

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA**

**CASE NO.**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**BIO-HEAL LABORATORIES, INC.**

**Defendant,**

**MRMG HOLDINGS, INC., KESS ASSOCIATES, INC.,  
ICOR, INC., BELA ENTERPRISES, LLC., AND  
GIBSON ISLAND ENTERPRISES, LLC,**

**Relief Defendants.**

---

**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

**INTRODUCTION**

1. Plaintiff Securities and Exchange Commission brings this emergency action to restrain and enjoin Defendant Bio-Heal Laboratories, Inc. (“Bio-Heal”) from continuing to violate the securities laws in connection with its fraudulent issuance of Bio-Heal stock, and to recover approximately \$10 million in proceeds of the illegally issued shares from the Relief Defendants.

2. Bio-Heal is a publicly held company quoted on the Over-The-Counter Pink Sheets (“Pink Sheets”) that claims to develop topical natural healing products in Nicaragua.

3. In February 2005, Bio-Heal improperly issued 12 million unrestricted shares of its stock to Relief Defendants MRMG Holdings, Inc., Kess Associates, Inc. and ICOR, Inc. Two of these Relief Defendants in turn transferred their shares to the other Relief Defendants, Bela

Enterprises, LLC, and Gibson Island Enterprises, LLC, who generated millions in net profits by dumping Bio-Heal shares while the stock was being touted to investors through the internet.

4. On April 8, 2005, the Commission suspended trading in Bio-Heal stock. This suspension expired at 11:59 p.m. on April 21, 2005. The Commission brings this action to permanently restrain and enjoin Defendant Bio-Heal from continuing to illegally issue its shares and to restrain and enjoin the Relief Defendants from trading in these illegal shares.

#### **DEFENDANT**

5. Bio-Heal is a Nevada corporation, formed in November 2004. In January 2005, Bio-Heal entered into a reverse merger with a publicly traded shell corporation, Nexar Technologies, Inc., (“Nexar”). After Bio-Heal merged with Nexar, the company changed its stock symbol from “NEXR” to “BHLL.”

#### **RELIEF DEFENDANTS**

6. MRMG Holdings, Inc., (“MRMG”) was incorporated in Texas in January 2005. On February 10, 2005, Bio-Heal issued 4 million unrestricted shares of its stock to MRMG. On February 16, 2005, MRMG transferred these same shares to Bela Enterprises.

7. Kess Associates, Inc. purports to be a Texas corporation; however there is no record of its incorporation in that state. On February 10, 2005, Bio-Heal issued 4 million unrestricted shares of its stock to Kess. On February 16, 2005, Kess transferred these same shares to Gibson Island Enterprises.

8. ICOR, Inc. has been a defunct Texas corporation since January 1988. On February 10, 2005, Bio-Heal issued 4 million unrestricted shares of its stock to ICOR, which still holds these shares.

9. Bela Enterprises, LLC (“Bela”) purports to be an Anguillan company, with its principal place of business in Nassau, Bahamas. Bela received 4 million Bio-Heal shares from MRMG and netted approximately \$1.4 million in profits from selling those shares. Bela still holds almost 3.6 million Bio-Heal shares.

10. Gibson Island Enterprises, LLC (“Gibson Island”) is an Anguillan limited liability company with its principal place of business in Nassau, Bahamas. Gibson Island received 4 million Bio-Heal shares from Kess and generated approximately \$9 million in net profits from selling those shares. Gibson Island still holds approximately 2.8 million Bio-Heal shares.

### **JURISDICTION AND VENUE**

11. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa; and Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a).

12. This Court has personal jurisdiction over the Defendant and venue is proper in the Southern District of Florida because certain of the acts and transactions constituting violations of the Exchange Act and the Securities Act occurred in the Southern District of Florida. In particular, the fraudulently issued shares that are the subject of this action were deposited with two South Florida broker-dealers – Newbridge Securities in Fort Lauderdale and Securities & Investment Planning Company (SIPC) branch in Boca Raton – from where investors around the country bought and sold them, including at least 15 in the Southern District of Florida.

13. The Defendant, directly and indirectly, has made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and

communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

## **THE FRAUDULENT SCHEME**

### **A. Bio-Heal's Reverse Merger**

14. In January 2005, Bio-Heal entered into a reverse merger with Nexar, a publicly traded shell corporation quoted on the Pink Sheets. After Bio-Heal merged with Nexar, the company changed its stock symbol from "NEXR" to "BHLL."

15. Nexar filed a Form 8-A12G with the Commission on March 17, 1997, making Nexar subject to the reporting requirements of the Exchange Act. Yet Nexar had failed to file required periodic reports with the Commission since December 1998. As the surviving corporation, Bio-Heal became subject to Nexar's reporting obligations and inherited the requirement to make the company's filings current. However, Bio-Heal has also failed to file any required reports with the Commission, denying the public current information about the company.

