

ORIGINAL

FILED

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

JAN 30 2008

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS
BY _____ DEPUTY CLERK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

F. DOUGLAS MURRELL,

Defendant.

CIVIL ACTION
FILE NO.

A08CA086 LY

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

1. The plaintiff Securities and Exchange Commission (the "Commission") files this complaint and alleges the following:

I. SUMMARY

2. In two separate private transactions, defendant F. Douglas Murrell ("Murrell") sold the common stock of Stinger Systems, Inc. ("Stinger"), formerly United Consulting Corporation ("UCC"), to persons who subsequently resold the stock to the public via quotation in the Pink Sheets.

3. At no time during any of these sales was a registration statement in effect or filed by Stinger or UCC, and no valid exemption from registration was available to those entities.

4. Murrell controlled UCC at the time of both private sales.

5. Murrell misrepresented to Stinger's counsel that his son controlled UCC at the time of both private sales to obtain a legal opinion that the shares sold in both transactions should be issued without restrictive legend.

II. JURISDICTION AND VENUE

6. The Commission brings this action pursuant to authority conferred on it by Section 20(d)(1) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77t(d)(1)]. This Court has jurisdiction over this action pursuant to Sections 20 and 22(a) of the Securities Act [15 U.S.C. §§77t and 77v(a)].

7. The defendant, directly or indirectly, has made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in connection with the acts, practices, and courses of business alleged herein.

8. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] because defendant Murrell resides within this district, and because significant acts relating to the conduct in this matter occurred within the Western District of Texas.

III. THE DEFENDANT

9. F. Douglas Murrell, 61, resides in Austin, Texas, and is the owner and operator of Capital Consulting Group.

10. For the past twenty years, Murrell purports to have assisted companies seeking to become publicly traded by identifying and brokering the sale of shell companies for that purpose.

IV. RELATED PERSONS AND ENTITIES

11. Stinger Systems, Inc. ("Stinger") is a Nevada corporation which was created as a shell company in 1996 under the name United Consulting Corporation

("UCC"). The company had no operations until it was acquired by Robert F. Gruder and his partner in September 2004.

12. Stinger's shares began trading publicly in November 2004, and were quoted on the Pink Sheets.

13. Stinger is now a reporting company and its stock has been quoted on the OTC Bulletin Board since February 2006.

14. Stinger purportedly manufactures stun guns and other non-lethal electronic products for law enforcement agencies.

15. Robert F. Gruder ("Gruder"), 48, is Stinger's Chairman, CEO, and second largest shareholder.

16. Rodney R. Schoemann ("Schoemann"), 41, resides in Metairie, Louisiana, and is a friend and business associate of Gruder.

17. Thomas J. Dudchik ("Dudchik"), 47, resides in East Haddam, Connecticut and is a friend and business associate of Gruder.

V. FACTS

A. Unregistered Distribution of Stinger's Shares

18. Stinger's predecessor, UCC, was formed as a shell company by Garrett Sutton in 1996.

19. In 1999, Murrell agreed to acquire UCC from Sutton and, in April 2000, UCC's board of directors approved the issuance of 750,000 UCC shares to Murrell pursuant to this agreement for \$8,250, giving Murrell 75% ownership of UCC. At that time, no UCC share certificates were issued to Murrell, and Murrell's shares were not designated as freely tradable.

20. Sutton, who remained an officer of UCC until May 1, 2000, retained Murrell to search for potential buyers for UCC.
21. UCC never had any actual operations under either Sutton or Murrell's ownership.
22. In May 2000, for no consideration, UCC issued 10,000,000 shares to Murrell's son. No certificates were issued for these shares and they were not designated as freely tradable.
23. Around the same time, Murrell's son was named UCC's President, Secretary, Treasurer and sole director. Murrell's son never performed these functions.
24. Despite the fact that Murrell's son held the various corporate positions, and ostensibly owned the 10,000,000 shares, Murrell remained in control of UCC. The appointment of Murrell's son was a sham designed to disguise Murrell's continuing control of the company.
25. Murrell continued to perform all the managerial tasks for the company, including leading the search for potential buyers, meeting with potential buyers and negotiating the agreement that resulted in Gruder acquiring UCC.
26. Murrell's son never had any contact with potential buyers or Gruder, and did not participate in the negotiations that ultimately led to Gruder acquiring UCC.
27. In reality, Murrell's son never communicated with anyone other than Doug Murrell regarding any company matter.
28. When he became an officer and sole director of UCC, Murrell's son was 24 years old and had only recently obtained a college degree in general studies.
29. Murrell's son received no salary or other compensation from UCC.

30. In approximately the Spring of 2004, Gruder began searching for a shell company that he and his business partner could acquire and merge with an operating company, which they were in the process of buying.

31. To that end, Gruder began discussing with Murrell the possible acquisition of UCC in or around May 2004.

32. In September 2004, Gruder and his business partner finalized the acquisition of the operating company, Electronic Defense Technologies, LLC ("EDT"), a non-public company that produced various non-stun gun security related products.

33. On September 23, 2004, through a series of transactions with companies that Gruder and his business partner controlled, they acquired UCC, merged EDT into UCC, and changed UCC's name to Stinger.

34. As part of the acquisition transaction, Gruder and his business partner collectively received 9,250,000 restricted shares of Stinger.

35. Also as part of the acquisition, Stinger cancelled the 10 million shares that UCC had previously issued to Murrell's son for no consideration, and Murrell's son resigned as an officer and director of the company.

36. The 750,000 UCC shares belonging to Murrell were not cancelled.

37. Murrell's son had no involvement in the decision to cancel his shares and learned about that decision from his father, Murrell.

