

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO

Civil Action No. 05-M-622 (CBS)

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U.S. DISTRICT COURT  
DISTRICT OF COLORADO  
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GREGORY C. LANGHAM  
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BY \_\_\_\_\_ DEP. CLK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

SEALIFE CORPORATION,  
ROBERT E. MCCASLIN,  
ROLAND M. THOMAS,  
ERT TECHNOLOGY CORPORATION,  
DOUGLAS A. GLASER,  
BARRY S. GRIFFIN,  
JEFFREY A. HAYDEN,  
MORGAN J. WILBUR III,

Defendants.

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COMPLAINT

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Plaintiff, Securities and Exchange Commission, alleges as follows for its complaint:

I. SUMMARY

1. From about December 2002 through at least August 2003, **SeaLife Corporation, Robert C. McCaslin, Roland M. Thomas, ERT Technology Corporation, Douglas A. Glaser, Barry S. Griffin, Jeffrey A. Hayden, and Morgan J. Wilbur III** engaged in a scheme that defrauded the investing public by using materially false and misleading public statements and manipulative stock trading to create an artificial market for, and to sell, stock in **SeaLife Corporation** without registration or a valid exemption under the federal securities laws.

2. **SeaLife, McCaslin, ERT, and Thomas** drafted and caused to be disseminated materially false and misleading public statements regarding **SeaLife** to create artificial market demand for **SeaLife's** stock and to facilitate a distribution of **SeaLife** stock to the public.

3. **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** each engaged in manipulative stock trading in **SeaLife** stock during the distribution to create an artificial market for the stock, to falsely create the appearance of volume, and to fraudulently interfere with the true supply and demand for the stock.

4. The Defendants caused **SeaLife** stock to be sold in transactions without registration or valid exemption under the federal securities laws.

5. After it began trading in early 2003, the price of **SeaLife** stock reached as high as \$5 per share and fluctuated between \$.60 and \$2 per share during most of the period that the Defendants engaged in the scheme. As the scheme began to unravel and the Defendants no longer artificially supported the price of **SeaLife** stock, the stock price declined below \$.40 per share where it traded most of the remainder of 2003. However, Defendants continued to distribute **SeaLife** stock throughout 2003.

6. As a result of the scheme, the Defendants received **SeaLife** stock proceeds as follows: **Hayden** received approximately \$633,301 in proceeds; **Glaser** received approximately \$161,481 in proceeds; **Thomas** and **ERT** received approximately \$158,778 in proceeds; **Wilbur** received approximately \$62,928 in proceeds; and **Griffin** received approximately \$51,545 in proceeds.

## II. JURISDICTION AND VENUE

7. The SEC brings this action pursuant to authority conferred on it by Section 20(b) of the Securities Act of 1933 [15 U.S.C. § 77t(b)] and Sections 21(d) and 21(e) of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(d) and 78u(e)].

8. This Court has jurisdiction over this action pursuant to 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]. Venue lies in this Court pursuant to Securities Act Section 22(a) and Exchange Act Section 27 [15 U.S.C. §§ 77v(a) and 78aa].

9. In connection with the transactions, acts, practices, and courses of business described in this Complaint, the Defendants, directly or indirectly, have made use of the means or instrumentalities of interstate commerce, of the mails, and/or means and instruments of transportation or communication in interstate commerce.

10. Certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within the District of Colorado. Moreover, **Glaser**, **Griffin**, and **Hayden** reside within this district.

## III. SUMMARY OF VIOLATIONS

11. **SeaLife**, **McCaslin**, **Thomas**, **ERT**, **Glaser**, **Griffin**, **Hayden**, and **Wilbur** violated the securities registration and antifraud provisions of the federal securities laws: Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and unless restrained and enjoined will violate such provisions in the future.

12. **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** violated Rule 101 of Regulation M [17 C.F.R. §§ 242.101], and unless restrained and enjoined will violate that provision in the future.

13. **McCaslin, Thomas, ERT, and Glaser** violated Sections 13(d)(1) and 16(a) of the Exchange Act [15 U.S.C. §§ 78m(d)(1) and 78p(a)] and Rules 13d-1 and 16a-3 thereunder [17 C.F.R. §§ 240.13d-1 and 240.16a-3], and defendants **Thomas, ERT, and Glaser** violated Section 13(d)(2) of the Exchange Act [15 U.S.C. § 78m(d)(2)] and Rule 13d-2 thereunder [17 C.F.R. § 240.13d-2], and unless restrained and enjoined will violate such provisions in the future.

