

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

Plaintiff,

v.

DARREL T. USELTON and JACK E.
USELTON,

Defendants.

Civil Action No.

COMPLAINT

JURY DEMANDED

Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”) for its complaint alleges as follows:

NATURE OF THE CASE

1. This case concerns the use of computer “botnets” to pump and dump multiple penny stocks as part of a serial “scalping” and market manipulation scheme by the Defendants, Darrel T. Uselton and his uncle, Jack E. Uselton (collectively, the “Useltons”), two Texas-based securities law recidivists.

2. Botnets, or proxy bot networks, are networks typically comprised of broadband Internet personal computers that, although their owners are unaware of it, have been infected with malicious viruses or malware to forward transmissions (including spam or viruses) to other computers on the Internet. Scalping refers to the practice of recommending that others purchase a security while secretly selling the same security in the market. From May 2005 through December 2006, the Useltons made more than \$4.6 million by obtaining cheap stock from at least thirteen (13) companies quoted on the

“pink sheets” and then selling those shares into an apparently active, and often-times rising, artificial market they created through manipulative trading, spam email campaigns, direct mailers, and internet-based promotional activities. “Pink sheets” refers to over-the-counter trading of stocks that are traded in some context other than on a formal exchange such as the New York Stock Exchange (“NYSE”) or the American Stock Exchange. Many stocks quoted in the pink sheets do not meet the minimum requirements to trade on an exchange such as the NYSE nor do they file periodic reports with the SEC.

3. Each of the Useltons’ market manipulations followed a similar pattern. Typically, the Useltons and the companies they controlled received unrestricted shares from the penny stock companies for little or no money in return for purported financing and/or promotional activities. Soon after that, the Useltons transferred those unrestricted shares into brokerage accounts they controlled. The Useltons then encouraged the penny stock companies to issue positive press releases.

4. Concurrent with the press releases, the Useltons orchestrated spam email campaigns using an array of computer “botnets.” Hundreds of millions of spam emails flooded the inboxes of American investors touting the Useltons’ near-worthless penny stocks with baseless price projections and other grandiose claims. Each campaign, which featured a single company, lasted from between several days to several weeks. The spam emails did not mention the Useltons, their holdings, or their intent to sell their stock during the spamming campaigns.

5. During their spamming campaigns, the Useltons generally tried to avoid large price spikes for the penny stocks to escape SEC scrutiny.

6. By engaging in this conduct, Darrel T. Uselton and Jack E. Uselton violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. §§ 240.10b-5].

DEFENDANTS

7. **Darrel T. Uselton**, age 40, is a stock promoter and securities law recidivist living in Katy, Texas. Darrel Uselton was disciplined by the NASD in April 2005 for failing to seek prior approval from NASD before executing an asset and equity ownership sale of a member firm (NASD Case #C05040086) and in March 2004 for violating minimum net capital requirements, failing to provide NASD financial information, and acting in the capacity of a general securities principal without registration (NASD Case #C05040009). Those regulatory actions resulted in multiple fines, censures, and suspensions.

8. From at least April 2005 through the present, Darrel Uselton has advertised his services over the Internet. On his website (www.protrading.com), Darrel Uselton has claimed to have “sponsored over 500 companies to go public” and “made a market in literally thousands of companies.” Darrel Uselton has characterized himself as being “expert” in “Secondary Market Support,” “Trading/Market Maker Management,” and “New Issue Awareness & Support.” Darrel Uselton also claimed having formerly held the Series 7, 24, 28, and 63 securities licenses, and as having been a “securities principal, trader and investment banker for over 15 years.”

9. **Jack E. Uselton**, age 69, is a stock promoter and securities law recidivist living in Houston, Texas. In a 2002 settled Commission action, Jack Uselton was

permanently enjoined from violating the anti-fraud provisions of the federal securities laws and barred from acting as an officer or director of a public company for participating in a pump-and-dump scheme involving Mountain Energy, Inc. stock. *Christensen, Uselton et. al.*, Rel. No. 17787, 2002 SEC LEXIS 2611 (Oct. 16, 2002). Jack Uselton is Darrell Uselton's uncle and helped raise him after Darrel's father died twenty years ago.

OTHER RELEVANT INDIVIDUALS AND ENTITIES

10. The Useltons hired a principal spammer to disseminate massive amounts of spam email touting the securities of penny stock companies while they simultaneously sold stock of those same companies into the marketplace. In return, the spammer received approximately \$1.5 million dollars from the Useltons in 2005 and 2006.

11. The Useltons conducted their affairs through a number of entities located in and around Houston, Texas, including, but not limited to: Warrior Capital, LLC, IBIS Energy, LLC, OTC Services, Inc., Firemark Capital, LLC, protrading.com, the Valores Fund, LLC, and Ablaze Technologies, Inc. For the first part of the relevant period, Darrel Uselton and Jack Uselton shared offices located at 16000 Barkers Point Lane, Suite 170, Houston, Texas 77079. For the later part of the relevant period, Darrel Uselton and Jack Uselton shared offices located at 1400 Broadfield, Suite 120, Houston, Texas 77084. According to their website, the Useltons currently operate out of an office located at 1029 Highway 6N, Suite 650-276, Houston, Texas 77079.

