

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA**

Civil Action No.:

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

QUEÉNCH, INC.,
SPROUT INVESTMENTS, LLC,
ALPINE EQUITY, LLC,
LESTER PARRIS, individually and d/b/a
PARRIS BROTHERS HOLDINGS,
LENNOX PARRIS, individually and d/b/a
PARRIS BROTHERS HOLDINGS,
LYNDELL PARRIS,
JOEL RAMSDEN, and
MICHAEL RAO,

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

SUMMARY

1. This case involves an illegal stock fraud scheme by Queénch, Inc., a publicly traded company and purported distributor of bottled water products. The scheme was orchestrated by two brothers, Lester Parris and Lennox Parris (collectively, the "Parris brothers") and their sister, Lyndell Parris. Defendants Joel Ramsden and Michael Rao, through the entities Sprout Investments, LLC, and Alpine Equity, LLC, purchased millions of shares from the Parris brothers and sold them at artificially inflated prices in violation of the federal securities laws.

2. Between January 15, 2004, and March 18, 2004, (the “relevant time”) the Parris brothers, with the assistance of Lyndell Parris, caused Queénch to issue at least 11 false press releases portraying Queénch as a thriving and dynamic company with vendor or distribution contracts with the United States Military and several other well-known companies. In reality, Queénch had only *de minimis* revenue and the repeated claims of lucrative vendor and distribution contracts were outright lies or gross distortions of Queénch’s true business dealings.

3. Contemporaneous with the issuance of the fraudulent press releases, the Parris brothers conducted an unregistered offering of Queénch stock and misappropriated more than half of the stock sale proceeds. Specifically, the Parris brothers, in contravention of the registration provisions of the federal securities laws, sold 28.6 million shares of Queénch stock to Sprout and Alpine for \$2.55 million. Sprout and Alpine, directed by Ramsden and Rao and in violation of federal securities laws, resold the shares into the artificially inflated market, grossing over \$4.9 million.

4. In the interest of protecting the public against unscrupulous stock promoters, the Commission brings this action alleging violations of registration and anti-fraud provisions of the federal securities laws and seeking: (1) a permanent injunction against Queénch; (2) a permanent injunction, disgorgement plus prejudgment interest, civil penalty, officer and director bar and penny stock bar against Lester Parris and Lennox Parris; (3) a permanent injunction, disgorgement plus prejudgment interest, civil penalty and an officer and director bar against Lyndell Parris; and (4) a permanent injunction, disgorgement plus prejudgment interest and civil penalty against Sprout, Alpine, Ramsden and Rao.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v(a)] and Section 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78aa].

6. Defendants have, directly and indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions described in this Complaint.

7. Venue lies in this Court because certain of the acts and transactions described herein took place in the Southern District of Florida; the principal place of business for Sprout and Alpine is in Boca Raton, Florida; and Ramsden and Rao reside in Boca Raton, Florida.

DEFENDANTS

8. **Queénch** (stock symbol "QENC"), a Utah corporation with purported headquarters in Jericho, New York, and an office in Beverly Hills, California, claims to be a distributor of bottled water products. As of March 16, 2004, Queénch had 123 shareholders of record.

9. **Lester Parris**, age 31, brother of Lyndell and Lennox Parris, resides in Westbury, New York. Lester was a director of Queénch until the fall of 2003. He is currently a Queénch consultant and control person.

10. **Lennox Parris**, age 34, is a director and control person of Queénch who resides in Beverly Hills, California.

11. **Lyndell Parris**, age 33, resides in Mineola, New York, and is Queénch's purported president and CEO, positions she has held since approximately May 2002.

12. **Sprout** is a Colorado limited liability company with its principal place of business in Boca Raton, Florida. Sprout purports to provide investment advice and financial services. During the relevant time, Sprout purchased 25.6 million shares of Queénch stock for \$2.25 million.

13. **Alpine**, a Texas limited liability company, has the same business address as Sprout. On February 27, 2004, three days after its creation, Alpine purchased 3 million shares of Queénch stock for \$300,000.

14. **Ramsden**, age 29, a resident of Boca Raton, is a managing member and control person of both Sprout and Alpine. In response to a Commission investigative subpoena, Ramsden asserted his Fifth Amendment privilege and refused to testify.

15. **Rao**, age 28, a resident of Boca Raton, is a managing member and control person of Sprout and Alpine. Rao asserted his Fifth Amendment privilege and refused to testify during the investigation.

FACTS

Background

16. Since its formation in 2002, Queénch has been a small, family business employing three persons: Lyndell Parris and the wives of the Parris brothers. Information available on Queénch's website at www.queen.ch.tv represented annual net income for the company of just \$24,000 and \$152,000 for 2002 and 2003, respectively, and 22 million shares issued and outstanding as of December 31, 2003. Over the six-month period preceding the issuance of Queénch's false press releases, Queénch's share price averaged \$.15 and the average daily trading volume was under 30,000 shares.