14. **SeaLife**, aided and abetted by **McCaslin**, violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 13a-11, 13a-13, and 12b-20 thereunder [17 C.F.R. §§ 240.13a-11, 13a-13, and 12b-20], and unless restrained and enjoined will violate or aid and abet violations of such provisions in the future.

#### IV. DEFENDANTS

15. **SeaLife Corporation**, a Delaware corporation based in Culver City, California, was formed through a 2002 merger between a closely-held Nevada corporation, also called **SeaLife Corporation**, and a public shell company named **Integrated Enterprises, Inc.** Immediately after the merger between these two entities, the resulting public company changed its name to **SeaLife Corporation**. **SeaLife** is in the business of manufacturing and selling boat paint and several other products. It is a reporting company pursuant to Section 12(g) of the Exchange Act. **SeaLife** stock traded under the symbol “SLIF” on the Over-The-Counter Bulletin Board, a regulated stock quotation service. At relevant times, **SeaLife** traded at prices under \$5 per share and was a penny stock.

16. **Robert E. McCaslin**, age 53, is a resident of Marina Del Rey, California. **McCaslin** is the president and co-founder of **SeaLife**.

17. **Roland M. Thomas**, age 55, is a British citizen who resides in Las Vegas, Nevada. **Thomas** is a business consultant and stock promoter who helps take small companies public. **Thomas** purportedly provided consulting services at times through his company, **ERT Technology Corporation**.

18. **ERT Technology Corporation** is a Delaware corporation wholly-owned by **Thomas**.

19. **Douglas A. Glaser**, age 34, is a resident of Denver, Colorado. **Glaser** is a business consultant and stock promoter. He has held securities licenses, but in April 1997, **Glaser** was barred from association with any broker or dealer by the SEC after an administrative proceeding.

20. **Barry S. Griffin**, age 39, is a resident of Denver, Colorado. **Griffin** worked as an automobile salesman.

21. **Jeffrey A. Hayden**, age 59, is a resident of Walden, Colorado. **Hayden** has held securities licenses, but has not been associated with a broker-dealer or other SEC-registered entity since 1997.

22. **Morgan J. Wilbur, III**, age 59, is a resident of Savannah, Georgia. **Wilbur** is a business consultant who offers financial services to small companies. He has held securities licenses, but has not been associated with a broker-dealer or other SEC-registered entity since 2000.

## V. FACTS

### A. SEALIFE BECAME PUBLICLY TRADED AND ISSUED STOCK TO THOMAS, AN ERT EMPLOYEE, AND GLASER TO SELL TO THE PUBLIC

23. During 2002, **McCaslin** became interested in raising capital for SeaLife Corporation, the private predecessor company to **SeaLife**. **McCaslin** met **Thomas**, who agreed to help the company raise capital by generating market interest for the company's stock once it became publicly traded on the securities markets and by selling the stock to the public. **Thomas** agreed to perform these services in exchange for "free-trading" stock.

24. In early November 2002, **Thomas** met **Glaser** and received a proposal from **Glaser** for developing a trading market for SeaLife Corporation stock after the company became publicly trading on the securities markets. Among other things, **Glaser** told **Thomas** that he could arrange for market makers, facilitate minimum trading volume and bid price, and arrange financing. **Glaser** proposed that one million shares be made available to execute the plan.

25. During November and December 2002, the private company SeaLife Corporation entered negotiations to merge with Integrated Enterprises in order to become a publicly-trading company. At the time, Integrated Enterprises was a Delaware shell corporation whose stock was publicly trading on the Over-The-Counter Bulletin Board. SeaLife Corporation agreed to pay the controlling shareholders of Integrated Enterprises \$400,000 to complete the merger and become a publicly-trading company. Because SeaLife Corporation did not have enough cash, it promised to pay the controlling shareholders of Integrated Enterprises the \$400,000 in the future. On or about December 20, 2002, the private SeaLife Corporation merged with Integrated Enterprises and the resulting publicly-trading company became **SeaLife Corporation**. To provide security for the \$400,000 payment, the controlling shareholders of Integrated Enterprises retained 2 million shares of preferred stock that was convertible into enough common stock to

regain control of **SeaLife** in the event of nonpayment. After the merger, **McCaslin** was president and director of **SeaLife**.

26. In December 2002, pursuant to their prior discussions, **Thomas** and **ERT** signed a written agreement with **Glaser** outlining a plan to distribute **SeaLife** stock to the public. Pursuant to the agreement, **Glaser** agreed to sell at least \$750,000 worth of **SeaLife** stock to the public and then use the proceeds to pay \$200,000 to the former controlling shareholders of Integrated Enterprises as a first installment on the \$400,000 owed to them, pay \$400,000 to **SeaLife** for its capital needs, and split the remaining proceeds with **Thomas** and **ERT**. **Glaser** also agreed to establish a healthy stock position, active market makers, and volume trading in **SeaLife** stock. According to the agreement, **SeaLife** issued one million shares on January 2, 2003, as follows: 500,000 shares to **Thomas**; 300,000 shares to **Glaser**; and 200,000 shares to an employee of **ERT**.