OVERVIEW OF THE MANIPULATION

12. The Useltons typically began by obtaining "free trading" (*i.e.*, unrestricted) stock at little or no cost from penny stock companies in return for purported financing

and/or promotional activities. One version of the Useltons' financing and promotional agreement provided in relevant part that they were engaged to promote a penny stock company's shares by, inter alia, "[p]rocurement of outside research coverage and /or website profiles," "[a]ssistance in engaging PR, IR and/or advertising firms or mediums," and "[s]econdary trading management." This agreement, however, did not disclose the Useltons' intent to create an artificial market through manipulative trading and illegal spam campaigns.

13. Within days or weeks after obtaining the "free trading" stock, the Useltons transferred the shares that they received into various brokerage accounts they controlled. During the relevant period, Darrel Uselton and/or Jack Uselton controlled over 30 separate brokerage accounts that were cleared through various firms around the country. Specifically, the Useltons maintained, in their own names, or in the name of companies or individuals they controlled, brokerage accounts at TD Ameritrade; Scottrade Financial Services; Penson Financial Services, Inc.; Leeb/Pershing Securities; Leeb/Legent Clearing LLC; Wilson Davis & Company; E*Trade Securities; Fidelity Investments; Barron Moore/Computer Clearing Services Inc.; and Basic Investors/NF Clearing, Inc. f/k/a Fiserv.

14. Next, the Useltons generally created the appearance of an active market by engaging in "in and out trading" by buying and selling their shares from one account to another at baseless and inflated prices. In several instances, the Useltons traded both sides of the company's stock in the days and weeks leading up to the email campaigns they orchestrated. In at least one instance, the Useltons were responsible for *all* of the

trading in a pink sheet company prior to the spam email campaign. This practice is known as “lighting up” a company.

15. The Useltons then induced investors to buy shares of the penny stock companies by orchestrating spam email campaigns. To create the maximum effect, the Useltons often encouraged the penny stock companies to issue press releases that purported to announce newsworthy events. The Useltons then incorporated these press releases into emails with their own “bells and whistles.” Although the Useltons changed the names of the touted companies from week to week, the emails remained substantially similar in nature. The stocks were featured as a “hot pick” or “This Week[']s Mover!” and included baseless price projections (“proven results and great returns 250 to 600 percent on every pick!”) and grandiose claims (“we have uncovered a diamond”) touting the stocks. At times, the emails sought to excite investors by referencing prior successful spamming campaigns (“ORTE was our last pick and it went from .50 to \$2.05. APWL will be much bigger, a stronger company with great news and will be promoted to millions of investors next week, get in immediately!!”).

16. The Useltons generally forwarded the contents of the emails to their spammers, who launched widespread spam email campaigns through proxy bot networks designed to disguise the true source and origin of the spam. Proxy bot networks are comprised of a number of Internet computers that, although their owners are unaware of it, have been set up to forward transmissions (including spam or viruses) to other computers on the Internet. A proxy bot network is used by spammers because it hides the true source of origin of the spam, making it appear as if the email was sent from the Internet address of the proxy computer.

17. The Useltons paid their principal spammer a fee based upon a percentage of the gross dollar trading volume of a stock for each day of the spamming campaign. This spammer often “subcontracted” the actual emailing out to spammers in Russia and Israel, and would enlist additional support, at times, from spammers in California, and Arizona in return for a smaller percentage of the trading volume.

18. Email traffic between the Useltons and the principal spammer contained references to “going bigtime,” “blasting the hell out of,” “pounding,” and doing “major damage” to particular stocks “non-stop” and to watching the market in certain stocks “really explode,” “rock hard,” and “rock bigger” on particular days. This traffic also contained references to enhanced server setups and “more databases” so “we can get even more mail out.” The Useltons launched as many as three or four spam emails campaigns simultaneously during the relevant period. Each spam campaign lasted anywhere between three days and several weeks, after which the Useltons spammed the next company on their list.

19. While penny stock companies were being spammed, the Useltons were simultaneously selling large quantities of stock into the marketplace. There was no mention of the Useltons’ ownership interest in the spam promotions. The Useltons concealed their identities from potential investors by the way they drafted and disseminated their emails into the marketplace. In the overwhelming majority of cases, the Useltons’ spam emails did not contain any disclaimer disclosing the Useltons’ holdings or intent to sell. In a small minority of instances, the spam emails included statements relating to the limitations of forward-looking statements; generic risk factors;

and the fact that the publisher of the email held stock in the company and that those shares “may be sold at any time.”

20. As noted above, the spam email campaigns attracted investors to the market, which typically caused a short term spike in share volume and, in many instances, price. The Useltons and the entities they controlled dumped their shares during the spam email campaigns that they initiated. Once the email campaigns ended, the small business owners of the penny stock companies were left with the hardship of erasing the negative stigma of being the subject of spam campaigns and several were inundated with angry calls, letters and emails. The Useltons and their principal spammer simply moved on to spam other companies. Meanwhile, investors were left with virtually worthless securities.

21. Darrel Uselton was the mastermind of the scheme and participated in it by, among other things: locating penny stock companies desperate for cash; negotiating and obtaining free trading stock from those companies at little or no cost; transferring the free trading stock into brokerage accounts he controlled; creating the false appearance of an active and liquid market for penny stocks by engaging in “in and out trading” by buying and selling penny stock shares from one account to another in the days and weeks leading up to the spamming campaigns; preparing or supervising the creation and dissemination of draft press releases and other promotional materials; preparing or supervising the content for spam email campaigns; recommending the purchase of penny stock through spam emails and other devices and immediately selling the stock without adequate disclosure regarding the intent to sell; and wiring the proceeds of these activities to himself, Jack Uselton, and the principal spammer, among others.

