

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No.
	:	
MICHAEL LEE and	:	
ZIPGLOBAL HOLDINGS, INC.,	:	
	:	
Defendants.	:	
	:	

**COMPLAINT**

Plaintiff U.S. Securities and Exchange Commission (the “Commission”) alleges that:

**SUMMARY**

1. From no later than October 2010 through January 2011, Defendants Michael Lee (“Lee”) and ZipGlobal Holdings, Inc. (“ZIPG”), engaged in a fraudulent kickback and market manipulation scheme involving ZIPG common stock in violation of the federal securities law.
2. Lee, the President and CEO of ZIPG, made a series of illegal kickback payments to a purported corrupt hedge fund representative to induce the hedge fund representative to buy ZIPG common stock with the hedge fund’s money. The kickbacks consisted of cash payments directed by Lee to the hedge fund representative and disguised as payments pursuant to a bogus consulting agreement. Lee and the hedge fund representative created the consulting agreement as a means for carrying out the scheme.
3. Lee participated in this scheme in order to obtain money from the representative’s hedge fund, to enrich himself, and in an effort to generate the appearance of interest in ZPIG, induce public purchases of its stock, and ultimately increase the stock’s trading price.

4. As a result of the conduct described in this Complaint, the Defendants violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Unless restrained and enjoined, they are reasonably likely to continue to violate the federal securities laws.

5. Based on these violations the Commission seeks: (1) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (2) an order directing the Defendants to pay civil monetary penalties; (3) disgorgement of Defendants’ ill-gotten gains, plus prejudgment interest; (4) an order barring Lee from acting as an officer or director of a public company; and (5) an order barring Lee from participating in any offering of a penny stock.

#### **AUTHORITY AND JURISDICTION**

6. The Commission brings this action pursuant to enforcement authority conferred by Section 21 of the Exchange Act [15 U.S.C. § 78u].

7. This Court has jurisdiction over this action pursuant to Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u & 78aa]. The District of Massachusetts is the proper venue for this action under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because many of the Defendants’ acts and transactions constituting violations of the Exchange Act took place in the District of Massachusetts.

8. The Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mail in connection with the acts, practices, and course of business alleged herein.

**DEFENDANTS**

9. Michael Lee, age 61, resides in Hingham, Massachusetts. Lee is the CEO and President of ZIPG.

10. ZipGlobal Holdings, Inc. (“ZIPG”), a Delaware corporation with its principal place of business in Hingham, Massachusetts, at various times has purported to be in the telecommunications business as well as in the business of marketing and selling ICLED lighting products. In fact, at all times relevant to this Complaint ZIPG had no business operations. ZIPG’s common stock is currently quoted on OTC Pink under the symbol “ZIPG.” ZIPG has never registered a class of securities under Section 12. Its previous reporting obligation arose as a result of its Securities Act registration statement on Form SB-2, which became effective on November 8, 2006 and as a result, it became subject to Section 15(d) reporting obligations. After filing its first Form 10-KSB for the fiscal year ended March 31, 2007, its 15(d) reporting obligation was automatically suspended because it did not have and has never had 300 or more record holders of its common stock. As of April 1, 2007, it was no longer “subject to” the Exchange Act reporting requirements, and it became a voluntary filer. On June 29, 2011, ZIPG filed a Form 15 notice of suspension of duty to file reports (not a notice of termination of registration).

11. ZIPG’s stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this Complaint, the stock’s shares traded at less than \$5.00 per share.

**THE FRAUDULENT SCHEME**

12. On or about October 22, 2010, Lee met with an individual who purported to be a Boston-based representative of a major hedge fund (the "hedge fund representative"). In fact, the hedge fund representative was a Special Agent of the Federal Bureau of Investigation working in an undercover capacity. Lee and the hedge fund representative discussed and agreed upon a scheme whereby the representative's hedge fund would purchase \$5 million of ZIPG common stock in return for the payment of a kickback to the hedge fund representative. Lee participated in this scheme in order to obtain money from the representative's hedge fund, to enrich himself, and in an effort to generate the appearance of interest in ZIPG, induce public purchases of its stock, and ultimately increase the stock's trading price.

13. During their discussions the undercover Special Agent told Lee that as a representative of the hedge fund he owed a fiduciary duty to the fund and that, as a result, it was imperative that his employer and the fund not become aware of the kickback arrangement. Lee and the purported hedge fund representative also discussed structuring the transaction into smaller, so-called "tranches," so that it would avoid detection by the hedge fund's compliance personnel and by securities regulators. Also, in order to conceal the nature of the transaction, Lee agreed to make the kickback payments to the representative through a shell corporation. Lee executed a purported "consulting agreement" between ZIPG and the shell corporation to create the false appearance that the kickback payments were compensation for consulting services.