27. As a result of the stock issued by **SeaLife** in December 2002 relating to the merger and early January 2003 relating to the written agreement between **Thomas** and **Glaser**, **McCaslin** owned over 30% of **SeaLife's** outstanding common stock, and **Thomas**, **Glaser**, and **ERT's** employee as a group owned 12.5% of the company's outstanding common stock. **McCaslin** filed Exchange Act ownership reports on Form 3 and Schedule 13G concerning his three million shares on September 10, 2003, nearly nine months after the stock was issued and only after learning of the SEC investigation. **Thomas**, **ERT**, and **Glaser** never filed any Exchange Act ownership reports with the SEC.

**B. SEALIFE, MCCASLIN, THOMAS, AND ERT DISSEMINATED MATERIALLY FALSE INFORMATION TO THE PUBLIC**

28. In order to create market demand for, and to sell **SeaLife** stock, **SeaLife**, **McCaslin**, **Thomas**, and **ERT** drafted and disseminated materially false information to the

investing public via the Internet, press releases, public filings with the SEC, and information given to investors. At no time did **SeaLife** issue a comprehensive prospectus or disclosure document describing all material factors concerning the company's stock. The material false information accompanied the manipulative stock trading of **Thomas, ERT, Glaser, Hayden, Griffin, and Wilbur** and aided the Defendants' stock distribution efforts. The Defendants engaged in special efforts to distribute **SeaLife** stock by issuing the press releases, public statements, and other information to generate market demand for the stock.

29. In late December 2002, **SeaLife, McCaslin, Thomas, and ERT** authored a "Corporate Fact Sheet" and a "Business Plan" for **SeaLife** which were posted on **SeaLife's** Internet web site. **SeaLife** also distributed the Fact Sheet and Business Plan in information packets to potential investors. Both the Corporate Fact Sheet and Business Plan were materially false and misleading for the following reasons, among others:

- a) The Fact Sheet and Business Plan falsely stated that **SeaLife's** research, development, and production procedures were complete, allowing the company to focus its resources on marketing and sales, when in fact additional product testing and capital were required.
- b) The Fact Sheet and Business Plan falsely stated that **SeaLife's** intellectual property, trade secrets, and proprietary products were worth more than \$60 million, when in fact **SeaLife's** internal undisclosed financial statements valued the same assets at less than \$1.5 million.
- c) The Fact Sheet and Business Plan contained projections that **SeaLife** would make over \$5 million in sales during its first year, and that it would generate large profits from these sales because it had a 70% gross sales margin. **SeaLife** did not

have sufficient sales to make any claims about its margin and the projections were false and misleading because they lacked disclosure that **SeaLife** needed to perform more product testing and raise more capital and because **SeaLife** did not disclose any historical or current financial information with the projections.

- d) The Fact Sheet and Business Plan failed to disclose that **SeaLife** and **McCaslin** had retained **Thomas** and **Glaser** as its agents to sell **SeaLife** stock to raise capital and to pay off the \$400,000 that was owed to the former controlling shareholders of Integrated Enterprises for the price of merging with their shell company. The documents also failed to disclose that those former controlling shareholders of Integrated Enterprises could regain control of **SeaLife** if the \$400,000 was not paid to them by converting their preferred stock.

30. In order to create market demand and to sell **SeaLife** stock, **SeaLife**, **McCaslin**, **Thomas**, and **ERT** decided that **SeaLife** would issue weekly press releases to generate publicity and to facilitate the stock distribution efforts of **Thomas**, **ERT**, **Glaser**, **Hayden**, **Griffin**, and **Wilbur**. **SeaLife** issued eight press releases during the first three months of trading. The first press release, issued on December 23, 2002, falsely stated that **SeaLife's** research, development, and production procedures for its "anti-fouling paint products" were complete, when in fact additional product testing and capital were required.

31. None of the eight press releases disclosed that **SeaLife** and **McCaslin** had retained **Thomas** and **Glaser** as its agents to sell **SeaLife** stock to raise capital and to pay off the \$400,000 that was owed to the former controlling shareholders of Integrated Enterprises. The press releases also failed to disclose that those former controlling shareholders of Integrated Enterprises could regain control of **SeaLife** if the \$400,000 was not paid to them.