Queénch Issued False Press Releases

A. Claims of sales to Time Warner and the United States Military are false and misleading

17. On January 15, 2004, Queénch issued a press release with the headline, ***“Queénch, Inc. Continues Partnership With Time Warner, Inc.”*** In the release, Queénch announced that it had *“entered into talks with Time Warner, Inc. to continue its vendor contract to [sic] Time Warner, Inc. The initial orders began in June 2000 and expired within three years . . . Al Reynolds from Merrill Lynch Private Wealth Division . . . is serving as the lead to assist and develop the renewed contract for Queénch supplier vendor contracts to Time Warner, Inc.”*

18. In truth, Queénch's claim of “partnership” with Time Warner was misleading. Although Time Warner placed one \$194 order for Queénch products in mid-2000, it immediately suspended further purchases, pending Queénch's compliance with New York Department of Health requirements. Queénch never complied, and Time Warner had no further dealings with Queénch.

19. Queénch's claim that a Merrill Lynch representative was serving in a “lead” role was false. In truth, Mr. Reynolds never assisted Queénch, and on March 3, 2004, Merrill Lynch advised the Parris brothers that Merrill Lynch was not assisting Queénch in any manner and advised the company to correct its press release. Queénch did no do so.

20. On January 16, 2004, Queénch issued a press release with the headline, ***“Queénch, Inc. is Now a Full-Time Supplier of Bottled Water to the Military.”*** Queénch announced, “[Queénch] *completed inspection and approval of its water bottling plants by the U.S. Army Veterinary Command (VETCOM) As of January 1,*

2004, Queénch has been supplying the military contract in the South and Florida. The military is very happy with the product and have [sic] been increasing orders on a monthly basis which will result in higher Q1 2004 revenue.”

21. In truth, although Queénch requested that VETCOM (which is responsible for food safety and quality assurance for the Military) inspect its facilities in February 2003, Queench withdrew its request two months later and was never approved as a supplier. Queénch’s claim that Military orders were increasing was also false. During 2003, sporadic Military purchases from Queénch amounted to 4,033 cases of bottled water, for approximately \$24,000, and had not increased on a monthly basis as claimed.

B. Claims of a distribution agreement with Walt Disney World-Grosvenor Resorts are false and misleading

22. On January, 20, 2004, Queénch issued a press release referencing a flourishing business relationship between Queénch and Walt Disney World and an exclusive distribution arrangement between Queénch and SYSCO Food Service. The release announced *“the launch of [Queénch’s] bottled water product as the premier brand for 2004 at the Walt Disney World Property-Grosvenor Resorts in Central Florida. The final terms of the contract and purchase order will be announced in the Q1 of 2004. All orders of Queénch beverages will come through SYSCO Food Service distribution, who is the exclusive distributor for Queénch, Inc.”*

23. In truth, there was no agreement between Queénch and Walt Disney World-Grosvenor Resorts that would make Queénch’s product a premier brand at the resorts. The claimed “launch” of Queénch as Grosvenor’s “premier brand” was based upon a one-time purchase by Grosvenor of \$206.50 of Queénch-supplied water through SYSCO on January 13, 2004.

C. Claims of negotiations with 7-Eleven Stores are false

24. On January 28, 2004, Queénch issued a press release with the headline, ***“Queénch, Inc. In Negotiations with 7-Eleven Stores for Nationwide Launch of Queénch Products.”*** Queénch announced in the release, *“7-Eleven is looking forward to adding to their inventory various sizes of Queénch water products.”* The release contained quotes from a 7-Eleven manager. The press release also included a statement attributed to Lyndell Parris in which she claimed that Queénch’s “relationship” with 7-Eleven has been “successful.”

25. In truth, there was no successful business partnership between 7-Eleven and Queénch, nor was there a planned nationwide launch of Queénch products. In attempting to provide evidence of this non-existent relationship, the Parris brothers provided to the Commission a bogus letter bearing a forged signature.

D. Claims of a Joint Venture with Thump/Universal are false

26. On February 2, 2004, Queénch issued a press release with the headline, ***“Queénch, Inc. Today Announced a Joint Venture with Thump/Universal for Distribution Through Vending Machines, Educational Schools and Malls.”*** According to this release, *“Queénch Inc. bottled water will be the latest addition to Thump/Universal’s in-store kiosks entitled ‘Thump Mall Jams’. . . [C]onsumers will be able to purchase Queénch water with the order and download of CDs and DVDs at 150 shopping malls within the U.S.”*

27. In truth, there was no joint venture between the two companies. But after learning of the Commission’s investigation, Lennox Parris visited Thump Records and asked for a signed, pre-dated letter of intent as “corroboration” of the press release.

