

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION**

**UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION**

Plaintiff,

v.

**ROBERT M. ESPOSITO, GREGORY A. KING,  
JACK R. BELLUSCIO and ANSCOTT  
INDUSTRIES, INC.,**

Defendants.

C.A. No. \_\_\_\_\_ - \_\_\_\_\_

**COMPLAINT**

Plaintiff United States Securities and Exchange Commission (“Commission”) alleges that:

**NATURE OF THE ACTION**

1. This action involves a fraudulent touting scheme involving the stock of Anscott Industries, Inc. (“Anscott”), a Florida company that manufactures and sells specialty chemicals for the commercial laundry and garment cleaning industries. This fraudulent scheme was carried out by Robert Esposito and Gregory King, both penny stock promoters, and Jack Belluscio, the Chairman, Chief Executive Officer, and majority shareholder of Anscott.

2. In April 2003, Esposito, the ringleader of this fraud, orchestrated a reverse merger between Anscott and Liquidix, Inc., a public shell company which, after the reverse merger, changed its name to Anscott and issued four (4) million shares of Anscott stock to

Esposito. Belluscio then filed with the Commission, on behalf of Anscott, a fraudulent Form S-8 registration statement for the shares issued to Esposito, which improperly enabled Esposito to sell these shares to the public during the fraudulent touting scheme that followed.

3. Immediately after the reverse merger and Anscott's filing of the fraudulent Form S-8 registration statement for Esposito's shares, Esposito paid Gregory A. King, another penny stock promoter with whom Esposito had worked previously, to prepare and disseminate materially false and misleading tout sheets – crafted to appear like independent investment newsletters and entitled the *Wall Street Bulletin* – promoting Anscott stock. These tout sheets recommended Anscott stock as a “strong buy” and were disseminated to the public through spamming using facsimile transmission (fax) from late May through July 2003. The tout sheets contained materially false statements about Anscott's products, business affiliations, and projected revenues. These tout sheets also failed to disclose material information, including that Esposito, who had been paid by the company to promote Anscott stock, was paying King to prepare and disseminate these tout sheets and was selling Anscott shares contrary to the *Wall Street Bulletin's* “strong buy” recommendations and price targets.

4. Belluscio reviewed these fraudulent tout sheets before and during the fax spamming campaign and did nothing to correct these materially false and misleading statements and omissions.

5. After dissemination of the first *Wall Street Bulletin* in May 2003, the price of Anscott's stock rose from \$1.40 to \$1.99 per share. As the spamming scheme continued in June and July, the price of Anscott stock continued to rise sharply, reaching a high of \$4.59

per share on July 11, 2003. Throughout this period, Esposito sold shares of Anscott to outside investors, realizing more than \$5 million in illicit profits.

6. By engaging in transactions, acts, practices and courses of business alleged in this Complaint:

(a) Esposito violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)] and Sections 10(b) and 13(d) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b) and 78m(d)] and Exchange Act Rules 10b-5, 13d-1 and 13d-2 thereunder [17 C.F.R. §§ 240.10b-5, 240.13d-1 and 240.13d-2];

(b) King violated Securities Act Section 17(b) [15 U.S.C. § 77q (b)], Exchange Act Section 10(b) [15 U.S.C. § 78j (b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

(c) Belluscio violated Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e (a) and 77e(c)], Exchange Act Section 10(b) [15 U.S.C. § 78j (b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and

(d) Anscott violated Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e (a) and 77e(c)], Exchange Act Section 10(b) [15 U.S.C. § 78j (b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

7. Unless restrained and enjoined by this Court, defendants will continue to engage in transactions, acts, practices, and courses of business that violate these provisions of the federal securities laws. The Commission seeks permanent injunctions against future violations and other relief requested in this Complaint.

## JURISDICTION

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v (a)] and Sections 21(d) and (e), and 27 of the Exchange Act [15 U.S.C. §§ 78u (d) and (e) and 78aa].

9. In connection with the transactions, acts, practices, and courses of business described in this Complaint, the defendants, directly or indirectly, used the means or instrumentalities of interstate commerce, the mails, or the facilities of a national securities exchange.

