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CLEVELAND DISTRICT COURT
NORTHERN DISTRICT OF OHIO
CLEVELAND

UNITED STATES DISTRICT COURT
For The
NORTHERN DISTRICT OF OHIO, EASTERN DIVISION

Securities and Exchange Commission,
Plaintiff,

v.

Lloyd E. Wollmershauser a/k/a the
PennyStockMan,

Defendant.

1:01 CV 530
Civil Action No. _____

JUDGE MANOS
COMPLAINT

MAG JUDGE BAUGHMAN

Plaintiff Securities and Exchange Commission ("Commission"), for its complaint alleges as follows:

SUMMARY

1. Defendant Lloyd E. Wollmershauser ("Wollmershauser"), a/k/a the "PennyStockMan," orchestrated a securities pump-and-dump scheme on the Internet by falsely touting the securities of Thermotek International, Inc. ("TTKI") to his advisory clients from at least April 1999 to July 2000 and then dumping his TTKI stock for illicit profits in excess of \$430,000.

2. Defendant Wollmershauser has engaged in, and unless restrained and enjoined by this Court will engage in, transactions, acts, practices, and courses of business that violate 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)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, and Sections 206(1) and (2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and (2)].

3. The Commission brings this action pursuant to the authority conferred upon it by Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)], Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)], and Section 209(d) of the Advisers Act [15 U.S.C. §§ 80b-9(d)] for an order permanently restraining and enjoining defendant Wollmershauser, requiring defendant Wollmershauser to pay disgorgement, and granting other equitable relief.

JURISDICTION AND VENUE

4. Jurisdiction and venue are proper in this Court pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)], Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa], and Section 209(d) and 214 of the Advisers Act [15 U.S.C. §§ 80b-9(d) and 80b-14].

5. In connection with the transactions, acts, practices, and courses of business described in this Complaint, defendant Wollmershauser, directly and indirectly; has made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

6. Certain of the transactions, acts, practices and courses of business constituting the violations of law alleged herein occurred within this judicial district. Additionally, Wollmershauser resides within this judicial district.

DEFENDANT

7. Defendant Wollmershauser, age 55, resides in Eastlake, Ohio. At all times relevant to this complaint, defendant Wollmershauser was the sole proprietor and operator of the PennyStockMan, an Ohio based Internet web site and newsletter service primarily devoted to microcap (penny) stock recommendations and trading techniques.

FACTS

8. In or about April 1999, Wollmershauser created the PennyStockMan web site located at www.pennystockman.com. He solicited visitors to become PennyStockMan "members" in order to receive his Internet newsletter containing penny stock picks and alerts. Wollmershauser offered three types of newsletter memberships: (1) the "Free" newsletter that provided samples of his stock picks and trading information; (2) the "Members" newsletter for a fee of \$125 per year; and (3) the "Inner Circle Club" where, for a fee of \$400 per year, members received, in addition to the Members newsletter, a password allowing access to a "training" section of the web site and where Wollmershauser offered tips and techniques on trading microcap stocks. Wollmershauser also posted his personal e-mail address on the PennyStockMan web site and invited private e-mails with trading questions.

9. By June 2000, Wollmershauser had approximately 1200 Free newsletter subscribers, 100 Members newsletter subscribers, and 200 Inner Circle Club members (collectively the "PennyStockMan members").

10. TTKI is a Delaware corporation based in Burlington, Iowa, and purports to have developed a process that takes organic substances from waste and converts them into useable products such as fuel, charcoal, and electricity. On June 28, 2000, TTKI began trading for the first time in the over-the-counter market with market makers published in the National Quotation Bureau pink sheets ("Pink Sheets").

11. On March 1, 2000, Wollmershauser purchased 16,000 shares of TTKI stock from TTKI for \$4,000, or \$0.25 per share. On June 15, 2000, Wollmershauser executed a promissory note to TTKI and obtained an additional two million shares of TTKI stock for \$800,000, or \$0.40 per share. On June 27, 2000, the two million TTKI shares were transferred to Wollmershauser's brokerage account. The offer and sale of TTKI securities were made by means of interstate transportation and communication. TTKI has never filed a registration statement with the Commission. Wollmershauser purchased the TTKI stock with a view to distribution.

12. In or about April 2000, Wollmershauser began to tout TTKI in his Free and in his Members newsletters, on his web site, and in personal e-mails to PennyStockMan members. By May 2000, nearly every newsletter he sent included a reference to TTKI. In June 2000, the number of newsletters increased dramatically, nearly all of which recommended TTKI. Wollmershauser sent at least 45 newsletters in June, 2000, compared to approximately 10 to 15 newsletters per month in previous months. When certain PennyStockMan members complained that TTKI had become the only subject of the newsletters, Wollmershauser responded that TTKI was a great opportunity and his stock "pick of the year."

13. In newsletters sent prior to and on June 28, 2000, Wollmershauser made numerous false statements concerning TTKI. He stated that he had inside information allowing him to project TTKI's price; that he made arrangements with the issuer allowing

PennyStockMan members the opportunity to buy TTKI stock before anyone else; that the price of TTKI stock would likely rise to \$20 by the end of the first day of trading; that he believed TTKI was a good investment based upon his independent research; that mutual funds were interested in TTKI; and that he was “long on TTKI” and did not intend to sell his shares in the short term.

