to “President and CEO of Grifco International, Inc.:

Dial: “[f]or the first six months of our fiscal year, our profits are running approximately three times higher than the previous six months.”

26. The statements in the March 3, 2005 press release were false and misleading because the release significantly overstated Grifco’s net income. At or near the time the press release was issued, Dial and Jarvis were in possession of Grifco profit and loss statements, which were unsubstantiated and unaudited, and that indicated that the company’s net income totaled less than \$120,000 for the six months ended December 31, 2004. Dial, Jarvis, and Ellerman, variously were involved in or responsible for the drafting, authorization and release of the false and misleading March 3, 2005 Grifco press release.

27. On March 16, 2005, Defendants prepared and Dial and Jarvis authorized the release of an “Information Sheet” to the investing public that contained a representation that Grifco issued only 20,000,000 shares and maintained a “public float” (*i.e.*, the number of voting and non-voting common shares held by non-affiliates”) of 3,500,000 shares. At or near the time the Information Sheet was released, however, Dial and Jarvis issued, or caused to be issued, over 58,500,000 shares of Grifco stock. Of that amount, over 26,500,000 shares were in the “public float.” The Information Sheet was false and misleading because it materially understated the number of shares of stock issued and the public float maintained by Grifco. In particular, when coupled with the March 3, 2005 press release, the Defendants created the false impression that

Grifco's earnings per share for the period ending December 31, 2005 were \$0.13 per share when, in fact, Grifco's earnings, if any, were no greater than \$0.002 per share.

28. On May 26, 2005, Grifco conducted a conference call during which Dial made several false and misleading statements to current shareholders and prospective investors. During the call, which was recorded, Dial made false and misleading statements regarding Grifco's revenues ("2 million per month in business"), shares outstanding ("20 million"), and earnings per share ("0.23 estimate for the first half of 2005"). Dial also claimed that "nobody at the company has free-trading shares." Finally, when asked about the financial representations in the March 3, 2005 press release, Dial stated that he was "standing behind the March 3, 2005 press release as far as the numbers are concerned."

29. Dial knew or was reckless in not knowing that the statements he made to investors on the May 26, 2005 conference call regarding Grifco's revenues, earnings per share, and shares outstanding were false and misleading. At the time of the conference call, Dial was in possession of Grifco financials that contained revenue figures far below the \$2 million per month he claimed on the conference call. Likewise, Dial, by virtue of his position as president and CEO as well as his knowledge of the company's stock issuances, knew or was reckless in not knowing that he and Jarvis had caused Grifco to issue over 61,800,000 shares of stock at the time of the conference call, including over 2,500,000 "free trading" shares that Dial and Jarvis had already issued to themselves, their nominees, and to Ellerman.

30. Between May 12, 2005 and August 10, 2005, Defendants prepared and Dial and Jarvis authorized or made at least five false and misleading Grifco press releases that touted the company's production of a "one of a kind" tool called the Jet Motor that would allegedly generate substantial revenues for Grifco. For example, on June 16, 2005, Defendants issued a

press release titled, “Grifco Nears Completion of 50 Jet Motors; Plans to Ship Within 3 Weeks.”

The press release stated in part, “Grifco ... is nearing completion on its initial production slate of fifty Jet Motor units and expects to begin shipping from its Louisiana production facility within three weeks.” The press release also attributed the following statement to Dial:

We anticipate that the rental units will be used continuously and repetitively by clients, shifting from well to well, for the life of the tool. The fifty Jet Motor units will generate approximately \$2 million per month in rental fees with 75% utilization.

31. In the July 15, 2005 press release titled “Grifco Completes Production of 50 Jet Motors; Plans to Ship Within 5 Days,” the following statements were attributed to Dial: “The 50 Jet Motor unites will generate approximately \$2 million per month in rental fees with 75% utilization each tool will be tested on Monday and Tuesday at our test facility and we will begin shipping to our customers on Wednesday, July 20.”

32. At the time of both releases, Dial knew or was reckless in not knowing that his statements regarding Grifco’s Jet Motor production and its anticipated revenue stream were a complete fabrication because the so-called “Jet Motor” was not a commercially viable product. Dial, and Jarvis were involved in or responsible for the drafting, authorization and release of the false and misleading June 16, 2005 and July 15, 2005 Grifco press releases. Ellerman was involved in and responsible for the drafting of the releases.