### **B. Bio-Heal Illegally Issues Stock**

16. On February 10, 2005, Bio-Heal's secretary, treasurer and director, George Minto, signed a corporate resolution issuing 12 million shares of Bio-Heal stock to Relief Defendants MRMG, Kess and ICOR. The resolution also directed Bio-Heal's transfer agent to deliver these share certificates to Ventana Consultants. Furthermore, the resolution authorized Michael Smith, Esq. to issue an opinion letter regarding the issuance of common shares pursuant to a "Regulation 504 equity offering."

17. That same day, Bio-Heal's transfer agent received an opinion letter purporting to be from an attorney named Michael Smith in Houston, Texas. In the letter, which Smith

professed to be writing on behalf of Bio-Heal, the attorney claimed the 12 million shares were exempt from registration with the Commission under Rule 504 of Regulation D of the Securities Act. The letter also indicated the transfer agent could issue the 12 million Bio-Heal shares immediately to MRMG, Kess and ICOR without a restrictive legend that would prevent the recipients from publicly trading them.

18. The letter was a fraud. The telephone and fax numbers on it are actually contact information for Lone Star Legal Aid in Houston, which provides legal services to indigent defendants. No attorney named Michael Smith works for or is associated with Lone Star Legal Aid, and, not surprisingly, the legal aid group does not furnish securities opinion letters.

19. On February 15, 2005, acting on the fake attorney letter, the transfer agent followed its instructions and issued the 12 million Bio-Heal shares to MRMG, Kess and ICOR without a restrictive legend, thus allowing the shares to be traded on the open market.

20. The very next day, MRMG issued a corporate resolution transferring all of its Bio-Heal shares to Bela, an offshore entity. Kess simultaneously issued a corporate resolution transferring all of its Bio-Heal shares to Gibson Island, another offshore entity. The resolutions directed the transfer agent to deliver the Bela share certificates to Newbridge, the Fort Lauderdale broker-dealer, and the Gibson Island share certificates to the Boca Raton branch of SIPC.

21. The transfer agent received these corporate resolutions from the same Michael Smith who purportedly wrote the bogus opinion letter. The transfer agent shipped the Bela share certificates to Newbridge and the Gibson Island share certificates to SIPC for deposit.

22. On March 7, 2005, Minto wrote to Newbridge confirming the shares it held in Bela's account were validly issued and unrestricted. Two days later, Newbridge began executing

trades in the Bio-Heal shares for Bela's account. As early as March 11, 2005, SIPC began executing trades for the Gibson Island account.

23. Because Bio-Heal is subject to the reporting requirements of Section 13 of the Exchange Act, the company is not entitled to use Rule 504 of Regulation D as an exemption from registration. As a reporting company under Section 12(g) of the Exchange Act, Bio-Heal is required to register any securities it issues with the Commission under Sections 5(a) and 5(c) of the Securities Act.

24. According to Minto, Bio-Heal's secretary, treasurer and director, the company allowed Ventana Consultants to arrange for the reverse merger with Nexar, hire an attorney to provide an opinion letter ultimately penned by the bogus attorney Smith, coordinate with the transfer agent regarding the issuance of shares, and find investors for the stock offering – all without supervision by the company.

25. Bio-Heal essentially turned over vital decisions regarding the issuance of shares on its behalf to a consultant and failed to police his actions. As a result, it allowed shares to be issued on its behalf to non-existent or defunct entities, pursuant to a fake opinion letter from a non-existent attorney, and it allowed shares to be issued on its behalf in reliance on a registration exemption which it was not entitled to use. It thus allowed unrestricted shares to be traded on the open market in direct violation of the most basic of registration provisions of the securities laws. At the least, the company set a new benchmark for extreme recklessness, if it did not have outright knowledge that its shares were fraudulently issued.

### **C. Sale of Illegally Issued Bio-Heal Stock**

26. Between approximately March 11 and March 29, 2005, Gibson Island sold nearly 1.8 million Bio-Heal shares for a profit of approximately \$9 million through SIPC. Gibson

Island directed its broker to wire all settled funds offshore to First Curacao International Bank located in the Netherlands Antilles. Gibson Island still holds approximately 2.8 million unrestricted shares.

27. Between March 9 and March 24, 2005, Bela sold approximately 532,000 Bio-Heal shares through Newbridge generating net profits of approximately \$1.4 million. Bela also directed its broker to wire all settled funds offshore to the same First Curacao International Bank. Bela still holds approximately 3.6 million unrestricted shares.

28. Although Bio-Heal shares were quoted nationally through the Pink Sheets, there were at least 15 South Florida investors that purchased Bio-Heal shares during the same time period that Gibson Island and Bela were trading unregistered shares on the open market.