32. In its Current Report on Form 8-K filed with the SEC on December 31, 2002, **SeaLife** falsely stated: “It is **Sealife’s** belief that it will achieve a substantial penetration of the bottom coating market within six months while achieving profitability by the end of our first year.” This statement was materially false and misleading because **SeaLife** again failed to disclose the company’s need for more product testing and capital. **SeaLife** repeated that false and misleading statement in an amended 8-K filed March 3, 2003. **McCaslin** signed both the original and amended Forms 8-K.

33. The original and amended Forms 8-K filed on December 31, 2002 and March 3, 2003, respectively, stated that **McCaslin** had taken control of **SeaLife**, but did not disclose that **SeaLife** and **McCaslin** had retained **Thomas** and **Glaser** as its agents to sell **SeaLife** stock to raise capital to pay off the \$400,000 that was owed to the former controlling shareholders of Integrated Enterprises. The SEC filings also failed to disclose that those former controlling shareholders of Integrated Enterprises could regain control of **SeaLife** if the \$400,000 was not paid to them.

34. On April 18, 2003, **SeaLife** filed a quarterly report signed by **McCaslin** on Form 10-QSB for the quarter ended February 28, 2003. The financial statements asserted that **SeaLife** had canceled two million shares of preferred stock. When the former controlling shareholders of Integrated Enterprises saw the filing, they immediately called **SeaLife** to complain that the canceled stock was collateral for the \$400,000 payment that was owed to them for the shell, which by that time was past due. The controlling shareholders ultimately settled the dispute by agreeing to cancel most of the preferred stock in exchange for **SeaLife** common stock.

35. **SeaLife** reported the settlement in an August 7, 2003, press release falsely stating that **SeaLife** management learned of the existence of the preferred stock in July 2003. In fact,

the existence of the preferred stock was disclosed to **McCaslin** in connection with the merger negotiations with Integrated Enterprises in or before December 2002. Moreover, the preferred stock was reported in Integrated Enterprises' public filings, which were available to **SeaLife** management at the time of the reverse merger.

**C. THOMAS, ERT, GLASER, HAYDEN, GRIFFIN AND WILBUR MANIPULATED THE PRICE OF SEALIFE STOCK DURING THE PUBLIC DISTRIBUTION**

36. Beginning about January 2, 2003 and continuing through March 2003, **Thomas, ERT, Glaser, Hayden, Griffin, and Wilbur** worked together to manipulate the price of **SeaLife** stock by engaging in stock trading designed to create an artificial market for the stock, the appearance of volume, and to interfere with the true supply and demand for the stock. The Defendants' manipulative stock trading occurred while distributing **SeaLife** stock to the public and was aided by the material false and misleading information disseminated by **SeaLife, McCaslin, ERT, and Thomas.**

37. The Defendants caused manipulative stock trading in **SeaLife** stock through brokerage accounts under their control.

- a) **Thomas** controlled three accounts in the name of **ERT**, one at Spencer Edwards, Inc., a brokerage firm in Denver, Colorado, another at GunnAllen Financial, a brokerage firm in Tampa, Florida, and the third at Fordham Financial Management, Inc., a brokerage firm in New York, New York.
- b) **Glaser** controlled two accounts in his name at Spencer Edwards and one account in his name at GunnAllen.
- c) **Hayden** controlled accounts in the names of Diamond Key Corporation, Ladan Reserve Inc., and Io James at J. Alexander Securities, a brokerage firm in Los Angeles, California. **Hayden** also controlled two accounts at Research Capital

Corporation, a brokerage firm in Vancouver, Canada, one account in his name and the other in the name of Sandwood Investments S.A.

- d) **Griffin** controlled an account in his name at BMA Securities, Inc., a brokerage firm in Rolling Hills Estates, California.
- e) **Wilbur** controlled four accounts in his name, one at Spencer Edwards, another at GunnAllen, a third at Fordham Financial, and a fourth at Raymond James & Associates, a brokerage firm in Ocala, Florida.

38. After receiving stock from **SeaLife**, **Thomas** and **Glaser** followed a pattern of selling large share blocks under their control to **Griffin**, **Hayden**, and **Wilbur**, who then sold the stock into the market. While the distribution was occurring, in order to create artificial volume and fraudulently support the stock price, **Thomas**, **ERT**, **Glaser**, **Griffin**, **Hayden**, and **Wilbur** bought **SeaLife** stock in the market. For example, between January 9 and March 31, 2003, the Defendants made numerous purchases of **SeaLife** stock in the market as follows:

- a) **Thomas**, through **ERT**, caused or made 13 stock purchases totaling 20,700 shares.
- b) **Glaser** caused or made 13 stock purchases totaling 66,160 shares.
- c) **Griffin** caused or made 28 purchases totaling 47,700 shares.
- d) **Hayden** caused or made 72 purchases totaling 107,200 shares.
- e) **Wilbur** caused or made 31 purchases totaling 50,900 shares.

