

NPG/GG 2011R00725

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA : Hon.
 :
 v. : Criminal No. 15- 631 (JLL)
 :
 SAMUEL DELPRESTO : 18 U.S.C. § 371

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

Relevant Individuals and Entities

1. At all times relevant to this Information:

a. Defendant SAMUEL DELPRESTO was a resident of Holmdel, New Jersey, and was engaged in the promotion of “penny” or “micro-cap” stocks – the stocks of publicly traded companies with low share prices that often traded on quotation services and marketplaces operated by OTC Markets Group Inc., such as the OTC Bulletin Board (“OTCBB”), OTC QB, OTC Pink, or Pink Sheets.

b. MLF Group, LLC (“MLF Group”) was a Delaware limited liability company that purported to be a merchant banking firm. DELPRESTO owned and operated MLF Group.

c. Co-conspirator #1 (“CC#1”), who is named as a co-conspirator but not as a defendant herein, was a resident of Las Vegas, Nevada, and Hermosa Beach, California. CC#1 was also a penny stock promoter.

d. Co-conspirator #2 (“CC#2”), who is named as a co-conspirator but not as a defendant herein, was a resident of Henderson, Nevada, and was an investment advisor at an investment advisory firm with an office in or around Las Vegas, Nevada.

e. Co-conspirator #3 (“CC#3”), who is named as a co-conspirator but not as a defendant herein, was a resident of Hermosa Beach, California, and a registered representative at a broker-dealer in or around Los Angeles, California (“Broker-Dealer A”).

f. BioNeutral Group, Inc. (“BONU”) was a Nevada corporation headquartered in Newark, New Jersey. BONU’s common stock was quoted on the OTCBB. BONU described itself as a specialty chemical company engaged in the development and commercialization of technology to neutralize environmental contaminants, toxins, and micro-organisms.

g. NXT Nutritionals Holdings, Inc. (“NXTH”) was a Delaware corporation with its principal place of business in Holyoke, Massachusetts. NXTH’s common stock was quoted on the OTCBB. NXTH described itself as a food and beverage development company engaged in the development of healthy alternative sweeteners.

h. Mesa Energy Holdings, Inc. (“MSEH”) was a Delaware corporation with its principal place of business in Dallas, Texas. MSEH’s common stock was quoted on the OTCBB. MSEH described itself as an exploration stage oil and gas company.

i. Clear-Lite Holdings, Inc. (“CLRH”) was a Nevada corporation with its principal place of business in Boca Raton, Florida. CLRH’s common stock traded on the OTCBB. CLRH described itself as a company engaged in manufacturing environmentally friendly lighting products.

j. BONU, NXTH, MSEH and CLRH are collectively referred to herein as the “Target Companies.”

Overview of the “Pump and Dump” Scheme

2. From at least as early as in or about 2008 through in or about 2010, DELPRESTO, CC#1, CC#2, CC#3 and others perpetrated a scheme to “pump and dump” shares of the Target Companies’ stock. Each pump and dump generally involved three steps. First, DELPRESTO and his co-conspirators obtained control over large blocks of the free-trading shares of the Target Companies’ stock. Second, they “pumped” the price of those shares by, among other things, engaging in manipulative trading and disseminating promotional materials touting the stocks which encouraged others to purchase them. Finally, they “dumped” the stocks by selling large volumes of the Target Companies’ stock to victim-investors throughout the promotional campaigns. Following the dump phase, the Target Companies’ artificially inflated stock prices dropped, causing victim-investors to suffer losses. The scheme collectively generated approximately \$33 million in illicit trading proceeds, of which DELPRESTO received approximately \$13 million.

**Step 1: Obtaining and Concealing Control
and Ownership of the Target Companies' Stock**

3. In connection with the scheme, DELPRESTO searched for and identified developmental stage private companies with promotable stories that were seeking financing (the "Private Companies"). DELPRESTO offered to raise "seed" capital for the Private Companies and to take them public through a reverse merger, *i.e.*, the acquisition of a public company by a private company so that the private company could bypass the lengthy and complex process of going public simply by merging with the public company.

4. DELPRESTO and his co-conspirators typically purchased the majority of free-trading shares of the public companies and, following the reverse mergers with the Private Companies, owned the majority of free-trading shares of the newly formed public entities (here, the Target Companies).

5. DELPRESTO and his co-conspirators took numerous steps to conceal their involvement in the overall scheme and their ownership of the stock of the Target Companies, including using brokerage accounts held in the names of entities they controlled, friends, family members and/or third party nominees (the "Nominee Accounts") to purchase and hold the stock until later phases of the scheme. The owners of the Nominee Accounts understood that they could not sell their stock without the approval of DELPRESTO and his co-conspirators and, in many instances, DELPRESTO and his co-conspirators had full access and control over the Nominee Accounts.

