



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

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Securities and Exchange Commission v. Golden Apple Oil and Gas, Inc., et. al., Civil Action No. 09 CV 7580 (HB)(SDNY)

SEC CHARGES PENNY STOCK COMPANY, FORMER PRESIDENT, ATTORNEY, AND PROFITER IN PUMP-AND-DUMP SCHEME

The Securities and Exchange Commission filed a complaint yesterday in the Southern District of New York charging Golden Apple Oil and Gas, Inc. ("Golden Apple"), its former President Jay Budd, former company attorney John Briner, and Ethos Investments, Inc., with securities law violations in connection with a fraudulent scheme to inflate artificially the market for Golden Apple stock. Golden Apple was incorporated originally as CDI Developments, Inc. and subsequently underwent a series of name changes. On April 7, 2006, the Commission suspended trading in Golden Apple's securities.

The SEC's complaint alleges that:

- In the fall of 2004, defendant Briner, Golden Apple's counsel, orchestrated an illegal stock offering that gave him control of the company's purportedly free-trading shares and then, as an underwriter, Briner illegally distributed the stock to entities he controlled. Thereafter, in May 2005, Briner created the false impression of a legitimate market for Golden Apple stock by initiating an artificial stock price quotation and directing a matched trade.
- Subsequently, from approximately June 2005 through April 2006, defendants Golden Apple and Budd issued a number of false and misleading press releases touting the success of Golden Apple's business, first as a seller of home warranties, and then as an oil and gas exploration company.
- At the same time, Golden Apple, Budd, and Briner engaged in a series of unregistered securities offerings that enabled their affiliates to obtain shares privately, sell them to the public at a profit, and share those profits with Budd and Golden Apple.
- Defendant Ethos was the largest Budd affiliate to profit illegally from dumping its Golden Apple stock. In September 2005, Budd caused Golden Apple to issue Ethos five million shares of stock in violation of federal securities laws stock registration requirements and based on a fraudulent, backdated promissory note. Ethos sold the stock to the public for more than \$3 million. Budd and Ethos used part of those proceeds to stage a sham financing that Budd touted in three

separate false press releases. Ethos then sold more stock at prices inflated artificially by the false releases about the purported financing.

The Complaint alleges that defendants Golden Apple, Budd, Briner and Ethos violated Sections 5(a) and 5(c) of the Securities Act of 1933, and that defendants Golden Apple, Budd and Briner violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10-b thereunder. The Commission is seeking permanent injunctions against all defendants, disgorgement with prejudgment interest, civil penalties, and verified accountings from Budd, Briner, and Ethos, and officer and director bars and penny stock bars against Budd and Briner.

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