## DEFENDANTS

10. Robert M. Esposito, age 47, is a penny stock promoter residing in Valrico, Florida. During the relevant time period, he was the sole proprietor of Regal Consulting in Brandon, Florida.

11. Gregory A. King, age 55, is a penny stock promoter residing in Tampa, Florida. During the relevant time period, King prepared and disseminated the *Wall Street Bulletin*, a tout sheet that promoted stocks he was paid to promote, and was the sole proprietor of Virtual Consulting with its offices located in Brandon, Florida.

12. Jack R. Belluscio, Jr., age 46, resides in Saddle River, New Jersey and is the Chairman, Chief Executive Officer, and Chief Financial Officer of Anscott.

13. Anscott Industries, Inc. is a Florida corporation with its principal place of business in Wayne, New Jersey. Anscott manufactures and sells specialty chemicals for the commercial laundry and garment cleaning industries. Anscott's stock is registered with the Commission pursuant to Exchange Act Section 12(g). From April 15, 2003 through August

19, 2005, Anscott's stock traded on the OTC Bulletin Board. Currently, Anscott's stock is quoted on the Pink Sheets LLC.

## **FACTS**

### **The Reverse Merger**

14. In April 2003, Esposito orchestrated a reverse merger between Anscott, then a privately held New Jersey corporation, and Liquidix, a publicly held shell company incorporated in the State of Florida whose stock was registered with the Commission and traded on the Over the Counter (OTC) Bulletin Board. Esposito arranged this reverse merger, including paying the legal fees associated with the transaction. Pursuant to the stock purchase agreement dated April 15, 2003, Anscott shareholders transferred their shares to Liquidix in exchange for forty-five (45) million shares of Liquidix. Liquidix then changed its name to Anscott.

15. After the completion of the reverse merger in April 2003, Belluscio, Anscott's chairman and chief executive officer, held approximately forty-four (44) million Anscott shares and was the company's largest shareholder.

### **Anscott Pays Esposito Four (4) Million Shares of Anscott Stock**

16. On or about April 30, 2003, shortly after the reverse merger was complete, Anscott and Regal Consulting, Esposito's sole proprietorship, signed a consulting agreement in which Anscott agreed to issue four (4) million shares of Anscott to Esposito. Belluscio signed this agreement on behalf of Anscott, and Esposito signed this agreement on behalf of Regal Consulting. The consulting agreement signed by Belluscio and Esposito falsely represented that Anscott was issuing the four (4) million shares to Esposito for past

consulting services that “have not directly or indirectly promoted or maintained a market for the Company’s securities and are not provided in connection with a capital raising transaction for the Company.” This statement was false. Belluscio, on behalf of Anscott, issued the four (4) million shares of Anscott to Esposito to compensate Esposito both for arranging the reverse merger and for his future work promoting the company’s stock. These shares issued to Esposito represented approximately eight percent (8%) of Anscott’s issued and outstanding shares.

17. On or about May 12, 2003, on behalf of Anscott, Belluscio signed and filed with the Commission a Form S-8 registration statement for the four (4) million shares Anscott issued to Esposito. This Form S-8 registration statement included a copy of the materially false consulting agreement between Anscott and Regal Consulting described above.

18. Belluscio’s filing of the Form S-8 registration statement and related issuance of Anscott shares to Esposito was improper and fraudulent. Form S-8 is a registration statement that may be used to register an offering of securities by an issuer under an employee benefit plan. Form S-8 may be used to register an offering of securities to a company consultant only if, among other requirements, the consultant’s services were “not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the [issuer’s] securities.” Form S-8, General Instructions, Rule as to Use of Form S-8.

19. Form S-8 may not be used, as it was here, to register an offering of securities to a consultant for taking a private company public through a reverse merger or for

promoting the stock of a company. Accordingly, the Form S-8 registration statement filed by Anscott was invalid, and Anscott's offering and issuance of the four (4) million shares of Anscott to Esposito constituted an unregistered offering of securities to which no exemption to registration applied.

20. The Form S-8 also contained materially false statements and omissions. The Form S-8 failed to disclose that Anscott issued the four (4) million shares to Esposito as compensation for arranging the reverse merger and for his future promotion of Anscott stock. The Form S-8 falsely represented, through the attached consulting agreement, that Anscott issued the shares to Esposito for past consulting services that "have not directly or indirectly promoted or maintained a market for the Company's securities and are not provided in connection with a capital raising transaction for the Company." Belluscio's filing of the fraudulent Form S-8 was a crucial part of the overall fraudulent scheme, as it entitled Esposito to sell his Anscott shares to the public during the fraudulent touting campaign that followed.