Step 2: “Pumping” the Price and Volume of the Target Companies’ Stock

6. After obtaining control of the majority of free-trading shares of the Target Companies, DELPRESTO and his co-conspirators used the following methods, among others, to generate interest in the Target Companies and fraudulently inflate the price and trading volume of their shares:

a. DELPRESTO and his co-conspirators engaged in coordinated trading of the stock of the Target Companies between the Nominee Accounts and other accounts that they controlled. On many days, trading by DELPRESTO and his co-conspirators accounted for the overwhelming majority of all trading activity in the Target Companies. For example, on or about February 18, 2009, all of the trading in the stock of BONU was attributable to accounts controlled by CC#1. To carry out these trades, CC#1 or others acting at his direction entered orders to buy BONU stock through certain of the Nominee Accounts that were held at online brokerage firms. Around the same time, CC#1 or others acting at his direction entered orders to sell BONU stock through different trading accounts they controlled and those shares were used to fill the buy orders from the Nominee Accounts.

b. In addition, with DELPRESTO’s knowledge and consent, CC#1 paid cash kickbacks to CC#2, an investment advisor, to induce CC#2 to purchase the stock of certain of the Target Companies on behalf of his investment clients. CC#2 bought the stock in the early phases of the pump and dumps while the stock price and trading volume were low and during a time when DELPRESTO and his co-conspirators controlled the majority of the

free-trading shares. The purpose of these purchases was to, among other things, create the false impression of market interest and demand in the stock, build trading volume that would be attractive to potential investors who would later receive promotional materials about the stock, and generate income to fund the promotional campaigns that occurred in the later phases of the scheme. For example, on or about August 4, 2009, an individual acting at CC#1's direction ("Individual A") withdrew approximately \$2,500 from a bank account in or around Las Vegas, Nevada for purposes of paying CC#2 a cash kickback. On or about the same date, CC#2 deposited \$2,000 in cash into a bank account that he controlled. This deposit was made through an ATM machine located in or around Henderson, Nevada.

c. DELPRESTO and CC#1 also used CC#3 and trading accounts held at Broker-Dealer A to facilitate some of the manipulative trading described above. CC#3 played a critical role in the manipulative trading because in addition to being CC#1's broker, he was also a third-party "market maker," meaning a broker who bought and/or sold securities from others to help create liquidity in that particular security. Being a market maker enabled CC#3 to engage in manipulative trading because CC#3 served as a middleman between transactions involving the Nominee Accounts and CC#2's investment client accounts, and other accounts controlled by co-conspirators, without reflecting to the market that these transactions were all coordinated.

d. For example, CC#3 frequently took short positions in the stock of certain of the Target Companies to fill purchase orders from CC#2's

client accounts, or other Nominee Accounts that DELPRESTO and his co-conspirators controlled. CC#3 then covered the short positions by buying shares of the Target Companies' stock from either the Nominee Accounts held at Broker-Dealer A, DELPRESTO's accounts, or CC#1's accounts. As such, multiple accounts involved in the manipulation essentially traded stock with each other, but with CC#3 acting as an intermediary. Since DELPRESTO and his co-conspirators controlled the majority of the free-trading stock of the Target Companies, they knew that purchase orders that CC#2 placed at their direction and in exchange for cash kickbacks would ultimately be filled with stock from either the Nominee Accounts, DELPRESTO's accounts, or CC#1's accounts, notwithstanding CC#3's role as the intermediary. This strategy was designed to raise interest in the stock and avoid the appearance of cross trading and/or match trading and, consequently, to avoid detection by regulators and law enforcement.

7. As an example of the manipulative trading described above, on or about July 16, 2009, a total of 496,000 shares of NXTH stock traded in the market. Of this amount, three of the Nominee Accounts held at Broker-Dealer A collectively sold approximately 469,500 shares at \$.99 per share. CC#2's investment client accounts purchased approximately 441,000 shares at \$.99 per share - 88% of the total amount of shares purchased that day. Likewise, on or about August 10, 2009, CC#2's investment client accounts purchased 208,000 shares of NXTH stock at \$1.21 per share, and certain Nominee Accounts at Broker-Dealer A sold approximately 196,500 shares at the same

price. This pattern continued at various times during the scheme and caused the false appearance of legitimate market interest and trading activity that artificially inflated the price and volume of the stock of the Target Companies.

8. Following an initial period of manipulative trading, DELPRESTO and his co-conspirators engaged in carefully coordinated promotional campaigns designed to further inflate the price of the Target Companies' stock. The promotional materials included press releases from the Target Companies and newsletters and/or mailers prepared by third parties. In each pump and dump, DELPRESTO or his co-conspirators controlled the timing of the promotional activities to ensure that they would commence after the Target Companies' stock had been sufficiently manipulated to create the appearance of real market interest.

9. In connection with the scheme, DELPRESTO and CC#1 coordinated the dissemination of promotional materials regarding NXTH, MSEH, CLHR and BONU after a period of manipulative trading in those stocks that gave interested investors the false impression that the stocks were viable investments with real market potential when, in reality, the price and trading histories of these stocks were based almost entirely on DELPRESTO's and his co-conspirators' fraudulent conduct.