39. In January 2003, **Glaser** caused 200,000 shares of **SeaLife** stock to be transferred to two nominee entities under the control of **Hayden**, 100,000 shares to Diamond Key Corporation and 100,000 shares to Ladan Reserve, Inc. **Hayden** deposited the 200,000 shares in brokerage accounts under his control in the names of those nominees, and then sold the 200,000

shares in large block trades effectively back to himself. The purchasers of the blocks were two other accounts controlled by **Hayden** at Research Capital. **Hayden** immediately began reselling **SeaLife** stock through the Canadian accounts, and continued selling over the next two months in small transactions. While **Hayden** was selling, **Glaser**, **Griffin**, **Thomas**, **Wilbur**, and sometimes **Hayden** himself purchased the **SeaLife** stock being sold by **Hayden**.

40. In January 2003, **Thomas** received 500,000 shares of **SeaLife** stock, reissued it in the name of **ERT**, and began distributing it through **Wilbur**. **Thomas** told **Wilbur** about **SeaLife** in early January 2003, and **Wilbur's** first activity was the purchase of 7,800 shares in nine market transactions at three different broker-dealers. Then, on January 21, 2003, **Thomas** transferred 50,000 shares of **SeaLife** stock to **Wilbur**, which **Wilbur** deposited into one of his accounts. After receiving the 50,000 shares, **Wilbur** continued to purchase **SeaLife** stock in small market transactions through his three accounts to support the price of **SeaLife** stock.

41. In February 2003, **Wilbur** sold the 50,000 shares he had received from **Thomas** to the broker-dealer who held one of his accounts, along with 10,000 additional shares that he had purchased in the market, at a discount to the prevailing market price. The broker-dealer immediately began selling the stock and sold all 60,000 shares in 17 small trades to market makers between February 4 and February 24, 2003. **Wilbur** continued buying the stock in small transactions in his other two accounts while the broker-dealer was selling. **Glaser**, **Hayden**, and **Griffin** also purchased **SeaLife** stock at the same time that **Wilbur's** broker-dealer was selling.

42. **Glaser** transferred 50,000 shares of his **SeaLife** stock to **Griffin**. **Griffin** had the stock divided into two certificates, opened a brokerage account, and deposited the stock in the account. **Griffin** sold 17,500 shares in market transactions between January 22 and February 4, 2003. **Griffin** then began buying **SeaLife** stock, and bought and sold the stock extensively

during February and March. By July 2003, **Griffin** had sold 36,800 of the 50,000 shares that he received from **Glaser**.

43. **Glaser** distributed another 100,000 of his **SeaLife** shares through another client of a broker-dealer where he opened an account in January 2003, and helped the distribution with his own purchases, financed in part with cash from **Griffin**. **Glaser, Griffin, Hayden, and Wilbur** all made purchases of **SeaLife** stock during that time which facilitated the distribution.

44. **Thomas** made several small purchases and sales of **SeaLife** stock in an **ERT** account in February 2003, and then deposited 400,000 shares into the account. On February 25, 2003, **Thomas** ordered a block sale of 100,000 shares at a discount. The purchaser sold the stock in multiple trades into the market over the next few weeks, and **Thomas** supported the market for those sales by buying **SeaLife** stock.

45. During the scheme, on numerous occasions, in order to create artificial volume and fraudulently support the price of the stock, the Defendants engaged in simultaneous or near simultaneous trades of **SeaLife** stock in the public markets where one or more of the Defendants appeared on both sides of the stock trade.

46. **Hayden** participated in fraudulent stock trades in the public markets where he caused the sale of **SeaLife** stock from one brokerage account under his control to another brokerage account under his control. For example:

- a) On January 10, 2003, at 10:54 a.m., **Hayden** caused the sale of 500 shares of **SeaLife** stock for \$1.80 per share from his Sandwood account to his Diamond Key account. Then, at 12:52 p.m., **Hayden** caused the sale of another 500 shares of **SeaLife** stock for \$1.85 per share from his Sandwood account to his Diamond Key account. Then, at 1:21 p.m., **Hayden** caused the sale of 60,000 shares of

**SeaLife** stock for \$1.60 per share from his Ladan Reserve account to his Sandwood and personal accounts.

- b) On January 16, 2003, **Hayden** caused three separate sale transactions where **SeaLife** stock was sold from his Sandwood account to his Ladan Reserve account. The trades occurred as follows: 500 shares for \$2.10 per share at 2:08 p.m.; 500 shares for \$2.05 per share at 2:46 p.m.; and 500 shares for \$2.05 per share at 3:41 p.m.
- c) On February 11, 2003, at 11:13 a.m., **Hayden** caused the sale of 6,500 shares of **SeaLife** stock for \$.79 per share from his Ladan Reserve account to his Sandwood account.