22. When questioned about his conduct, Darrel stated “everyone is doing it” and that “if what [the spammer] was doing is a crime then I guess I’m guilty.”

23. Jack Uselton was a full partner with his nephew and participated in the scheme by, among other things: reviewing data and information to ascertain which penny stock companies to promote; participating in meetings and conference call negotiations with penny stock companies; transferring, or permitting the transfer, of free trading stock into brokerage accounts he owned and controlled; creating the false appearance of an active and liquid market for penny stocks by his involvement in “in and out trading” by buying and selling, or permitting the buying and selling of, penny stock shares from one account he owned and controlled to another account either he or his nephew controlled in the days and weeks leading up to the spamming campaigns; his active and continuing involvement in, and knowledge of, the spam email campaigns while immediately selling, or permitting the selling of, stock in accounts he owned and controlled without adequate disclosure regarding the intent to sell, reviewing email communications between the principal spammer and Darrel Uselton; and wiring the proceeds of these activities to himself, Darrel Uselton, and the principal spammer, among others.

24. When questioned about the principal spammer, Jack Uselton initially pretended not to know him, asking “who the hell” is he? Eventually, Jack Uselton admitted having wired money to the principal spammer. When asked how much, Jack Uselton stated \$20-30 thousand. He later admitted it could have been over \$1 million.

THE THIRTEEN (13) PENNY STOCKS

Oretech, Inc. (Previously Traded on Pink Sheets: ORTE)

25. Oretech, Inc. (“Oretech”) was a Columbus, Georgia-based company that purported to be in the business of processing ore and mine tailings to extract precious metals and processing tar sands to extract oil. The Commission revoked the registration of Oretech's registered securities on December 21, 2005. In the Matter of Oretech, Inc. (HO-10315) (Rel. 34-52988; File No. 3-12130).

26. In April 2005, Oretech engaged the Useltens to promote and sell stock and transferred 1.25 million free trading shares to them in an apparently illegal transaction commonly referred to as a “gypsy swap.” A gypsy swap arises through an arrangement or understanding with the issuer whereby a friendly shareholder provides his unrestricted shares to a third party and, in return, the issuer provides an equivalent or increased amount of restricted shares to the shareholder. In May 2005, the Useltens transferred all 1.25 million shares into two brokerage accounts they controlled.

27. The Useltens orchestrated a series of spam email campaigns touting Oretech stock. Specifically, the Useltens disseminated mass quantities of spam emails touting Oretech stock in at least two phases: (1) on or about May 22, 2005 through approximately June 14, 2005; and (2) on or about August 11, 2005 through September 1, 2005. The emails consisted of baseless price projections (*e.g.*, Oretech has a 3-4 day price target of \$1.10 and a 6 month price target of \$2.30+) and unsupported recommendations (*e.g.*, Oretech is “Hot Oil Pick Of the Week” that “will sky rocket easily.”).

28. Moreover, the emails did not contain a disclaimer that the Useltens held Oretech stock, intended to sell Oretech stock, or received compensation for the

preparation or distribution of these emails. The spam emails touting Oretch between August 11 and September 1, 2005 had no disclaimers. It appears that at least some of the spam emails sent between May 22 and June 14, 2005 included statements relating to the limitations of forward-looking statements; generic risk factors; and the fact that the publisher of the email held stock in the company and that those shares “may be sold at any time.”

29. Spam emails touting Oretch stock trace back to servers leased to, paid for, and controlled by the principal spammer. The principal spammer charged the Useltons approximately \$89,534 for spamming Oretch. The Useltons also were responsible for mass mailers that touted Oretch stock during the relevant period. The Useltons distributed direct mailers that touted Oretch as an “Outstanding Buy” with a “Target Price: \$5.00 to \$8.00” based on “New Developments Expected to Move Oretch Stock From Under \$1.00 to Over \$5.00.”

30. During the Oretch spamming campaigns, the Useltons sold 1.25 million shares of stock, realizing proceeds of approximately \$804,744. During the first spamming campaign, Oretch’s stock price rose to a high of \$0.735 on May 24, 2005, while average daily trading volume was nearly 88,000 shares. During the second spamming campaign, Oretch’s stock price rose to an intra-day high of \$2.35 on September 2, 2005 while average daily trading volume during this campaign was approximately 193,865 shares, with a single day high of 998,200 shares on August 31, 2005 during the spamming campaign.

31. The Useltons provided Oretch with records of the volume and prices of the shares they sold on a daily basis, as well as email and direct mailing expenses and other

relevant data. Specifically, Darrel Uselton informed Oretch via email on September 1, 2005 that:

Frankly, I never dreamed the price would go this high, or that fast, and it almost put me in a horrible pickle with the email group hired that did the job. Their fee is 10% of gross dollar volume, each day. It is very expensive, but obviously effective. On 8/31, I sold out of the remaining 77,400 shares within the first hour of trading, at prices around \$.90, which was the previous top during our last push. This time however, the stock rocketed to \$1.80 within a couple hours of us finishing all selling efforts. .