21. Esposito and Belluscio knew, or were reckless in not knowing, that use of the Form S-8 registration statement was improper, and that the Form S-8 registration statement contained materially false statements and omissions.

#### **The Touting Campaign and Esposito's Sale of Shares**

22. Shortly after the reverse merger was complete, Esposito paid King, a penny stock promoter, approximately four hundred thousand dollars (\$400,000) to prepare and disseminate to the investing public tout sheets promoting Anscott stock. Esposito and King had a history of working together touting penny stocks. King had previously prepared and

disseminated tout sheets regarding Liquidix (before it was sold as a public shell to Anscott) and other penny stock companies to which Esposito was a consultant and/or owned shares of the company's stock.

23. In or about April 2003, King met with Belluscio and then prepared materially false and misleading tout sheets -- crafted to appear like independent investment newsletters and entitled the *Wall Street Bulletin* -- promoting Anscott stock. These "newsletters" recommended Anscott stock as a "strong buy" and set price targets ranging from \$6.10 to \$12.60 a share

24. King disseminated these tout sheets to the investing public through fax spamming. King disseminated the first *Wall Street Bulletin* touting Anscott stock on or about May 28, 2003, and continued spamming the *Wall Street Bulletin* promoting Anscott stock through July 2003. During this time period, King distributed at least one version of the *Wall Street Bulletin* each week. During at least one week, King distributed as many as three different versions of the *Wall Street Bulletin*.

25. The tout sheets King disseminated to the public contained materially false statements. For example, the *Wall Street Bulletin* falsely represented that an Anscott product called XPel provides a protective barrier than can repel infectious diseases such as severe acute respiratory syndrome (SARS), hepatitis, and acquired immune deficiency syndrome (AIDS). The *Wall Street Bulletin* also falsely represented that Anscott had "strategic partnerships" with Raytheon and Los Alamos National Laboratory. The *Wall Street Bulletin* falsely reported that Anscott was on track to increase its product sales from five million dollars (\$5,000,000) to forty-five million dollars (\$45,000,000) in three years. These were



materially false statements.

26. In addition, the *Wall Street Bulletin* also contained other materially misleading statements and omissions. For example, the *Wall Street Bulletins* failed to disclose: (a) the amount of King's compensation; (b) that Esposito, a consultant to Anscott that had been paid four (4) million shares of Anscott stock, was paying King to prepare and disseminate these "newsletters;" and (c) that, as described below, Esposito was selling Anscott stock contrary to the *Wall Street Bulletin's* "strong buy" recommendations and price targets.

27. The *Wall Street Bulletin* misleadingly represented that the: (a) *Wall Street Bulletin* was paid by an unnamed third party; (b) *Wall Street Bulletin* was based on independent research; (c) *Wall Street Bulletin* and its employees had not and would not receive any Anscott shares; and (d) *Wall Street Bulletin* and its employees would not buy or sell any Anscott stock. These were false and misleading representations and/or omissions.

28. In mid-May 2003, prior to public dissemination of the first *Wall Street Bulletin* touting Anscott stock, King provided Belluscio with a draft containing many of these materially false and misleading statements and omissions, including the false and misleading statements concerning Anscott's "strategic partnerships" and sales projections, and the material omission that Esposito, who had been paid stock by the company to promote Anscott stock, was paying King four hundred thousand dollars (\$400,000) to prepare and disseminate these tout sheets. Belluscio reviewed the draft tout sheet but took no action to correct these materially false and misleading statements and omissions. Additionally, throughout the period when King was fax spamming the *Wall Street Bulletin*, Belluscio received copies of the tout sheets in connection with complaints from recipients of the

facsimiles, but again took no action to correct the materially false and misleading statements and omissions described above and contained in the tout sheets.