47. **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** participated in fraudulent stock trades in the public markets where **SeaLife** stock was effectively sold from one Defendant to another. For example:

- a) On January 17, 2003, at 12:21 p.m., **Hayden** sold 1,000 shares from his Sandwood account to **Wilbur** for \$2.00 per share.
- b) On January 30, 2003, at 3:48 p.m., **Griffin** sold 1,500 shares to **Wilbur** for \$1.05 per share.
- c) On February 7, 2003, in two separate trades at 9:40 a.m. and 1:21 p.m., **Hayden** sold a total of 5,000 shares from his Sandwood account to **Griffin**. In between those trades, at 12:50 p.m., **Griffin** sold 2,500 shares to **Hayden**.
- d) On February 10, 2003, at 11:49 a.m., **Hayden** sold 2,500 shares from his Sandwood account to **Glaser** for \$.80 per share. Later that same day, at 2:22

p.m., **Hayden** sold 3,000 shares from his Sandwood account to **Glaser** for \$.75 per share.

- e) On February 12, 2003, at 10:02 a.m., **Hayden** sold 2,500 shares from his Ladan Reserve account to **Thomas** through **ERT** for \$.70 per share. Then at 2:02 p.m., **Thomas**, through **ERT**, bought another 1,700 shares from **Hayden** for \$.70 per share.

48. On other occasions, **Thomas, Glaser, Griffin, Hayden, and Wilbur** participated in fraudulent stock trades in the public markets where **SeaLife** stock was effectively sold from one Defendant to another through intermediate market makers. For example:

- a) On January 16, 2003, at 12:12 p.m., **Wilbur** bought 1,000 shares for \$2.30 per share. **Wilbur's** stockbroker obtained the stock from a wholesale market maker who simultaneously obtained 1,000 shares for \$2.15 per share from **Hayden**, through **Hayden's** stockbroker.
- b) On January 23, 2003, at 12:38 p.m., **Hayden** bought 1,000 shares for \$1.30 per share through his Ladan Reserve account. **Hayden's** stockbroker obtained the stock from a market maker, who, two minutes later, obtained 1,000 shares for \$1.25 per share from **Griffin's** stockbroker, who was selling for **Griffin**.
- c) February 4, 2003, at 3:22 p.m., **Wilbur** bought 1,000 shares for \$.90 per share. **Wilbur's** stockbroker obtained the stock from a market maker. Within seconds, the market maker obtained the stock from another market maker, who obtained it for \$.85 per share from a stockbroker selling 1,000 shares on behalf of **Thomas**, through **ERT**.

- d) On March 4, 2003, at 2:51 p.m., **Hayden** sold 2,500 shares from his Sandwood account for \$.70 per share to a market maker. One minute later, the market maker sold 2,500 shares for \$.70 per share to **Griffin's** stockbroker, who was buying for **Griffin**.

49. During the period of manipulative trading, Defendants' trading on numerous days accounted the majority of trading volume in **SeaLife** stock in the public markets. For example:

- a) On January 17, 2003, Defendants' trading accounted for 86% of the total trading volume.
- b) On February 7, 2003, Defendants' trading accounted for 90% of the total trading volume.
- c) On February 11, 2003, Defendants' trading accounted for 100% of the total trading volume.
- d) On February 12, 2003, Defendants' trading accounted for 98% of the total trading volume.
- e) On March 7, 2003, Defendants' trading accounted for 76% of the total trading volume

#### **D. THE DEFENDANTS' STOCK MANIPULATION UNRAVELED**

50. After it began trading in early 2003, the price of **SeaLife** stock reached as high as \$5 per share and fluctuated between \$.60 and \$2 per share during most of the period that the Defendants engaged in the scheme. The Defendants' stock manipulation unraveled during March 2003, when they stopped working together to manipulate the stock price and no capital was provided to **SeaLife**. As the stock manipulation unraveled and the Defendants no longer artificially supported the price of **SeaLife** stock, the stock price declined below \$.40 per share

where it traded most of the remainder of 2003. However, even after the manipulation unraveled, Defendants continued to distribute unregistered **SeaLife** stock to the public throughout 2003.