..

* * *

Hopefully with new shares coming in, we can liquidate some at MUCH higher prices, without any expense at all next week. Please be prompt in getting those delivered so we can take advantage of the much higher price range!!

32. The sharp increase in Oretch's stock price alarmed Darrel Uselton because he had agreed to keep the price down around \$1 to avoid attracting attention from the SEC. When the price shot up to \$2, Darrel Uselton told Oretch he needed more stock so that he could control the price.

33. The Useltons' trading in Oretch amounted to approximately 1/3 of all trading in Oretch stock between April 1, 2005 and August 31, 2005. Much of this volume related to the selling efforts described above. The balance consisted of "in and out" trading designed to support the market during the spamming campaign. Darrel Uselton admitted in the September 1, 2005 email to Oretch that he engaged in "in and out 'trading'" to "hold the price" of the stock while he simultaneously used "two primary selling accounts" to dump the "free trading" stock:

I've bought and resold a fair amount of ORTE through my online account, some of which were the purchases reflected above from 7/06-7/19, plus more. I'm going to omit that in and out 'trading' activity from here on out, as it just confuses things. So below, I will annotate only those trades in the two primary selling accounts. Just for the record, I'm still having

difficulty with the conflicting requests to see ‘higher prices’ yet get more \$\$ liquid. Those two items are always inverse to each other. I hope you consummated the acquisition, as I’ve been trying VERY hard to hold the price by buying and supporting the price recently. That does not put \$\$ in your pocket however.

Intelligent Sports, Inc. (Pink Sheets: IGTS/IGTP)

34. Intelligent Sports, Inc. (“Intelligent Sports”) is a California-based company that purports to be in the youth “sports and fitness” business.

35. From January through March 2005, the Useltons accumulated over 28 million shares of Intelligent Sports stock, the large majority of which they appear to have purchased for \$0.001 or less from an individual that received those shares directly from Intelligent Sports pursuant to a purported Texas 504 offering. In fact, the Useltons’ buying and selling of Intelligent Sports shares accounted for a substantial majority of the trading volume during this period. In August 2005, Intelligent Sports issued 12 million free trading shares to the Useltons as part of a purported Texas 504 offering, which the Useltons transferred into three brokerage accounts they controlled.

36. Between May and October 2005, the Useltons orchestrated a series of spam email campaigns touting Intelligent Sports stock. Specifically, the Useltons disseminated mass quantities of spam emails touting Intelligent Sports on at least four separate occasions: on or about May 2-7, 2005; on or about June 18-21, 2005; on or about July 10-26; 2005; and on or about October 3-7, 2005. The emails consisted of baseless recommendations and price projections. For example, at a time when Intelligent Sports was trading at around \$0.01 per share, spam emails touted Intelligent Sports as “This Week[’]s Mover!” and urged readers to:

Watch IGTS.PK trade All Week Long Starting today, Be sure to get in on it and have a great payday with our other members, before the company launches a huge promotion at the end of the week! This Friday coming up the company will be launching a massive marketing campaign with more great news to be released and next week should be over 15 to 25 cents so get in now at one cent and have a great return.

37. The spam emails touting Intelligent Sports in July and October 2005 did not appear to have any disclaimers. The spam emails sent prior to July 2005 included statements relating to the limitations of forward-looking statements; generic risk factors; and the fact that the publisher of the email held stock in the company and that those shares “may be sold at any time.”

38. Spam emails touting Intelligent Sports stock trace back to servers leased to, paid for, and controlled by the principal spammer. The principal spammer charged the Useltens at least \$83,631 for spamming Intelligent Sports.

39. The Useltens realized proceeds of approximately \$648,000 by selling nearly 40 million shares of Intelligent Sports stock between approximately May 2, 2005 and November 23, 2005, during, or soon after, the timeframe of multiple spam email campaigns. The stock price reached an all time high of \$0.041 on the Friday immediately before the first spamming campaign. During the period that the Useltens caused recommendations about Intelligent Sports to be circulated via spam emails, Intelligent Sports’ stock price fluctuated roughly between \$0.015 and \$0.032. The Useltens’ October spamming campaign resulted in a temporary price hike from \$0.009 to \$0.021 and generated average daily trading volume of over 7.5 million shares, reaching a single day high of 10.2 million shares sold on October 3, 2005.

Advanced Powerline Technologies, Inc. (Pink Sheets: APWL)

40. Advanced Powerline Technologies, Inc. (“Advanced Powerline”) is an Oklahoma-based company that purports to be in the broadband over powerline industry. The Useltons, and individuals and entities connected to the Useltons, appear to have received a large amount of common stock from a predecessor company to Advanced Powerline in 2004.

41. Between July and October 2005, the Useltons orchestrated a series of spam email campaigns touting Advanced Powerline stock. Specifically, the Useltons disseminated mass quantities of spam emails touting Advanced Powerline on at least four separate occasions: on or about July 1-8, 2005; on or about July 24 through August 19, 2005; on or about August 25 through September 26, 2005; and on or about October 3 through October 16, 2005.

42. The emails consisted of baseless claims (*e.g.* Advanced Powerline is “a Gold Mine”) and price projections (*e.g.*, “It is At It’s 52 Week Low At the Moment And This is Our Hot Pick This Week, It Can Easily Go Up to \$1.25 Very Fast”). The spam emails also referred to purported guaranteed profits (*e.g.*, “Don’t Miss Out On This One Get It Asap For HUGE PrOfits Like Our Other Picks which return 300 to 750% every week, don’t miss this one.”).