29. King and Belluscio knew, or were reckless in not knowing, that the *Wall Street Bulletin* contained materially false and misleading statements about Anscott and its products, including the materially false and misleading statements that: (a) XPeI provides a protective barrier that can repel infectious diseases; (b) Anscott had “strategic relationships” with Raytheon and Los Alamos National Laboratory; and (c) Anscott was on track to increase its product sales from five million dollars (\$5,000,000) to forty-five million dollars (\$45) million in three years.

30. Esposito, King and Belluscio knew, or were reckless in not knowing, that the *Wall Street Bulletin* failed to disclose that Anscott had paid Esposito four (4) million Anscott shares to promote Anscott stock, and that Esposito in turn was paying money to King to prepare and disseminate these tout sheets, which were materially misleading.

31. Esposito, King and Belluscio also knew, or were reckless in not knowing, that the *Wall Street Bulletin* misrepresented that it was based on independent research and that those responsible for the *Wall Street Bulletin* had not received any Anscott stock and would not be buying or selling Anscott stock. These representations were materially false and misleading.

32. Prior to the dissemination of the first *Wall Street Bulletin* in late May 2003, Anscott stock traded at about \$1.40 a share. After dissemination of the first *Wall Street Bulletin* to the public on or around May 28, 2003, the price of Anscott stock rose to \$1.99 a share. As the fax spamming continued in June and July 2003, the price of Anscott stock

continued to rise, reaching a high of \$4.59 per share on July 11, 2003.

33. Shortly after the fax spamming began in late May 2003, Esposito began selling his shares of Anscott and continued selling Anscott shares throughout the duration of the fax spamming campaign. From May 28 through July 27, 2003, Esposito sold a total of 1,651,472 shares of his Anscott stock into the rising price and volume resulting from the fax spams touting Anscott stock.

34. Esposito sold his Anscott shares at prices ranging from \$2.07 to \$4.55 a share. These sales were contrary to the “strong buy” recommendations in the *Wall Street Bulletins* and were made at prices significantly below the *Bulletins*’ price targets. Esposito was paying King to prepare and distribute the *Bulletins* publicizing the “strong buy” recommendations and price targets.

35. Esposito’s proceeds from the sale of Anscott stock during the spamming period were \$5,561,393. Esposito continued selling Anscott stock through November 2003, making approximately one million dollars (\$1,000,000) more.

36. Esposito, King and Belluscio knew, or were reckless in not knowing, that Esposito was selling stock during the fraudulent touting campaign contrary to the “strong buy” recommendations and price targets promoted in the *Wall Street Bulletins*.

37. Esposito’s sales of Anscott stock constituted an unregistered offering and sale of securities to which no exemption to registration applied.

38. Esposito, as an owner of more than five percent (5%) of Anscott’s stock, did not publicly disclose his ownership interest in Anscott or his sales of Anscott stock by filing the required Schedule 13D and amendments thereto with the Commission.

39. Esposito knew, or was reckless in not knowing, that he was required to file a Schedule 13D and amendments thereto disclosing his ownership interest in Anscott and his sales of Anscott stock.

### **FIRST CLAIM**

#### **(Exchange Act Section 10(b) and Exchange Act Rule 10b-5 against Esposito, King, Belluscio and Anscott)**

40. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

41. By engaging in the foregoing conduct, Esposito, King, Belluscio and Anscott, directly or indirectly, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, or a facility of a national securities exchange, knowingly or recklessly, in connection with the purchase or sale of Anscott stock: (1) employed devices, schemes and artifices to defraud, (2) made untrue statements of material fact 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, or (3) engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers and other persons, in violation of Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

### **SECOND CLAIM**

#### **(Exchange Act Section 13(d) and Exchange Act Rules 13d-1 and 13d-2 against Esposito)**

42. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

43. By engaging in the foregoing conduct, Esposito acquired, directly or indirectly, the beneficial ownership of a class of Anscott security registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781]; failed to file the required Schedule 13D within ten (10) days after such acquisition; and failed to file the required amendments to the Schedule 13D after material changes to the percentage of the class of Anscott stock beneficially owned by him, in violation of Exchange Act Section 13(d) [15 U.S.C. § 78m(d)] and Exchange Act Rules 13d-1 and 13d-2 thereunder [17 C.F.R. §§ 240.13d-1 and 240.13d-2].