Step 3: The "Dump" Phase and the Illicit Proceeds

10. After fraudulently inflating the price of the Target Companies' stock in the manner described above, DELPRESTO and his co-conspirators sold or planned to sell their stock to unsuspecting victim-investors at the

fraudulently inflated prices. This large-scale selling of the Target Companies' stocks generally caused the share prices to plummet, resulting in losses to the victim-investors who bought the stock at the inflated prices.

11. The pump and dumps had a substantial impact on the price and trading volume of the Target Companies' stock, as illustrated in the example table below pertaining to NXTH.

Approximate Time Period	Avg. Daily Vol.	Low Trading Price	High Trading Price
1/12/09 – 7/14/09	7,850	\$1.01	\$2.00
7/15/09 – 9/30/09	98,650	\$1.01	\$1.86
10/1/09 – 10/30/09 (first round of promotional materials)	1,256,000	\$1.23	\$3.46
11/2/09 – 1/29/10	179,200	\$1.15	\$2.57
2/1/10 – 2/26/10 (second round of promotional materials)	1,850,700	\$1.11	\$3.22
3/1/10 – 6/30/10	419,587	\$.15	\$1.15

12. The scheme generated approximately \$33 million in illicit trading proceeds, including over \$13 million of which was linked to trading accounts associated with DELPRESTO.

The Conspiracy

13. From at least as early as in or about 2008 through in or about 2010, in Monmouth County in the District of New Jersey and elsewhere, defendant

SAMUEL DELPRESTO

knowingly and willfully conspired and agreed with CC#1, CC#2, CC#3 and others to commit an offense against the United States, to wit: securities fraud, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Object of the Conspiracy

14. It was a part and object of the conspiracy that DELPRESTO and others, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact 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 (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, contrary to Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Means and Methods of the Conspiracy

15. Among the means and methods by which DELPRESTO, CC#1, CC#2, CC#3 and others would and did carry out the conspiracy were the following:

a. DELPRESTO, typically through the MLF Group, entered into agreements with the Private Companies to take them public.

b. DELPRESTO and his co-conspirators next arranged for the reverse mergers of the Private Companies with public shell companies that they controlled and for which they controlled the majority of free-trading shares.

c. Following the reverse mergers, DELPRESTO and his co-conspirators owned the majority of the free-trading shares of the newly formed Target Companies.

d. DELPRESTO and his co-conspirators hid their ownership interest in the Target Companies by placing the shares they owned into Nominee Accounts.

e. DELPRESTO and his co-conspirators fraudulently inflated the price and trading volume of the Target Companies' stock by, among other things: engaging in coordinated trading between accounts they controlled; paying cash kickbacks to CC#2, who purchased shares in the Target Companies' stock on behalf of his clients in exchange for the cash kickbacks; and distributing promotional materials touting the Target Companies.

f. DELPRESTO and his co-conspirators sold the vast majority of their shares in the Target Companies at artificially inflated prices to victim-

investors, thereby generating millions in illicit profits for them and causing victim-investors economic harm when the artificially-inflated prices dropped.

Overt Acts

16. In furtherance of the conspiracy and to effect the unlawful object thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

a. On or about October 15, 2008, DELPRESTO, on behalf of the MLF Group, entered into an agreement with NXTH, pursuant to which the MLF Group would assist NXTH in becoming a public company.

b. On or about July 16, 2009, CC#2 placed orders for CC#2's investment clients to collectively purchase approximately 441,000 shares of NXTH stock.

c. On or about December 30, 2009, DELPRESTO caused \$200,000 to be wired to an account held by "Dynamic Global Media," a company owned by an associate of CC#1, to be used to pay for promotional materials for NXTH.

d. On or about January 5, 2010, CC#3, at CC#1's direction, caused a Nominee Account held at Broker-Dealer A to purchase 117,000 shares of MSEH at \$.76. The same day, CC#3, at CC#1's direction, sold approximately 120,000 shares of MSEH at \$.76 from CC#1's account at Broker-Dealer A.

e. On or about March 9, 2010, DELPRESTO arranged for a nominee shareholder to purchase 100,000 shares of MSEH stock from CC#3's market making account at Broker-Dealer A. CC#3 had purchased the shares earlier in the day at CC#1's direction.

All in violation of Title 18, United States Code, Section 371.

FORFEITURE

1. The allegations contained in all paragraphs of this Information are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The United States hereby gives notice to the defendant that, upon conviction of the conspiracy to commit securities offense in violation of Title 18, United States Code, Section 371 charged in this Information, the government will seek forfeiture, in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), of any and all property, real or personal, that constitutes or is derived from proceeds traceable to the commission of such offense.

3. If by any act or omission of the defendant, any of the property subject to forfeiture described above:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty;

It is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.



PAUL J. FISHMAN
United States Attorney

CASE NUMBER:

**United States District Court
District of New Jersey**

UNITED STATES OF AMERICA

v.

SAMUEL DELPRESTO

INFORMATION FOR

18 U.S.C. § 371

PAUL J. FISHMAN

UNITED STATES ATTORNEY, NEWARK, NEW JERSEY

NICHOLAS GRIPPO
ASSISTANT U.S. ATTORNEY
NEWARK, NEW JERSEY
973-645-2700