43. The large majority of spam emails touting Advanced Powerline had no disclaimers. It appears that only spam emails sent during the first campaign included statements relating to the limitations of forward-looking statements; generic risk factors; and the fact that the publisher of the email held stock in the company and that those shares “may be sold at any time.”

44. Spam emails touting Advanced Powerline stock trace back to servers leased to, paid for, and controlled by the principal spammer. The principal spammer charged the Useltens at least \$126,075 for spamming Advanced Powerline. The Useltens realized proceeds of approximately \$533,542 by selling over 818,000 shares of Advanced Powerline stock between approximately July 1, 2005 and October 18, 2005, during, or soon after, the timeframe of multiple spam email campaigns.

45. In late 2006, the Useltens were involved in another spam email campaign touting Advanced Powerline stock. On or about November 26, 2006, Advanced Powerline stock was heavily touted in a spam email campaign that continued through approximately December 8, 2006. The spam emails distributed during this period, which contained no disclaimers, indicated that “[w]e have brought you winner after winner this year and things are only getting better!” The spam emails contained baseless short term targets and long term targets of \$0.27 and \$1.10, respectively. The spam email also contained unfounded claims such as:

An incredible announcement is expected out of the company very soon. This will be backed up by a PR blitz and I’m sure you can guess what will happen to the price of this stock! Tech companies blast off on news like this. Get in before this one takes off and ride it all the way to the bank!

46. The Useltens realized proceeds of approximately \$266,655 by selling over 3.16 millions shares of Advanced Powerline stock between November 26, 2006 and December 8, 2006, during, and immediately following, the timeframe of the final spam email campaign.

Notch Novelty Corporation (Pink Sheets: NHNV)

47. Notch Novelty Corporation (“Notch Novelty”) is a California-based corporation that purports to sell low-priced novelty items.

48. Notch Novelty engaged the Useltons on or about June 29, 2005 to raise \$500,000 over a one-year period. Notch Novelty issued 400,000 shares of common stock to the Useltons as part of a purported Texas 504 offering on or about July 1, 2005. These shares were issued without restrictive legends. On or about July 7, 2005, the Useltons transferred the 400,000 Notch Novelty shares into three brokerage accounts they controlled.

49. On July 11, 2005, the first public trades in Notch Novelty occurred on the pink sheets. Between July 11 and August 5, 2005, Notch Novelty’s share price hovered between \$0.20 and \$0.24 on an average daily volume of less than 3,800 shares. Accounts controlled by the Useltons accounted for the large majority of the trading activity during this period.

50. Between approximately August 8, 2005 and August 26, 2005, the Useltons orchestrated a spam email campaign touting Notch Novelty stock. The spam emails, which contained no disclaimers, consisted of baseless recommendations (*e.g.*, Notch Novelty is a stock “on the move . . . expecting great returns in 2005”) and price projections (*e.g.*, Notch Novelty has a “3-5 day expectation” of \$0.75 and a “3-5 month expectation” of \$1.50) from “Insider WallStreet Picks.” The spam email also highlighted “Insider WallStreet Picks”’ purported ability to spot winners: “[e]very pick we make profits 300 to 1200 percent, so get in now and earn great gains immediately.”

51. Spam emails touting Notch Novelty stock trace back to servers leased to, paid for, and controlled by the principal spammer. The principal spammer charged the Useltons \$30,279 for spamming Notch Novelty.

52. During the Notch Novelty spamming campaign, Uselton sold at least 400,000 shares of stock, realizing proceeds of approximately \$125,395. Notch Novelty's stock price rose to a high of \$0.35 on August 9, 2005 while average daily trading volume during the first two weeks of the spamming campaign rose to nearly 97,000 shares, with a single day high of 396,809 on August 9, 2005 during the spamming campaign.

53. According to Notch Novelty's President, the company's reputation was severely damaged as a result of the spam email campaign and the dumping of Notch Novelty's stock by the Useltons. When Notch Novelty's President attempted to sever the relationship with the Useltons, Darrel Uselton sent him the following threatening email on March 24, 2006:

You picked the wrong bull dog to fight with little boy. You have no idea the wrath that is about to come upon you... Stupid, stupid mistake on your part.

Your worst nightmare,

Darrel Uselton

:) . . . Jack [Uselton], hone up on your skills on the novelty business...looks like we are about to own one ...

Avondale Resources Corporation (Pink Sheets: ANDL)

54. Avondale Resources Corporation ("Avondale Resources") is an Oklahoma-based corporation that purports to be in the oil and gas exploration business.

55. On September 2, 2005, a large number of Avondale Resources shareholders transferred a total of 342,000 shares to the Useltons. These shares were transferred to the

Useltons without restrictive legends. On or about September 9, 2005, the Useltons transferred at least 275,000 Avondale Resources shares into six brokerage accounts they controlled.

56. On September 13, 2005, the first public trades in this company occurred. The Useltons purchased 1,000 shares at \$1.00 per share through one account and sold those shares to another account they controlled at \$0.95 cents later that same day. On September 15, 2005, the Useltons' traded Avondale Resources stock in almost exactly the same manner. These were the only public trades in Avondale Resources stock until October 10, 2005.

