



*United States Attorney
Southern District of New York*

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**FLORIDA LAWYER PLEADS GUILTY IN MANHATTAN FEDERAL COURT
TO \$17 MILLION SECURITIES FRAUD IN PIPE TRANSACTION**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that LOUIS W. ZEHIL, a Florida-based lawyer, pleaded guilty today in Manhattan federal court to a two-count criminal Information charging him with securities fraud and conspiracy to commit securities fraud. The charges against ZEHIL arise out of a fraudulent scheme in which ZEHIL obtained unregistered, restricted securities, which he then sold under the false pretense that they were registered and freely tradable. In connection with his guilty plea before United States District Judge DEBORAH A. BATTIS, ZEHIL agreed to forfeit \$17 million and to pay restitution to the victims of his offenses.

According to the Information, other documents filed in this case, and statements made during ZEHIL's plea:

ZEHIL was a partner with the McGuire Woods law firm until he resigned on February 16, 2007. ZEHIL specialized in both representing small companies seeking to become public through reverse mergers and obtaining capital for those companies through private placement transactions. Typically, these companies would enter into a "PIPE" private placement transaction to generate financing for the newly merged public company.

According to the Information, under the terms of the PIPE transactions, the stock issued to the PIPE investors was not freely tradeable because it was not registered with the United States Securities and Exchange Commission ("SEC"). Consequently, all shares issued in the PIPE transactions were required to bear restrictive legends until such time as those shares were registered with the SEC and the SEC declared the registration statements for those securities effective. The PIPE investors typically entered into "registration rights" agreements that allowed them, at a future date, to register the securities they obtained in the PIPE transactions for resale.

Between January 2006 and February 2007, ZEHIL represented the following seven companies that issued stock pursuant to PIPE transactions: Gran Tierra Energy, Inc., Foothills Resources, Inc., MMC Energy, Inc., Alternative Energy Sources, Inc., Ethanex Energy, Inc., GoFish Corp., and Kreido Biofuels, Inc. (collectively, the "Charged Transactions").

ZEHIL invested in each of the Charged Transactions through nominee entities he controlled (the "Entities"). Investors in each of the Charged Transactions, including ZEHIL, and the Entities entered into subscription agreements for each such transaction, pursuant to which they agreed that the shares they received would be issued with restrictive legends (that would prevent their resale) until such time as the issuers filed registration statements with the SEC and the SEC declared the registration statements effective.

Acting as counsel for the issuers in the Charged Transactions, ZEHIL sent opinion letters to the issuers' stock transfer agents directing the issuance of restricted shares to the PIPE investors. ZEHIL's letters instructed that all of the issued shares should bear restrictive legends except the shares issued to the Entities. ZEHIL's letters stated, falsely, that the shares issued to the Entities satisfied legal criteria permitting them to be issued without a restrictive legend.

As a result, ZEHIL was able to receive shares without restrictive legends. Almost immediately after Zehil obtained these free trading shares of the issuers' stock, he deposited them in securities trading accounts and sold them before the issuers had filed any registration statements with the SEC. By obtaining stock free of the restrictive legends, ZEHIL was able to sell these shares immediately in the open market at a profit, in advance of the other PIPE investors. ZEHIL reaped approximately \$17 million dollars in profit through these illegal sales.

ZEHIL pleaded guilty to one count of conspiracy and one count of securities fraud. He faces a maximum penalty of five years in prison on the conspiracy count and a fine of the greater of \$250,000 or twice the gross gain or gross loss from the offense. On the securities fraud count, ZEHIL faces a maximum penalty of 20 years in prison and a fine of the greater of \$5 million or twice the gross gain or gross loss from the offense.

ZEHIL, 44, of Jacksonville, Florida, is scheduled to be sentenced by Judge BATTIS on July 26, 2010.

Mr. BHARARA praised the efforts of the Criminal Investigators of the United States Attorney's Office and the SEC for their assistance in the investigation of this case.

Assistant United States Attorney EUGENE INGOGLIA is in charge of the prosecution.

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