SNPK: How to Turn $110,000 into $74 Million Almost Overnight

Over the recent holiday weekend, the financial message boards buzzed with talk of Sunpeaks Ventures (SNPK), a tiny Maryland distributor of specialty drugs and over-the-counter branded multivitamins . On Friday, with markets closed, SNPK issued a press release touting a sponsorship and marketing agreement with a "major sports team" in Portland, Oregon. As eager traders' mailboxes filled with successive emails from the stock's chief promoters, excitement mounted. On Thursday, the stock had closed at $1.13, giving SNPK a market cap of $475 million. Even more spectactular news—and a higher market cap—followed on Monday, when the company announced a letter of intent to sell its products in the Russian Federation. The stock's Wednesday close above $1.50 was followed by an after hours 8-K that identified the team as the Trail Blazers, and clarified how the company is paying for all this fun: with money lent by a mysterious Panamanian firm called Lysander Overseas, Inc.

As is often the case with penny stocks, the SNPK story is more about the extraordinary promotion of the stock than about the company itself. Unlike many heavily touted issues, SNPK has the beginnings of a business; one created by Mackie Barch, the CEO, and his brother Justin. Its flagship product, Clotamin, is a multivitamin that contains no K, and so is suitable for people on anticoagulant therapy. SNPK's wholly-owned subsidiary, Healthcare Distribution Specialists (HDS), locates and distributes hard to find specialty pharmaceuticals and branded health supplements. Not much is known about either company's financial condition: as of the end of the period covered in its most recent quarterly report, SNPK was still a shell with no revenues and $9,916 in cash. HDS's predecessor company, Amerisure Pharmaceuticals (also run by Barch) did prepare audited financials for 2009 and 2010; it was losing money. That was in part because its revenues were derived from sales made by Healthrite Pharmaceuticals (another of Barch's companies) and could not be recognized. HDS produced unaudited financial statements for the nine months ended 30 September 2011. The deficit was larger, revenue a mere $3,562. Again, some revenues could not be recognized.

On 13 February, the Nevada shell that had been created by Canadian Scott Beaudette changed hands as a result of a share exchange agreement between

Beaudette and Mackie Barch, the sole managing member of Healthcare Distribution Specialists. By the terms of the agreement, Beaudette cancelled the 200 million shares of SNPK that he owned, and HDS received 200 million restricted shares of SNPK common, and 3 million shares of SNPK Class A Preferred. Barch became president and CEO, and the only director. Since the preferred carries 100:1 voting rights, Barch emerged from the deal with 69.4% control of the company.

There is only one other greater-than-5% shareholder, an entity called Whetu Inc., a Panamanian corporation with 50 million shares, or 11.89%, of the common and 6.93% voting rights. Barch has not yet filed the required Form 3, and Whetu has not yet filed the required Schedule 13.

SNPK currently occupies “office space” at 9337 Fraser Ave., Silver Springs, MD. The building is a rental that looks more like a garage than executive offices.

The Promotion

SNPK began trading on 8 March. It closed at $0.43, up only a cent from the open, but did 160 million shares volume, a remarkable feat for a penny stock making its debut. That was possible because a major promotion had just begun. It wasn't just any promo, it was—and is—a promo orchestrated by AwesomePennyStocks (APS) and its “affiliate” companies. APS is currently the most popular of all OTC touts, with vast numbers of subscribers among the message board crowd. (TheStreetSweeper is not among them, alas; its account was disabled in early March.)

On the first day of the promo, PennyStockAdvice, one of the APS sister sites, let loose a “pre-promotion” blast, telling readers it would begin “official” coverage of SNPK between 19 and 26 March, and disingenuously suggesting that fans should add it to their watch lists. Even more hilariously, the PennyStockAdvice editor added:

“If you plan on telling your friends and family about this new pick we'd ask you not to do it quite yet as we want to issue the official announcement first to all our members before non-members get the opportunity of buying SNPK.”