E. Claims relating to Queénch's operation results are false

28. On February 4, 2004, Queénch announced that *“sales for the year increased 18% to \$2,192,000 year-to-year, from \$1,863,202, as distribution for Queénch's bottled water products increased nationally. . . . Lyndell Parris, President and Chief Executive Officer of Queénch said: ‘2003 was a good year. We increased sales and profits from our existing beverage business. Recent initiatives to expand our national distribution with Seven Eleven, Disney Resorts, the U.S. Military and Thump/Universal should also bear results in 2004.’”*

29. In truth, while claiming sales in excess of \$2.1 million, Queénch's bank records show that sales for 2003 were approximately \$98,000. And Queénch's largest customer and exclusive distributor, SYSCO, purchased only \$43,000 of Queénch products in 2003.

F. Queénch made other fraudulent statements

30. Throughout February and early March 2004, Queénch continued to wage its fraudulent promotional campaign, issuing false and misleading press releases, including:

- on February 9, 2004, Queénch claimed it entered into a transaction to purchase 25 percent of Penta Water for \$10 million in cash and stock. In truth, the Penta Water transaction was merely a “memorandum of understanding,” contingent upon Queénch's securing \$10 million in financing within 30 days—which Queénch failed to do;
- on February 11, 2004, Queénch claimed it was increasing its services to major hotel chains, including the Marriott and Sheraton

hotels. In truth, there was no agreement with the hotels, and Queénch merely had oral conversations with unidentified hotel representatives at a trade show booth;

- on February 17, 2004, Queénch claimed it sold a 25 percent stake in Queénch to Hawkins Food Group in exchange for a distribution agreement that would increase Queénch's annual sales by \$30 million. In truth, the underlying letter of intent became null and void because no final distribution agreement had been consummated by the agreed date;
- on February 20, 2004, Queénch claimed it had a \$2 million distribution deal "in place" to distribute its bottled water in China. In truth, there was no consummated agreement for distribution in China; and
- on March 8, 2004, Queénch claimed it launched a distribution channel into the Bahamas. In truth, the company had not established a distribution channel in the Bahamas.

G. Lester, Lennox, and Lyndell Parris were responsible for the false and misleading press releases

31. During the relevant time, the Parris brothers created, edited, reviewed and caused to be distributed to the investing public each of the above false and misleading press releases. Lyndell Parris reviewed and approved the February 4, 2003 press release that claimed sales revenues of \$2.1 million. Lyndell also drew several checks on Queénch's bank account to pay the news wire services for publication of the false press releases. Lyndell, with knowledge of Queénch's actual sales and that she was

quoted in press releases, did not take steps to ensure her quotes were accurate or to correct press releases that were false.

H. Queénch never corrected any of its statements

32. Despite at least one request by Merrill Lynch to retract or correct a false statement, at no time has Queénch issued a correction or clarification of its false and misleading statements. The bogus press releases are currently posted on Queénch's website at www.queench.tv.

I. The scheme had the intended effect of increasing Queénch's stock price

33. From a price peak of \$.17 per share (\$.13 per share average) in the first week of January 2004—immediately preceding issuance of the first false press release—the price of Queénch stock nearly doubled, to \$.32, over the course of the press release publications. After issuance of the fraudulent press releases, the average daily trading volume of Queénch shares increased to over 1.66 million shares, compared to a daily trading average of just under 30,000 shares during the preceding six-month period.

Queénch Sold Unregistered Stock to Sprout and Alpine

34. Between January 9 and March 15, 2004, at the same time the market was primed by the false and misleading press releases, the Parris brothers, using the alias “John Alexander,” sold 28.6 million Queénch shares to Ramsden and Rao.

35. After Ramsden and Rao agreed to purchase the Queénch shares, the Parris brothers provided them a “Queénch” bank account number for the wire transfer of funds. In truth, the account belonged to “Parris Global,” an entity controlled by Lester Parris. At the direction of Ramsden and Rao, Sprout transferred a total of \$2.55 million

from its account to Parris Global's account—\$2.25 million for Sprout's purchase of 25.6 million shares and \$300,000 for Alpine's purchase of 3 million shares.

36. All of the Queénch shares sold to Sprout and Alpine were issued pursuant to corporate resolutions signed by the Parris brothers. As directed by the corporate resolutions, Queénch's shares were issued without a restrictive legend in purported reliance upon the exemption from registration set forth in Regulation D, Rule 504. Queénch, however, did not file a registration statement and the shares issued by Queénch did not meet the requirements of the Regulation D exemption from registration.