**E. DEFENDANTS DISTRIBUTED SEALIFE STOCK WITHOUT REGISTRATION OR VALID EXEMPTION UNDER THE FEDERAL SECURITIES LAWS**

51. During the scheme, Defendants **SeaLife, McCaslin, ERT, Thomas, Glaser, Griffin, Hayden, and Wilbur** caused **SeaLife** stock to be sold in transactions without registration or valid exemption under the federal securities laws. Registration on Form S-8 was improper because the Defendants sold **SeaLife** stock in a distribution to raise capital for the company and to promote and maintain the market for **SeaLife** stock. Defendants distributed nearly 1 million shares of **SeaLife** stock into the public markets, more than three and a half times the public float of the stock prior to the distribution.

52. As a result of the scheme, the Defendants received **SeaLife** stock proceeds in brokerage accounts under their control as follows: **Hayden** received approximately \$633,301 in proceeds; **Glaser** received approximately \$161,481 in proceeds; **Thomas** and **ERT** received approximately \$158,778 in proceeds; **Wilbur** received approximately \$62,928 in proceeds; and **Griffin** received approximately \$51,545 in proceeds.

**FIRST CLAIM FOR RELIEF  
FRAUD AND MARKET MANIPULATION  
Violations of Section 10(b) of the Exchange Act and Rule 10b-5  
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]**

53. The SEC realleges paragraphs 1 through 52 above.

54. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur**, directly and indirectly, with scienter, in connection with the purchase and sale of securities, by use of the means or instrumentalities of interstate commerce, or of the mails, have employed devices, schemes or artifices to defraud; have made untrue statements of 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 have engaged in acts, practices or courses of business which have been and are operating as a fraud or deceit upon the purchasers or sellers of such securities.

55. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** have violated and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5.

**SECOND CLAIM FOR RELIEF  
FRAUD AND MARKET MANIPULATION  
Violations of Section 17(a)(1) of the Securities Act  
[15 U.S.C. § 77q(a)(1)]**

56. The SEC realleges paragraphs 1 through 52 above.

57. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur**, directly and indirectly, with scienter, in the offer and sale of **SeaLife** securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, have employed a device, scheme, or artifice to defraud.

58. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** have violated and, unless restrained and enjoined, will continue to violate Section 17(a)(1) of the Securities Act.

**THIRD CLAIM FOR RELIEF  
FRAUD AND MARKET MANIPULATION  
Violations of Sections 17(a)(2) and (3) of the Securities Act  
[15 U.S.C. §§ 77q(a)(2) and (3)]**

59. The SEC realleges paragraphs 1 through 52 above.

60. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur**, directly and indirectly, in the offer and sale of **SeaLife** securities, by use of the means or

instruments of transportation or communication in interstate commerce or by use of the mails, have obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or have engaged in transactions, practices, or courses of business which have been, and are operating as a fraud or deceit upon the purchasers of **SeaLife** securities.

61. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** have violated and, unless restrained and enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act.

**FOURTH CLAIM FOR RELIEF**  
**PURCHASING DURING A DISTRIBUTION**  
**Violations of Rule 101 of Regulation M under the Exchange Act**  
**[17 C.F.R. § 242.101]**

62. The SEC realleges paragraphs 1 through 52 above.

63. Defendants **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur**, directly and indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the distribution of securities of **SeaLife**, for which they were distribution participants; bid for, purchased, or attempted to induce another person to bid for or purchase, such securities during the restricted periods before they had completed their distribution.

64. Defendants **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** have violated and, unless restrained and enjoined, will continue to violate Rule 101 of Regulation M under the Exchange Act [17 C.F.R. § 242.101].

**FIFTH CLAIM FOR RELIEF**  
**FAILURE TO FILE OWNERSHIP REPORTS**  
**Violations of Section 13(d)(1) of the Exchange Act and Rule 13d-1 thereunder**  
**[15 U.S.C. § 78m(d)(1) and 17 C.F.R. § 240.13d-1]**  
**Violations of Section 13(d)(2) of the Exchange Act and Rule 13d-2 thereunder**  
**[15 U.S.C. § 78m(d)(2) and 17 C.F.R. § 240.13d-2]**

65. The SEC realleges paragraphs 1 through 52 above.

66. Defendants **McCaslin, Thomas, ERT,** and **Glaser** acquired or otherwise became, directly or indirectly, beneficial owners of more than 5 percent of the outstanding common stock of **SeaLife**, a security registered with the SEC pursuant to Section 12 of the Exchange Act, and each of them failed to timely send to the issuer of the security and to file with the SEC a statement containing the information required by Schedules 13D or 13G concerning their ownership of **SeaLife** common stock, and Defendants **Thomas, ERT,** and **Glaser** failed to make amendments to those schedules when material changes occurred in the facts that required the initial filings.