The intended opposite effect was soon felt, as dozens of other “affiliates” piled on, with APS itself taking the lead. The company, doing its part, announced that it was in the “final stages” of negotiations to sign a former NBA star and current head coach to as spokesman for Clotamin. The big pump was underway.

SNPK gave the promoters plenty to talk about. More news—about sales agreements with several drugstore chains—appeared, and the stock price stabilized at around $0.70. Traders told each other it was good the stock hadn't gone through the roof immediately; slow and steady gains were typical of an APS promo, and were to be preferred. And then on 16 March, disaster struck, as SNPK informed the public that it had “ initiated a review, through special outside counsel, in connection with the high volume of trading and price rise in its common shares on the OTC Bulletin Board.” Why? Because FINRA had called to say they'd “commenced... an inquiry.” The stock, which had hit an intraday high of $0.68, crashed to $0.28 as jittery players sold off. Then in the last half hour of the session, extremely heavy buying came in, and SNPK recovered to close at $0.50.

Mackie Barch assured shareholders that he was the only insider who was also a shareholder, and he hadn't sold any stock. He concluded recent trading activity had been the responsibility of “persons unknown to current management.” In an effort to calm frazzled nerves, SNPK then put out a special Saturday press release, in which it identified its NBA spokesperson as former All-Star player Paul Silas. Barch had approached Silas because he was a client who regularly purchased Clotamin.

APS also came to the rescue, telling its followers that FINRA only wanted to “make sure everything is fine over there, and it definitely seems to be fine.” By the following week, the crisis had blown over, and the stock began to climb. Some traders, besotted with APS's seeming invincibility, concluded that everything was going according to plan: “The FINRA investigation, picture of SNPK HQ, sell-off 4/30/2012 were all moves in a game like chess. APS is the chess master. This stock is going to shock people with the PPS it will reach.”

With the stock back on track, the promotion entered a new phase. The company launched a television commercial featuring people on blood-thinners hugging each other; APS, in collaboration with Brian Sodi's Capital Financial Media (CFM), began sending out physical mailers. CFM used Penny Stock Pillager, Penny Stock Hunter, and Wall Street Reaper as its distributors; the disclaimers pegged the “total production budget” at $1.3 million, paid by “Caropath Ventures Ltd”. Caropath Ventures appears to have no meaningful existence. Finally, an unidentified entity commissioned a puff piece published at SeekingAlpha; it is really no more than a summation of the company's many press releases.

As the mailers made their way throughout the country, SNPK's volume began to rise, and stock price breached one dollar. An APS acolyte chirped jubilantly: “Listen ONLY to APS AND HER AFFILIATE sister newsletters and you can't go wrong $$$$$$$”

AwesomePennyStocks

The SNPK promotion is especially important for APS, coming as it does on the heels of a botched job. On 23 February, the newsletter pre-announced AWSR (America West Resources, a coal mining company) as its next “pick,” adding information leaving no doubt about the identity of the company. The stock soared from $0.28 to $1.29. At 3 a.m., APS issued a lame correction, explaining that the newsletter had “contained a symbol that was not meant to be here.” Blame was placed on the APS “editor.” AWSR dropped, though its price was to some extent sustained by APS fans who insisted that the “correction” was really just part of the APS plan. The stock didn't crash definitively until SNPK hit traders' radar as the “real” new pick. Badly damaged, AWSR now trades at around 15 cents.

SNPK is currently being pumped by 39 promoters with 312 newsletters. Except for a few independents, they fall into two groups: those owned and operated by Centro Azteca S.A., and those owned and operated by Bright Tech Media. Both groups are associated with Eric Van Nguyen, a Montreal promoter, though Nguyen is not the only man involved, nor is he at the top of the APS totem pole. Once the servers used by most of the newsletters were located in Quebec; now many have been moved to Germany. When APS was touting NSRS a few months ago, Centro Azteca was supposedly located in Belize; now the address given in the newsletter disclaimers is 10 Anson Road #16-16/6087, International

Plaza, Singapore. The change was made between 14 and 15 February. Unfortunately no company called “Centro Azteca” appears in the Singapore corporate registry. Bright Tech Media is said to be domiciled in Hong Kong; the Hong Kong corporate registry turns up no business by that name.