57. Between approximately October 10 and October 13, 2005, the Useltons orchestrated a spam email campaign touting Avondale Resources. The emails touted Avondale Resources as "our hot pick this week it is a brand new public company that is making money and is on the move" and issued a "1 week target" of "2.00 to 2.50." At least some of the spam emails included statements relating to the limitations of forward-looking statements; generic risk factors; and the fact that the publisher of the email held stock in the company and that those shares "may be sold at any time."

58. Spam emails touting Avondale Resources' stock trace back to servers leased to, paid for, and controlled by the principal spammer. The principal spammer charged the Useltons \$131,292 for spamming Avondale Resources during this period.

59. During the Avondale Resources spamming campaign, the Useltons sold at least 257,600 shares realizing proceeds of approximately \$382,090. Avondale Resources' stock price rose from \$1.00 to a single day high of \$1.65 on August 12, 2005. Average daily trading volume, which had been virtually nonexistent prior to the

spamming campaign, rose to over 175,000 shares per day during the spamming campaign.

Spooz, Inc. (Pink Sheets: SPZI)

60. Spooz, Inc. (“Spooz”) is a Chicago-based corporation that purports to provide add-in software programs for the financial trading industry.

61. On or about August 29, 2005, Spooz issued 21.8 million shares of common stock to the Useltons as part of a purported Rule 504 offering. These shares were issued without restrictive legends. During September 2005, the Useltons transferred 9.8 million Spooz shares into two accounts they controlled.

62. Between approximately October 13 and October 27, 2005, the Useltons orchestrated a spam email campaign touting Spooz. The spam emails described Spooz as the “hot pick this week” with a current price of \$0.03 and a 1 week target of \$0.15 to \$0.20. The spam emails also referred to earlier successes, noting that the “last pick was up 80 percent in 2 days this one is expected much higher.”

63. The overwhelming majority of spam emails touting Spooz stock contained no disclaimers. Spam emails circulated from October 14 through October 27, 2005 did not contain any disclaimer. While spam emails disseminated on October 13, 2005 did purport to include a “disclaimer” statement, they did not disclose the Useltons’ role in the promotion nor their intent to sell. The principal spammer charged the Useltons at least \$143,871 for the Spooz spamming campaign.

64. During the Spooz spamming campaign, the Useltons sold over 6.3 million shares of Spooz stock, realizing proceeds of over \$267,289. The price of Spooz common

stock, which generally ranged between \$0.011 and \$0.023 from June through August 2005, rose to a high of \$0.052 on October 17, 2005. Daily trading volume, which never exceeded 500,000 shares between June and August 2005, soared to 11,473,538 shares on October 14, 2005.

65. After the spamming campaign, Spooz stock dropped to below \$0.02 and reached a low for the calendar year of \$0.0065 on December 14, 2005.

ESPRESSO Solutions, Inc. (Pink Sheets: EPRT)

66. ESPRESSO Solutions, Inc. (“ESPRESSO”) is a Texas-based corporation that claims to be in the business of designing video communication software programs for use over the Internet.

67. On or about October 3, 2005, the Uselftons received 200,000 ESPRESSO shares from an individual. On or about October 17, 2005, the Uselftons transferred those shares into a brokerage account they controlled.

68. Between approximately October 24 and October 27, 2005, the Uselftons orchestrated a spam email campaign touting ESPRESSO. The spam emails, which were issued without disclaimers, described ESPRESSO as a “Hot Fortune 1000 Company On the Move,” indicating a “Massive Marketing Campaign Alert Starting Tuesday At the Close of the Market, Get in Early!” The principal spammer charged the Uselftons approximately \$73,709 for the ESPRESSO spamming campaign.

69. During the ESPRESSO spamming, the Uselftons sold nearly 122,000 shares of stock, realizing proceeds of approximately \$70,000. The Uselftons sold the remaining 78,000 shares over the following three trading days, realizing an additional \$27,000.

Average daily trading volume, which was less than 11,500 during the first three weeks in October 2005, rose to over 300,000 per day during the spamming campaign. ESPRE's stock price dropped from \$0.90 on October 24, 2005 to \$0.41 at the end of the campaign on October 27, 2005.

70. ESPRE's stock traded at \$0.16 at the end of December 31, 2005.

Grifco International, Inc. (Pink Sheets: GFCD)

71. Grifco International, Inc. (“Grifco”) is a Nevada-based corporation that purports to be an international provider of oil and gas services equipment.

72. On or about September 20, 2005, Grifco issued 220,000 shares of common stock to the Useltons as part of a Rule 504 offering. These unregistered shares were issued without restrictive legends. On or about October 5, 2005, the Useltons transferred the shares into two brokerage accounts that they controlled.

73. Between approximately October 28 and November 3, 2005, the Useltons orchestrated a spam email campaign touting Grifco. The spam emails, which contained no disclaimers, indicated that “Rocking Stock Times Selects: GFCD” as a “real winner” and that “[i]nsiders tell us breaking news is expected that can make this company go very high immediately.” The principal spammer charged the Useltons at least \$54,896 for spamming Grifco.

74. During the Grifco spamming campaign, the Useltons sold all 220,000 shares of Grifco stock, realizing proceeds of approximately \$71,866. Grifco stock, which appears to have been the subject of other market manipulations, traded between \$0.30

and \$0.36 during the spamming campaign on average daily volume of approximately 525,000 shares.