Queénch Stock Sales Enriched the Defendants

37. After Ramsden and Rao transferred \$2.55 million to Parris Global's bank account, Lester Parris transferred a portion of the funds to Queénch's bank accounts. Through withdrawals from the Queénch and the Parris Global bank accounts, and through payments from Parris Global to the Parris brothers and Parris Holdings, Lester Parris received at least \$963,000 in stock sale proceeds and Lennox Parris received at least \$562,000. Lyndell Parris received at least \$145,000 in proceeds from the unregistered offering. Approximately \$269,000 of the Parris brothers' proceeds were used to purchase a 238-acre tract of real estate located in Ontario, Canada. The real estate was titled to Parris Brothers Holdings, an entity the Parris brothers control. The Parris brothers remain the beneficial owners of the real estate.

38. The remaining Queénch funds, approximately \$880,000, were used to pay expenses, including legal fees, payroll and newswire services for distributing the press releases.

Ramsden, Rao, Sprout and Alpine Sold Unregistered Stock to the Public

39. After purchasing the Queénch shares, Ramsden and Rao, through Sprout and Alpine, immediately and continually sold the shares to the investing public with no registration statement in effect.

40. As a result of their sales of approximately 27.5 million Queénch shares, Ramsden and Rao, through Sprout and Alpine, received approximately \$4.9 million.

FIRST CLAIM

Violations of Sections 5(a) and 5(c) of the Securities Act

(Against Queénch, Lester Parris, Lennox Parris, Sprout, Alpine, Ramsden, and Rao)

41. Paragraphs 1 through 40 are realleged and incorporated by reference.

42. Queénch, Lester Parris, Lennox Parris, Sprout, Alpine, Ramsden and Rao, directly or indirectly, singly or in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and has been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

43. As described in paragraphs 1 through 40, no registration statements were ever filed with the Commission or otherwise in effect with respect to these transactions.

44. By reason of the foregoing, Queénch, Lester Parris, Lennox Parris, Sprout, Alpine, Ramsden, and Rao 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)].

SECOND CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 (Against Queénch, Lester Parris, Lennox Parris, and Lyndell Parris)

45. Paragraphs 1 through 40 are realleged and incorporated by reference.

46. Queénch, Lester Parris, Lennox Parris and Lyndell Parris, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails (a) employed manipulative and deceptive devices, contrivances, schemes and artifices to defraud, (b) made untrue statements of material facts and 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 and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

47. Queénch, Lester Parris, Lennox Parris, and Lyndell Parris, acted knowingly or recklessly with respect to the activities alleged in this Claim.

48. By reason of the foregoing, Queénch, Lester Parris, Lennox Parris, and Lyndell Parris, unless enjoined, will continue to violate 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].

THIRD CLAIM

**Aiding and Abetting Queénch's Violations of
Section 10(b) of the Exchange Act and Rule 10b-5
(Against Lyndell Parris)**

49. Paragraphs 1 through 40 are realleged and incorporated by reference.

50. Based on the conduct alleged herein, Queénch violated Section 10(b) of the Exchange Act and Rule 10b-5 by issuing at least 11 false and misleading press releases.

51. Defendant Lyndell Parris, in the manner set forth above, knowingly, or with severe recklessness, provided substantial assistance to Queénch in connection with its violations of Section 10(b) and Rule 10b-5.

52. By reason of the foregoing, Lyndell Parris aided and abetted Queénch's violations of, and unless restrained and enjoined, will continue to aid and abet violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

PRAYER FOR RELIEF

The Commission respectfully requests that the Court:

I.

Find that Defendants committed the alleged violations.

II.

Permanently enjoin Queénch, Lester Parris, Lennox Parris, Sprout, Alpine, Ramsden and Rao from violations of Sections 5(a), and 5(c) of the Securities Act.

III.

Permanently enjoin Queénch, Lester Parris and Lennox Parris from violating Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

IV.

Permanently enjoin Lyndell Parris from violating or aiding and abetting violations of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

V.

Require Lester Parris, Lennox Parris, Lyndell Parris, Sprout, Alpine, Ramsden and Rao to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

VI.

Require Lester Parris, Lennox Parris, Lyndell Parris, Sprout, Alpine, Ramsden and Rao to each pay a civil money penalty pursuant to Section 21(d) of the Exchange Act and Section 20(d) of the Securities Act in an amount to be determined by the Court.

VII.

Enter an order barring Lester Parris, Lennox Parris and Lyndell Parris from acting as an officer or director of any issuer required to file reports pursuant to Sections 12(b), 12(g) or 15(d) of the Exchange Act, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

VIII.

Enter an order barring Lester Parris and Lennox Parris from participating in an offering of penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

IX.

Enter an interlocutory order requiring Sprout, Alpine, Ramsden and Rao to immediately provide an accounting detailing the amount and use of proceeds of Queénch stock sales.

X.

Grant such other relief as this Court may deem just or appropriate.

Respectfully submitted,



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