APS has been riding high since last spring, when it successfully promoted Portage Resources (POTG) from pennies to $1.24. They've subsequently covered CKLT, HDSI, MILV, AMWI, NSRS, and AWSR. Results were varied, but players quick enough to take profits before it was too late did well. In retrospect, APS has tried to take credit for the legendary Lithium Exploration Group (LEXG) promo, featuring it on the home page of their website. Though many ardent followers want to believe that's true, it isn't; LEXG was pumped by an entirely different group. APS may have jumped on the bandwagon, as did hundreds of others, but they were never compensated.

A confidential informant told TheStreetSweeper that the faceless people behind APS have very deep pockets. They're rumored to have made at least $250 million on promotions in the last year. What if a company wants to retain APS's services? Apparently that can't be done. There's no contact information at the APS website, except on the “privacy” page. There, the newsletter is said to be owned by “Marketing Integrale”, and an address in Grandville, Michigan is given. One of the businesses at that address is a mail forwarding service. Marketing Integrale appears not to exist. Centro Azteca and Bright Tech Media have no websites. According to our informant, APS doesn't take jobs; it chooses likely companies—all reporting to the SEC—and promotes them for its own profit. Whether the touted companies cooperate with the promotions, actively or passively, is an open question.

The Panamanian Connection

In order to capitalize bigtime on a promotion, it's necessary to acquire a lot of stock at a very cheap price. There are two simple ways to do this legally, if the company is is fully reporting. The first is though an S-1 registration statement. The new company sells inexpensive shares to a small group of individuals or entities; some or all of that stock is registered and becomes available for sale (free trading) when the S-1 is deemed effective by the SEC. In the case of SNPK, there were eleven selling shareholders. Nine of them, excluding for Scott Beaudrette, owned 2.21% of the company's outstanding stock each; they'd acquired that stock in a Regulation S private placement, which does not require the filing of a prospectus. They paid $1,750 apiece for 175,000 shares ($0.01 per share), and Beaudrette threw in another 175,000 as an “investment incentive.”

On 7 December 2011—after the S-1 had been declared effective, but before the stock began trading—SNPK did a 45:1 forward split, increasing the number of shares outstanding from 8,233,350 to 370,500,750. Selling shareholders are not obliged to sell immediately, and they did not. They bought at $0.01, and could sell now for $1.48, netting an excellent return on their $1,750 investments.

Not much is known about the companies named, but four of them—Capstar Management (Crystal Stephenson), Tribeca (or Tribecca) International (Cesar DeGracia), Tustin Properties (Desiree Hay), Soho Investment Group (Marisela Simmons)—are controlled by persons who represent numerous Panamanian nominee companies.

The second way to lay hands on inexpensive stock is to lend the company money. In 2009, SNPK gave an outfit called Blue Lagoon Capital a promissory note in the amount of $40,000. SNPK had the right to convert the note to 666,667 shares ($0.06 per share) once the initial registration statement became effective. Multiply by 45 for the number of shares to which Blue Lagoon would be entitled after the forward split. A settlement agreement was reached between Blue Lagoon and SNPK on 5 May 2011. It should have been attached to the company's 10-K for the year ended 30 June 2011 as Exhibit 10.05, but it was somehow left out. Blue Lagoon is, not surprisingly, a Panamanian company.