67. Defendants **McCaslin, Thomas, ERT,** and **Glaser** have violated and, unless restrained and enjoined, will continue to violate Section 13(d)(1) of the Exchange Act and Rule 13d-1 thereunder; and Defendants **Thomas, ERT,** and **Glaser** also have violated and, unless restrained and enjoined, will continue to violate Section 13(d)(2) and Rule 13d-2 thereunder.

**SIXTH CLAIM FOR RELIEF**  
**FAILURE TO FILE OWNERSHIP REPORTS**  
**Violations of Section 16(a) of the Exchange Act and Rule 16a-3 thereunder**  
**[15 U.S.C. § 78p(a) and 17 C.F.R. § 240.16a-3]**

68. The SEC realleges paragraphs 1 through 52 above.

69. Defendants **McCaslin, Thomas, ERT,** and **Glaser** acquired or otherwise became, directly or indirectly, beneficial owners of more than 10 percent of the outstanding common stock of **SeaLife**, a security registered with the SEC pursuant to Section 12 of the Exchange Act,

and each of them failed to timely file with the SEC a statement of the amount of all equity securities of **SeaLife** of which they were the beneficial owner, and **Thomas, ERT, and Glaser** failed to timely file statements indicating changes in such beneficial ownership of **SeaLife** common stock.

70. Defendants **McCaslin, Thomas, ERT, and Glaser** have violated and, unless restrained and enjoined, will continue to violate Section 16(a) of the Exchange Act and Rule 16a-3 thereunder.

**SEVENTH CLAIM FOR RELIEF**  
**SALE OF UNREGISTERED SECURITIES**  
**Violations of Sections 5(a) and 5(c) of the Securities Act**  
**[15 U.S.C. §§ 77e(a) and 77e(c)]**

71. The SEC realleges paragraphs 1 through 52 above.

72. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur**, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities of **SeaLife** through the use or medium of a prospectus or otherwise, when no registration statement was in effect as to such securities; or to offer to sell securities of **SeaLife** through the use or medium of a prospectus or otherwise, when no registration statement was filed as to such securities.

73. Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** have violated and, unless restrained and enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act.

**EIGHTH CLAIM FOR RELIEF  
FALSE SEC FILINGS**

**Violations of Section 13(a) of the Exchange Act and Rules 13a-11, 13a-13, and 12b-20  
[15 U.S.C. § 78m(a) and 17 C.F.R. §§ 240.13a-11, 13a-13, and 12b-20]**

74. The SEC realleges paragraphs 1 through 52 above.

75. Defendant **SeaLife**, directly or indirectly; and aided and abetted with scienter by defendant **McCaslin**, in that he provided knowing substantial assistance to **SeaLife**; made material false and misleading statements in current reports on Form 8-K and quarterly reports on Form 10-Q filed with the SEC, and failed to include in such reports material information necessary to make the statements, in the light of the circumstances under which they were made, not misleading.

76. Defendant **SeaLife** has violated and, unless restrained and enjoined, will continue to violate, and Defendant **McCaslin** has aided and abetted, and unless restrained and enjoined will continue to aid and abet violations of, Section 13(a) of the Exchange Act and Rules 13a-11, 13a-13, and 12b-20.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

Find that Defendants **SeaLife**, **McCaslin**, **Thomas**, **ERT**, **Glaser**, **Griffin**, **Hayden**, and **Wilbur** committed the violations alleged.

**II.**

Enter an Injunction as to each defendant, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants **SeaLife**,

**McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** from further violations of the provisions of law and rules alleged in this Complaint.

**III.**

Order Defendants **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** to provide an accounting for, and to disgorge, all ill-gotten gains in the form of any benefits of any kind derived from the illegal conduct alleged in this Complaint, plus pre-judgment interest.

**IV.**

Order Defendants **SeaLife, McCaslin, Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** to pay civil penalties, including post-judgment interest, pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act, in amounts to be determined by the Court.

**V.**

Order that Defendant **McCaslin** be permanently barred from acting as an officer or director of any public company pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act.

**VI.**

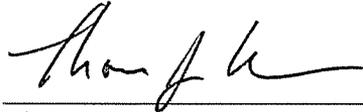
Order that Defendants **Thomas, ERT, Glaser, Griffin, Hayden, and Wilbur** be permanently barred from participating in a penny stock offering pursuant to Section 20(g) of the Securities Act and Section 21(d)(6) of the Exchange Act.

VII.

Order such other relief as is necessary and appropriate.

DATED: April 5, 2005

Respectfully submitted,



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