### **THIRD CLAIM**

#### **(Securities Act Section 5(a) against Esposito, Belluscio and Anscott)**

44. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

45. By engaging in the foregoing conduct, Esposito, Belluscio and Anscott, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce or of the mails, sold, or carried or caused to be carried for the purpose of sale or for delivery after sale, unregistered securities in violation of Securities Act Section 5(a) [15 U.S.C. § 77e (a)].

### **FOURTH CLAIM**

#### **(Securities Act Section 5(c) against Esposito, Belluscio and Anscott)**

46. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

47. By engaging in the foregoing conduct, Esposito, Belluscio and Anscott,

directly or indirectly, by use of the means or instruments or transportation or communication in interstate commerce or of the mails, offered to sell or buy, through the use or medium of any prospectus or otherwise, a security to which no registration statement: (a) had been filed; (b) was the subject of a refusal order or stop order; or (c) was the subject of any public proceeding or examination under Section 8 of the Securities Act [ 15 U.S.C. § 77h] prior to the effective date of the registration statement, in violation of Securities Act Section 5(c) [15 U.S.C. § 77e(c)].

#### **FIFTH CLAIM**

##### **(Securities Act Section 17(a) against Esposito)**

48. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

49. By engaging in the foregoing conduct, Esposito, directly or indirectly, by the use of the means or instruments of transportation or communication in interstate commerce, or by use of the mails, knowingly or recklessly, in the offer or sale of Anscott stock: (a) employed a device, scheme, or artifice to defraud; (b) obtained money or property by means of an untrue statement of a material fact or an omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in a transaction, practice, or course of business which operated as a fraud or deceit upon the purchaser, in violation of Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

## **SIXTH CLAIM**

### **(Securities Act Section 17(b) against King)**

50. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 39 above.

51. By engaging in the foregoing conduct, King, by the use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, published, gave publicity to, or circulated notices, circulars, advertisements, newspapers, articles, letters, investment services, or communications which, though not purporting to offer Anscott securities for sale, described Anscott securities for a consideration received or to be received, directly or indirectly, from Anscott, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof, in violation of Securities Act Section 17(b) [15 U.S.C. § 77q(b)].

## **RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court enter judgments against Esposito, King, Belluscio and Anscott that:

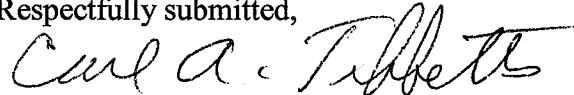
1. enjoin Esposito from violating Securities Act Sections 5(a), 5(c) and 17(a) [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)] and Exchange Act Sections 10(b) and 13(d) [15 U.S.C. §§ 78j(b) and 78m(d)] and Exchange Act Rules 10b-5, 13d-1 and 13d-2 thereunder [17 C.F.R. §§ 240.10b-5, 240.13d-1 and 240.13d-2];
2. enjoin King from violating Securities Act Section 17(b) [15 U.S.C. § 77q(b)] and Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
3. enjoin Belluscio from violating Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] and Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
4. enjoin Anscott from violating Securities Act Sections 5(a) and 5(c) [15 U.S.C. §§ 77e(a) and 77e(c)] and Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
5. order Esposito, King and Belluscio to disgorge all illicit gains obtained from their violations of the securities laws, with prejudgment and post judgment interest;
6. order Esposito, King, Belluscio and Anscott to pay appropriate civil penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];



7. prohibit Belluscio from acting as an officer or director of any issuer of securities that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];
8. prohibit Esposito and King from participating in any future offering of penny stock pursuant to Securities Act Section 20(g) [15 U.S.C. § 77t(g)] and Exchange Act Section 15(b)(6) [15 U.S.C. § 78o(b)(6)]; and
9. grant such other and further relief as is just and proper.

Dated: March 17, 2008

Respectfully submitted,



Carl A. Tibbetts, Trial Attorney  
Assistant Chief Litigation Counsel

Scott W. Friestad  
Robert B. Kaplan  
Brian O. Quinn  
Robyn R. Bender  
Ryan Farney

Attorneys for Plaintiff,

**United States Securities and Exchange  
Commission**

100 F Street, N.E.

Washington, DC 20549-4030

(202) 551-4483 (Tibbetts)

(202) 772-9245 (fax)

TibbettsC@sec.gov