If that weren't enough, on 13 July 2011, SNPK issued another promissory note, this one to Whetu Inc., in the amount of $110,000. The day Mackie Barch took over the company—13 February 2012—a settlement agreement was reached with Whetu, by the terms of which Whetu received 50 million shares of common. That investment is now worth a cool $74 million. The stock was supposed to be restricted, even though debt conversion shares usually aren't. The text of the settlement agreement might clarify this, but as with the Blue Lagoon settlement agreement, the exhibit (10.11) is missing from the SEC file. Whetu is a

Panamanian company.

Any one of these entities, or a combination of two or more, could be behind the SNPK promotion. All would have excellent reason to spend a little money to make a great deal more. Mackie Barch said “unknown persons” must be responsible. TheStreetSweeper called Barch for comment, and left a message; he was unavailable, and did not return the call.

When Mackie Barch was looking for a shell to move his companies into, he appears to have considered several possibilities. In the summer of 2011, Barch's Amerisure Pharmaceuticals d.b.a. Healthcare Distribution Specialists lent $10,000 to HDS International (HDSI) in return for a promissory note. Perhaps he was thinking of eventually enlarging on the relationship, given that HDSI had the perfect ticker for him. But only a few months later, the arrangement was cancelled. Barch got his money back, and did not receive any stock. Around the same time, HDSI was promoted by none other than AwesomePennyStocks.

Barch controls another public company, Georgetown Corp (GTCP). GTCP, so far a shell company, was created in Nevada in May 2010. On 30 November 2010, Barch paid the CEO, Pamela Tesluck, $383,000 for 1 million shares of stock, or 74.07% of the outstanding. Tesluck resigned, and Barch became sole officer and director. The company then did a 400:1 forward split. It also issued a promissory note to Karev Corp. in the amount of $15,000. In this case the relevant exhibit is not missing. Karev is a Panamanian corporation; its president is Evelyn Quintero Gonzalez, who also happens to be the president of Whetu Inc. GTCP has yet to trade; Barch's plans for it are unknown.

Another Panamanian nominee company, Lysander Overseas, has just made its appearance. On 5 April, SNPK issued a convertible promissory note to Lysander for the amount of $700,000, the principal due in 2014. That sum is unlikely ever to be paid: the note is convertible. That is, Lysander can convert the money lent to common at 80% of the 3-day average closing bid price of the stock. This is what's known as a “floorless convertible”: if the price rises, Lysander will get less stock should it choose to convert; if it drops, Lysander will get more stock. The only restriction on conversion is that Lysander may not at any time hold more than 4.9% of the outstanding. Not a problem: typically, holders of floorless convertibles sell quickly upon conversion.

Who's behind Lysander? The agreement was signed by Alicia Barrera de Gonzalez. Technically, she's vice president of Lysander, but she and the other officers are merely front men. She appears as an officer or director of scores of Panamanian companies. Lysander was created in January of this year. The other two officers, Yodalis Murillo and Ruben Barnett, are also officers of Karev Investments, which holds a promissory note from Barch's GTCP.

Clotamin and SPNK's Future

Clotamin is a real product that has been available since 2007. Mackie Barch and his brother Justin formulated it because both suffer from a congenital condition that requires them to take anticoagulants; they came up with the idea for Clotamin after Justin suffered a near-fatal pulmonary embolism. A multivitamin without K is nothing new, however; many companies make them. Much of the difference seems to lie in price. One-A-Day Women's costs $7.99 for 60 tablets at CVS; Clotamin costs $25.99 for 60 tablets at Walgreens online.

It's unclear what other vitamins SNPK distributes; there's no information about that at any of the company websites. Neither is there any indication that the company is profitable. New contracts for the sale of Clotamin have been signed, but it's a single product that faces tough competition. Not to worry: at least for now, SNPK has access to $700,000 cash. It's already drawn down $175,000.

APS fans are excited, but only because they hope to get rich on the pump. They're not nearly as enthusiastic about the products, though they cheer politely when new sales agreements are announced. In the end, they know SNPK isn't worth a market cap of $627 million. Not even close.