75. After the spamming campaign ended, Grifco stock drifted downward, trading at \$0.07 by year-end 2006.

Leatt Corporation (Pink Sheets: LEAT)

76. Leatt Corporation (“Leatt”) is a Nevada-based corporation that claims to purchase protective sports gear from a South African company, Leatt Brace Holdings (Pty) Ltd. Purportedly, Leatt is the “exclusive global distributor” of a helmet that contains a built-in neck brace.

77. On or about August 29, 2005, the Useltons received two million free trading Leatt shares from an individual that appears to have received those shares directly from the company a few weeks earlier. On September 2, 2005, the Useltons transferred at least 500,000 of those shares into two brokerage accounts they controlled.

78. Between approximately November 2 and November 8, 2005, the Useltons orchestrated a spam email campaign touting Leatt. The spam emails, which contained no disclaimers, consisted of baseless projections (*e.g.*, “Current Price: .24; 3 day Target: .70; 2 week Target: \$1.25”) from “W.S. Financial”. The spam emails also highlighted W.S. Financial’s prior success: “[o]ur last pick was up over 275%. Don’t miss out on This One!” The principal spammer charged the Useltons at least \$32,099 for spamming Leatt.

79. During the Leatt spamming campaign, the Useltons sold approximately 240,150 shares of stock, realizing proceeds of approximately \$65,621. Average daily trading volume, which was less than 6,250 shares during October 2005, rose to over

257,000 shares during the spamming campaign, including a high of 541,068 on November 3, 2005.

Adrenaline Nation Entertainment, Inc. (Pink Sheets: ADNL/ADNN)

80. Adrenaline Nation Entertainment, Inc. (“Adrenaline Nation”) is a Tennessee-based corporation that claims to be a television network specializing in action, adventure and motor-sports programs.

81. On or about April 6, 2005, Adrenaline Nation signed an agreement to engage the Useltens as “Capital Markets Advisors.” In part, Adrenaline Nation agreed to give the Useltens 2.5% of the company’s outstanding shares, in unrestricted form. On or about September 2005, the Useltens appear to have received nearly 200,000 free trading Adrenaline Nation shares in accordance with the agreement. In addition, the Useltens purported to have acquired an additional 1,000,000 shares of restricted stock in Adrenaline Nation on or before October 3, 2002. In November 2005, Darrel Uselton signed an affidavit to remove the restriction and transferred the 1,000,000 shares into a brokerage account the Useltens controlled.

82. Between approximately November 21 and December 1, 2005, the Useltens orchestrated a spam email campaign touting Adrenaline Nation. The spam emails, which contained no disclaimers, consisted of baseless price projections (*e.g.*, “3 to 6 Day Expectations: .30 to .50; 6 Month Projections: 1.50+”) from “Investor Edge.” The spam emails also highlighted Investor Edge’s purported prior success: “[d]on’t miss out. Our last picks returned a 323 percent gain!” The principal spammer charged the Useltens at least \$22,646 for spamming Adrenaline Nation.

83. During the Adrenaline Nation spamming campaign, the Useltons sold 384,000 shares of Adrenaline Nation stock, realizing proceeds of approximately \$63,219. Average daily trading volume, which was less than 1,000 shares during the first three weeks of November 2005 (trading on only 4 days during this period), rose to over 145,000 during the spamming campaign, with a single-day high of 419,580 shares on November 22, 2005. Adrenaline's stock price, which hovered between \$0.12 and \$0.15 cents prior to the spamming campaign, rose to \$0.20 on November 22, 2005.

Equipment and Systems Engineering, Inc. (Pink Sheets: EQSE)

84. Equipment and Systems Engineering, Inc. (“Equipment Systems”) is a Florida-based corporation that is a purported manufacturer of hypochlorite generation systems for water sanitation.

85. In October 2005, the Useltons were given 700,000 free trading Equipment Systems shares. On or about November 4, 2005, the Useltons transferred 700,000 shares of Equipment Systems stock into a brokerage account they controlled.

86. Between approximately November 25, 2005 and December 2, 2005, the Useltons orchestrated a spam email campaign touting Equipment Systems. Between February 23 and March 2, 2006, the Useltons launched a second email campaign. The spam emails, which contained no disclaimers, contained baseless price predictions (*e.g.*, “This .18 Play Can Give you 3 to 4 times your investment! 500 can be 2,000 and 2,000 can be 8,000 very easily! Don’t Miss This Baby!”) and claims of “inside information” (*e.g.*, “we were lucky enough to get inside information on the company to bring it to you so you can get in early at .25 before it goes over 1.00 we are looking at a possible 300 percent gain here, don’t miss out on it. Get in early Monday”). The principal spammer

charged the Useltons at least \$45,062 for spamming Equipment Systems during the first two campaigns.

87. From the inception of the first spam email campaign through the conclusion of the second email campaign, the Useltons sold 695,000 shares of Equipment Systems' stock, realizing proceeds of approximately \$157,529. During the first spamming campaign, Equipment Systems' stock rose to a high of \$0.31 on November 29, 2005, while average daily volume rose to over 200,000 shares, with a single-day high of 429,145 shares on November 30, 2005. Average daily volume in Equipment Systems had been under 27,000 during the first three weeks in November, while the price slowly crept up from \$0.17 to \$0.25 during the period immediately before the spamming campaign.