14. On or about November 10, 2010, Lee agreed to sell \$5 million of ZIPG common stock to the hedge fund and to kick back thirty-five percent of the sale proceeds to the hedge fund representative. As part of the agreement, twenty percent of the kickback in turn was to be returned to Lee personally. Lee understood that the arrangement violated the representative's

fiduciary duty to the fund and its investors by causing the fund to purchase stock that it otherwise would not have purchased, in exchange for a direct personal benefit.

15. On November 12, 2010, Lee, acting on behalf of ZIPG, and the hedge fund representative entered into a subscription agreement for the first “tranche,” the purchase of 65,000 restricted shares of ZIPG stock for \$33,800. On the same day, a wire for \$33,800 was sent from a controlled bank account to ZIPG’s bank account. On the same day and pursuant to a phony consulting agreement between ZIPG and the shell corporation established by the purported hedge fund representative, the shell corporation sent an invoice for \$11,830 to ZIPG for consulting services rendered. Later that day, ZIPG wired the \$11,830 for bogus consulting services to the shell corporation. This wired payment represented the previously agreed upon kickback of 35% to the purported hedge fund representative. On November 18, the representative’s hedge fund received the certificate for the 65,000 restricted shares of ZIPG stock. On November 23, 2010, the representative paid Lee \$2400 for his portion of the kickback. Lee’s portion of the kickback was disguised by another consulting agreement between the shell corporation and ZIPG.

16. On December 1, 2010, Lee, acting on behalf of ZIPG, and the purported hedge fund representative entered into a subscription agreement for the purchase of a second “tranche,” an additional 53,300 restricted shares of ZIPG stock for \$39,975. On the same day, the representative wired \$39,975 to ZIPG’s bank account. On December 3, ZIPG wired \$13,991 to the shell corporation which represented the 35% kickback on the purchase price. On December 9, the representative’s hedge fund received the certificate for 53,300 restricted shares of ZIPG. At an in-person meeting on December 20 the hedge fund representative paid Lee \$2800 in cash, representing his 20% cut of the kickback

17. On January 10, 2011, ZIPG and the hedge fund representative entered into a subscription

agreement for a third “tranche,” the purchase of 40,000 restricted shares of ZIPG stock for \$40,000. That day, the representative wired \$40,000 to ZIPG’s bank account. On January 11, ZIPG wired \$14,000 to the shell corporation, ostensibly to pay an invoice for consulting services rendered but really representing the 35% kickback on the restricted stock purchase price. On January 13, the hedge fund received the stock certificate for 40,000 restricted shares of ZIPG stock. On January 19, 2010, at an in person meeting the hedge fund representative paid Lee \$2800 in cash, representing his 20% cut of the kickback.

18. On ZIPG’s Form 10-Q for the quarterly period ended December 31, 2010, ZIPG disclosed the November 15 and December 1, 2010 transactions with the representative’s hedge fund as private placements with an accredited investor. The filing contained the number of shares in each transaction, 65,000 and 53,300 shares respectively, the per share price of \$.52 and \$.75 respectively and the proceeds received of \$33,800 and \$39,975 respectively. The filing omitted disclosure of the amount of kickbacks paid to the hedge fund representative to induce the sale and it omitted disclosure of the kickbacks paid to Lee himself.

### **FIRST CLAIM FOR RELIEF**

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

(Against Lee and ZIPG)

19. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 - 18.

20. From October 2010 through January 2011, the Defendants, directly and indirectly, by use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly, willfully and recklessly employed devices, schemes and artifices to defraud.

21. By reason of the foregoing, Lee and ZIPG, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5.

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests a Final Judgment:

**I.**

Permanently enjoining Lee, ZIPG, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

**II.**

Ordering Lee and ZIPG to disgorge the ill-gotten gains they received as a result of their violations of the federal securities laws and to pay prejudgment interest thereon.

**III.**

Ordering Lee and ZIPG to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

**IV.**

Issue an Order barring Lee from participating in any offering of penny stock, pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

**V.**

Issue an Order pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), barring Lee from serving as an officer or director of a public company.

**VI.**

Granting such other and further relief as the Court may deem just and proper.

Dated: Boston, Massachusetts  
December 1, 2011

On behalf of the Commission,

/s Martin F. Healey  
Martin F. Healey (MA BBO No. 227550)  
Michelle Giard Draeger (ME Bar No. 8906)  
SECURITIES AND EXCHANGE COMMISSION  
Boston Regional Office  
33 Arch Street, 23<sup>rd</sup> Floor  
Boston, Massachusetts 02110  
(617) 573-8952 (Healey)  
[HealeyM@sec.gov](mailto:HealeyM@sec.gov)