38. As part of the negotiations to acquire UCC, Gruder insisted that Murrell transfer some of Murrell's 750,000 UCC shares to Dudchik.

39. Accordingly, in July 2004, Murrell and Dudchik executed an agreement whereby Murrell agreed to transfer approximately 350,000 UCC shares to Dudchik.

40. On or about September 23, 2004, Schoemann asked Gruder if there was anyone that had any "freely tradable shares" that they may be willing to sell.

41. Gruder referred Schoemann to Murrell. When Schoemann contacted Murrell, Schoemann advised that he was looking to buy freely tradable shares.

42. On or about September 23, 2004, the same day Gruder acquired UCC, Murrell sold 100,000 UCC shares for \$75,000 to Schoemann.

43. The purchase agreement that Schoemann and Murrell executed in connection with this sale was dated September 23, 2004, and specified that Schoemann would purchase "freely tradable shares."

44. On or about September 23, 2004, Murrell authored a letter acknowledging that he had previously "transferred" shares to several parties, including Dudchik and Schoemann. The letter directed Stinger's transfer agent to issue certificates to Dudchik and Schoemann, for 345,000 shares and 100,000 shares, respectively.

45. On or about September 23, 2004, Murrell asked Stinger's counsel to provide a legal opinion, to be relied on by Stinger's transfer agent, which opined that the certificates for the shares Murrell transferred to Dudchik and Schoemann should be issued without any restrictive legend.

46. In connection with seeking the legal opinion, Murrell represented to Stinger's counsel that his son had controlled UCC since April or May 2000. Based in part on that false information, Stinger's counsel issued the opinion.

47. On or about October 1, 2004, Stinger's transfer agent, at the request of Murrell and Stinger's counsel, issued certificates: to Murrell for 275,000 shares; to Dudchik for 345,000 shares; and to Schoemann for 100,000 shares.

48. The certificates issued on or about October 1, 2004 were the first ever issued for the stock of either UCC or Stinger. None of these certificates had a restrictive legend.

49. On or about November 11, 2004, First Southwest entered the first quote on the Pink Sheets and executed the first public trade for Stinger's stock.

50. Stinger's shares were quoted on the Pink Sheets from November 2004 until February 2006, at which time they began to be quoted on the OTC Bulletin Board.

51. Murrell sold 100,000 Stinger shares to Schoemann in September 2004 for \$75,000, or \$0.75 per share, and Stinger's shares traded at prices below \$5 during the first two public trading days in November 2004.

52. During the first two weeks of public trading of Stinger's stock, which occurred between November 11-24, 2004, Dudchik sold approximately 81,000 of the Stinger shares obtained from Murrell through the over-the-counter market in nine transactions and Schoemann sold approximately 100,000 of the Stinger shares he obtained from Murrell through the over-the-counter market in approximately seventy-six transactions. These transactions generated net sales proceeds of approximately \$866,000 for Dudchik and \$1.044 million for Schoemann.

53. Combined, Dudchik and Schoemann sold approximately 181,000 Stinger shares through the Pink Sheets during the first two weeks of public trading, representing approximately 18% of Stinger's public float.

54. Murrell took no steps to ensure that Dudchik and Schoemann would not resell their shares.

55. Murrell also knew that Schoemann was likely to resell his shares quickly because Schoemann specifically asked to buy "freely tradable" shares from Murrell.

56. At no time during any of these sales by Murrell, Dudchik or Schoemann was a registration statement in effect or filed with the Commission, nor was a valid exemption from registration available to Stinger.

COUNT I—UNREGISTERED DISTRIBUTION
Violations of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]

57. Paragraphs 1 through 56 are hereby realleged and are incorporated herein by reference.

58. Defendant Murrell, from at least July 2004 through at least September 2004:

(a) made use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, in the form of common stock, through the use or medium of a prospectus or otherwise, without a registration statement being in effect with the Commission as to such securities;

(b) carried securities, or caused them to be carried through the mails or in interstate commerce, by means and instruments of transportation, for the purpose of sale and delivery after sale, without a registration statement being in effect with the Commission as to such securities;

(c) made use of the means and instruments of transportation and communication in interstate commerce and of the mails to offer to sell, through the use or medium of any prospectus or otherwise, an interest in securities, in the form of common stock, without a registration statement having been filed with the Commission as to such securities;

in violation of Section 5 of the Securities Act [15 U.S.C. 77e].

59. By reason of the foregoing, Murrell has violated and, unless restrained and enjoined, will continue to violate Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission, respectfully prays that the Court:

I.

Issue a permanent injunction enjoining defendant Murrell, and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them from violating Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

II.

Issue an Order requiring defendant Murrell to disgorge ill-gotten gains, and pay prejudgment interest thereon.

III.

Issue an Order pursuant to Section 603 of the Sarbanes-Oxley Act of 2002 (which amended Section 20 of the Securities Act and Section 21(d) of the Exchange Act) which bars defendant Murrell from participating in any offering of penny stock, including acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

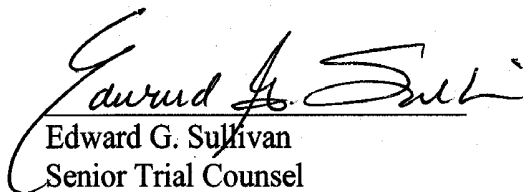
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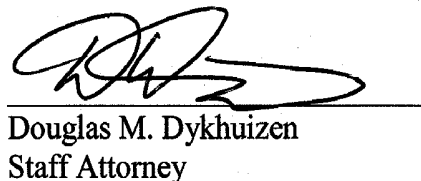
Issue an Order that retains jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

V.

Grant such other and further relief as may be necessary and appropriate.

RESPECTFULLY SUBMITTED,


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