88. In late 2006, the Useltons appear to have initiated a third spam email campaign that touted Equipment Systems' stock. This campaign began in October 2006, when a fund controlled by the Useltons, the Valores Fund, purportedly purchased 3.75 million unrestricted shares of Equipment Systems' stock for \$0.04 per share and transferred the shares into a brokerage account that they controlled.

89. On or about November 29, 2006, Equipment Systems' stock was heavily touted in a widespread email campaign that continued through approximately December 8, 2006. The spam emails distributed during this period, which contained no disclaimers, indicated that "OTC Financial Network" selected Equipment Systems as "THE pick for the fourth quarter" and that "This is HOT!" The spam email also contained baseless price projections and unfounded company predictions:

An earth shattering release is expected out of the company any day. With all of EQSE's governmental contacts we are expecting a major contract announcement. This issue is VERY tightly held and the release is going to push it up rapidly. Don't delay. It's not going to stop till we see 20 cents!"

90. The Useltons realized proceeds of approximately \$588,836 by selling 3.8 million shares of Equipment Systems stock during this spam email campaign. Average daily trading volume, which was less than 15,800 during the first three full weeks of November 2006, rose to over 1.9 million throughout the third spamming campaign, with a single-day high of 3,600,823 shares on December 7, 2006. Equipment Systems stock, which hovered between \$0.06 and \$0.09 during the first three weeks of November, rose to a high of \$0.17 during the spamming campaign.

91. After the spam campaign ended, the stock price subsequently dropped under \$0.10.

Gulf Petroleum Exchange, Inc. (Pink Sheets: GFPE)

92. Gulf Petroleum Exchange, Inc. ("Gulf Petroleum"), a Louisiana-based corporation, was purportedly in the petroleum recovery industry in late 2005 and early 2006. Subsequent to the relevant period, the company changed its name to Software Effective Solutions Corp., and changed its symbol to SFWJ. The company now describes itself as a "Philippine-based software company" that specializes in telecom operations, workforce management, call centers, and resource management.

93. On or about November 3, the Useltons were transferred 1,088,700 free trading Gulf Petroleum shares. On or about November 15, 2005, the Useltons transferred the stock into a brokerage account they controlled.

94. Between January 24 and at least January 26, 2006, but perhaps longer, the Useltons orchestrated a spam email campaign touting Gulf Petroleum. The emails, which did not contain a disclaimer that the Useltons (or any other party) held Gulf Petroleum stock, intended to sell Gulf Petroleum stock, or received compensation for the preparation or distribution of these emails, consisted of baseless claims (“This Weeks Big Gainer ‘GFPE’ Our Last Pick Was up over 275% in 3 Days Don’t Miss Out.”). The principal spammer charged the Useltons at least \$31,522 for spamming Gulf Petroleum stock.

95. The Useltons realized proceeds of approximately \$263,529 by selling 941,700 shares of Gulf Petroleum stock during and soon after this spam email campaign.

Wentworth Energy, Inc. (Pink Sheets: WNWG)

96. Wentworth Energy, Inc. (“Wentworth Energy”) is a Texas-based corporation that is purportedly in the energy business.

97. Between approximately August 24, 2005 and August 30, 2005, the Useltons orchestrated a spam email campaign touting Wentworth Energy. Between approximately November 4, 2005 and November 21, 2005, the Useltons launched a second email campaign. The spam emails consisted of baseless projections (*e.g.*, “Current Price: .80; 3-5 Day target: 2.50; 6 months target: \$4.25”) from “W.S. Profit Picks”. The principal spammer charged the Useltons at least \$160,110 for spamming Wentworth Energy stock.

98. The majority of spam emails touting Wentworth Energy stock contained no disclaimers. Spam emails circulated on or about November 4 through November 21, 2005, did not contain any disclaimer. While spam emails disseminated during the first

spam email campaign did purport to include a “disclaimer” statement, they did not disclose the Useltons’ role in the promotion.

99. The Useltons realized proceeds of approximately \$274,861 by selling around 237,045 shares of Wentworth Energy stock during and soon after these spam email campaigns.

CLAIM FOR RELIEF

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

100. Plaintiff SEC hereby incorporates ¶¶ 1 through 99 with the same force and effect as if set out here.

101. In the manner described in ¶¶ 1 through 99, Darrel Uselton and Jack Uselton, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon persons.

102. By reason of the foregoing, Darrel Uselton and Jack Uselton violated, and unless enjoined will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

PRAYER FOR RELIEF

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

(a) permanently enjoining defendants, Darrel Uselton and Jack Uselton, and their agents, servants, employees, attorneys, and those in active concert or participation with them, who receive actual notice by personal service or otherwise, from violating Section 10(b) of the Exchange Act [15 U.S.C § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder;

(b) ordering defendants, Darrel Uselton and Jack Uselton, to provide an accounting and disgorge all ill-gotten gains from the conduct alleged herein, with prejudgment interest;

(c) ordering defendants, Darrel Uselton and Jack Uselton, to pay a civil money penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

(d) permanently prohibiting defendants, Darrel Uselton and Jack Uselton, from participating in an offering of penny stock pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)]; and

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

Dated: July 9, 2007

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