33. Similarly, on August 10, 2005, Defendants issued another false press release titled, “Grifco International Announces Another Production Run of Jet Motors.” This press release contained the following misrepresentations:

Grifco International (GFCI) has announced that it plans to produce another 50 Jet Motor units by mid-September. The first production run of 50 Jet Motors has been shipped to clients all over the world and should be in operation, depending on the logistics of their destinations, by the end of this month. Three are currently in operation, generating \$15,000 per day in revenues (\$5,000 each) ... [Jim Dial

said] “We anticipate that the rental units will be used continuously and repetitively by clients, shifting from well to well, for the life of the tool. The 50 Jet Motor units will generate approximately \$2 million per month in rental fees with 75% utilization.”

Once again, Dial knew or was reckless in not knowing that the statements regarding Grifco’s Jet Motor production runs and revenue generation were completely false and that Grifco did not produce or ship, and did not anticipate producing or shipping, any Jet Motors to clients at any time during 2005.

34. The false Grifco press releases attracted unsuspecting investors to the market, which typically caused a short term spike in share volume and, in many instances, price. For example, on August 10, 2005, the day of Grifco’s press release that falsely claimed that Grifco shipped 50 Jet Motors all over the world, Grifco’s stock price rose nearly 20% (from \$0.41 to \$0.49) on average daily trading volume that was nearly double (from 660,000 to 1,250,000) the previous day’s results.

35. Between March 2005 and August 2006, Dial also made false and misleading statements directly to Grifco investors who visited Grifco’s offices in Conroe, Texas. In particular, Dial repeatedly misinformed Grifco investors that the company’s outstanding shares and public float were at levels that were far below their actual amounts. For example, in August 2006, Dial informed Grifco investors that Grifco had outstanding shares of “39 million and change” and a public float of approximately 8,000,000 shares. At the time, however, Dial knew, or was reckless in not knowing, that Grifco maintained over 162,000,000 outstanding shares, the overwhelming majority of which were in the public float. As a result, Dial hid the fact that he and Jarvis significantly diluted the value of Grifco stock by issuing millions of Grifco shares without investors’ knowledge.

36. While the false Grifco press releases and other misleading information and statements were being disseminated, the Defendants were simultaneously selling large quantities of stock into the marketplace for their own benefit. In fact, the Defendants generated stock sales of \$1,711,648, or over half of their total ill-gotten stock proceeds of \$3,280,961 by dumping their stock at or near the time period they also prepared and distributed false and misleading information into the marketplace.

37. In addition, Dial also misappropriated at least \$600,000 in Grifco assets during the relevant period. From at least September 2005 through December 2006, Dial used Grifco's cash to pay for gentlemen's club rental expenses and regularly looted the company's cash account to pay for personal items.

FIRST CLAIM FOR RELIEF

**Violations of Sections 5(a) and 5(c) of the Securities Act
(Against All Defendants)**

38. Plaintiff Commission hereby incorporates ¶¶ 1 through 37 with the same force and effect as if set out here.

39. As alleged above, Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

40. No registration statement has been filed with the Commission or has been in effect with respect to any offering or sale alleged herein.

41. By reason of the foregoing, Defendants violated Sections 5(a) and (c) of the Securities Act [15 U.S.C §§ 77e(a) and (c)].

SECOND CLAIM FOR RELIEF

**Violations of Sections 17(a) of the Securities Act,
Section 10(b) of the Exchange Act and Rule 10b-5 thereunder
(Against All Defendants)**

42. Plaintiff Commission hereby incorporates ¶¶ 1 through 41 with the same force and effect as if set out here.

43. As alleged above, Defendants directly or indirectly, by use of the means or instruments of transportation and communication in interstate commerce, or the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange, in the offer or sale or in connection with the purchase or sale of some of all of Grifco securities, knowingly or recklessly: (a) employed devices, schemes, or articles to defraud; (b) obtained money or property by means of, and made, untrue statements or material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon offerrees, purchasers, and prospective purchasers of securities.

44. By reason of the foregoing, Defendants violated Sections 17(a) of the Securities Act [15 U.S.C § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C § 78j(b)] and Rule 10b-5 thereunder [15 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a judgment:

(a) permanently enjoining Defendants from violating Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C §§ 77e(a) 77e(c), and 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C § 78j(b)] and Rule 10b-5 thereunder [15 C.F.R. § 240.10b-5];

(b) ordering Defendants to disgorge all ill-gotten gains derived from the activities set forth in this Complaint, together with prejudgment interest;

(c) pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, permanently prohibiting Defendants from acting as officers or directors 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;

(d) permanently prohibiting Defendants from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act and Section 21(d)(6) of the Exchange Act; and

(e) granting such other relief as this Court may deem just and appropriate.

Dated: June 1, 2012

Respectfully submitted,

s/ David B. Reece
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