29. The Bio-Heal shares the Relief Defendants sold were among the 12 million fraudulently issued shares. The Relief Defendants inherited the restrictions on the shares when they obtained them from Bio-Heal, and thus the securities laws did not permit them to trade the shares on the open market. Because the money the Relief Defendants received from the sale of their shares represents the proceeds of the fraud perpetrated in this case, and because the Relief Defendants did not have any legitimate claim to the shares or the proceeds from such sales, the proceeds are subject to disgorgement as the ill-gotten gains of fraud.

## COUNT I

### **SALE OF UNREGISTERED SECURITIES IN VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT**

30. The Commission repeats and realleges paragraphs 1 through 29 of this Complaint.

31. Since a date unknown but since at least January 2005 through present, Defendant, directly and indirectly, has: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein,

through the use or medium of a prospectus or otherwise; (b) carried securities or causing such securities, as described in this Complaint, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described in this Complaint, without a registration statement having been filed or being in effect with the Commission as to such securities.

32. Bio-Heal either directed or allowed 12 million of its shares to be issued without proper restrictions to the Relief Defendants through a fraudulent attorney opinion letter and pursuant to a registration exemption to which it was not entitled. The shares should have been registered with the Commission pursuant to Sections 5(a) and 5(c) of the Securities Act; however no registration statement was filed or in effect with the Commission and no valid registration exemption existed with respect to the shares.

33. By reason of the foregoing, Defendant Bio-Heal, directly and indirectly, has violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

## **COUNT II**

### **FRAUD IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 PROMULGATED THEREUNDER**

34. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

35. Since a date unknown but at least since January 2005, Defendant, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, has been knowingly, willfully or recklessly:



(a) employing devices, schemes or artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

36. Bio-Heal either knew or was extremely reckless in not knowing that its shares were being issued pursuant to a fake attorney opinion letter and under a registration exemption to which it was not entitled. The company also knew or was extremely reckless in not knowing that the shares should have been restricted.

37. By reason of the foregoing, Defendant, directly or indirectly, violated and, unless enjoined, will continue to 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.

### **COUNT III**

#### **FAILURE TO FILE ANNUAL OR QUARTERLY REPORTS IN VIOLATION OF SECTION 13(a) OF THE EXCHANGE ACT AND RULE 13a-1**

38. The Commission repeats and realleges Paragraphs 1 through 29 of this Complaint as if fully set forth herein.

39. Since a date unknown but at least since December 1998, Defendant has failed to file such annual and quarterly reports as the Commission requires pursuant to Section 13(a) of the Exchange Act, 15 U.S.C. §§ 78(m)(a), and Rule 13a-1, 17 C.F.R. § 240.13a-1. By reason of the foregoing, Defendant violated Section 13(a) of the Exchange Act, 15 U.S.C. §§ 78(m)(a), and Rule 13a-1, 17 C.F.R. § 240.13a-1.

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

**Declaratory Relief**

Declare, determine and find that Defendant has committed the violations of the federal securities laws alleged herein.

**II.**

**Temporary Restraining Order, Preliminary Injunction  
and Permanent Injunctive Relief**

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining Defendant, its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with it, and each of them, from violating Sections 5(a), 5(c) of the Securities Act, and Sections 10(b), and 13(a) of the Exchange Act and Rules 10b-5 and 13a-1, thereunder, as appropriately indicated above.

**III.**

**Asset Freeze and Sworn Accountings**

Issue an Order temporarily freezing the assets of Defendant and all Relief Defendants until further Order of the Court and requiring Defendant to file with this Court, within five business days, verified written accountings, signed by the Defendant under penalty of perjury.

**IV.**

**Records Preservation and Expedited Discovery**

Issue an Order requiring Defendant and all Relief Defendants to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

V.

**Disgorgement**

Issue an Order directing the Defendant and the Relief Defendants to disgorge all profits or proceeds they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

VI.

**Penalties**

Issue an Order directing Defendant to pay a civil money penalty pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

VII.

**Repatriation**

Issue an Order requiring Defendant and all Relief Defendants to take such steps as are necessary to repatriate to the territory of the United States all funds and assets of investors described in the Commission's Complaint in this action which are held by each of them or are under direct or indirect control, and deposit such funds into the registry of the United States District Court for the Southern District of Florida, and provide the Commission and the Court a written description of the funds and assets so repatriated.

VIII.

**Retention of Jurisdiction**

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

April 25, 2005

Respectfully submitted,

By:

\_\_\_\_\_  
Linda S. Schmidt, Esq.  
Florida Bar No. 0156337  
Direct Dial: (305) 982-6315

Ivan P. Harris, Esq.  
Assistant Regional Director  
Florida Bar No. 0085405

Christine A. Lynch, Esq.  
Branch Chief  
Mass. Bar No. 631424

Brian K. Barry, Esq.  
Florida Bar No. 0632287

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131  
Telephone: (305) 982-6300  
Facsimile: (305) 536-4154