14. Each of Wollmershauser’s statements set forth in the previous paragraph was false. Wollmershauser did not have any information allowing him to project TTKI’s price; no arrangements had been made with TTKI to allow PennyStockMan members to buy before anyone else; Wollmershauser had not performed any independent research such as reviewing TTKI’s financial statements or business plan; he did not know of any mutual fund that was interested in TTKI stock; and he placed limit sell orders for over one million shares of TTKI stock before it started trading and intended to sell as many of those shares as the market would bear.

15. When PennyStockMan members demonstrated an interest in acquiring TTKI stock based on his recommendation, Wollmershauser specifically advised them to place limit buy orders at or around \$5.05 just prior to or as soon as TTKI started trading. Wollmershauser’s false statements, coupled with his advice to place limit buy orders at a specific price, caused PennyStockMan members to buy TTKI stock on or about June 28 and June 29, 2000. In turn the price and volume of TTKI stock were driven up. On June 28, 2000, TTKI opened at \$4.75 per share and closed at \$4.00 on volume of 175,376 shares. Most of the trading on June 28, 2000 was between \$4.00 and \$5.00 per share. On June 29, 2000, TTKI rose to a high of \$4.75 per share and closed at \$1.50 on volume of 279,655 shares. Nearly all purchases of TTKI stock on those dates were made by PennyStockMan members.

16. Wollmershauser intended to sell over one million shares of TTKI stock during any price increase caused by his buy recommendation. To accomplish this, Wollmershauser placed limit sell orders at the same time he knew that PennyStockMan members had placed limit buy orders. On June 27 and June 28, 2000, Wollmershauser placed limit sell orders for 1,006,000 shares of TTKI stock, most between \$4.00 and \$6.00. On June 28, 2000, Wollmershauser sold 59,600 shares at \$4.50 and another 6,250 shares at \$4.00. On June 29, 2000, he sold 31,900 shares at \$4.50. In total, Wollmershauser sold 97,750 shares of TTKI stock between June 28 and June 29, 2000 for proceeds of \$436,660 before the price and volume of TTKI stock plummeted. On June 29, 2000, the price of TTKI stock fell from over \$4.50 per share to \$1.50 and shortly thereafter fell below \$1.00.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase and Sale of Securities

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78 j(b) and 17 C.F.R. § 240.10b-5])

17. Paragraphs 1 through 16 are hereby realleged and incorporated by reference.
18. Defendant Wollmershauser, directly and indirectly, with scienter, in connection with the purchase or sale of TTKI securities, by use of the means or instrumentalities of interstate commerce or by use of the mails, has been and is now employing devices, schemes, or artifices to defraud; making untrue statements of material fact or omitting 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 engaging in acts, practices, or courses of business which have been or are operating as a fraud or deceit upon the purchasers or sellers of such securities.

19. By reason of the foregoing, Defendant Wollmershauser violated, is violating, and, unless restrained and enjoined, will violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

SECOND CLAIM FOR RELIEF
Fraud in the Offer and Sale of Securities

(Violations of Section 17(a) of the Securities Act [15 U.S.C. §77q(a)])

20. Paragraphs 1 through 19 are hereby realleged and incorporated by reference.

21. Defendant Wollmershauser, directly and indirectly, with scienter, in the offer or sale of TTKI securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, has been and is now employing devices, schemes, or artifices to defraud; obtaining money or property by means of untrue statements of material fact or omissions 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 engaging in transactions, practices, or courses of business which have been or are operating as a fraud or deceit upon the purchasers or sellers of such securities.

22. By reason of the foregoing, Defendant Wollmershauser violated, is violating, and, unless restrained and enjoined, will violate Section 17(a) of the Securities Act.

THIRD CLAIM FOR RELIEF
Adviser Fraud

(Violations of Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)])

23. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.

24. Defendant Wollmershauser, from at least April 1999 through July 2000 engaged, for compensation, in the business of advising others as to the value of certain securities, or as to the advisability of investing in, purchasing or selling certain securities.

25. Defendant Wollmershauser directly or indirectly has been and is now: (1) employing devices, schemes, or artifices to defraud clients or prospective clients; and (2) engaging in transactions, practices or courses of business which have been or are operating as a fraud or deceit upon clients or prospective clients.

26. By reason of the foregoing, Defendant Wollmershauser violated, is violating, and, unless restrained and enjoined, will violate Sections 206(1) and (2) of the Advisers Act.

FOURTH CLAIM FOR RELIEF
Offers and Sales of Unregistered Securities

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

27. Paragraphs 1 through 26 are hereby realleged and incorporated by reference.

28. Defendant Wollmershauser has, and unless enjoined, will continue to, directly and indirectly:

- a. Make use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities through the use of written contracts, offering documents, and otherwise;
- b. Carry and caused to be carried such securities through the mails and in interstate commerce by means and instruments of transportation, for the purpose of sale and for delivery after sale; and
- c. Make use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

29. No registration statements have been filed with the Commission or are otherwise in effect with respect to any of TTKI securities offered and sold by Wollmershauser.

30. By reason of the foregoing, defendant Wollmershauser violated, is violating and, unless restrained and enjoined, will violate Sections 5(a) and 5(c) of the Securities Act.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

1. Find that defendant Wollmershauser committed the violations alleged; and
2. Enter an injunction, pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)], Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)], and Section 209(d) of the Advisers Act in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining defendant Wollmershuser, his affiliates, nominees, agents, officers, directors, employees, servants, successors, attorneys, assigns, corporations, and other persons or entities under his control, and those persons in active concert or participation with him, and each of them, from violating, directly or indirectly, the provisions of law and rules alleged in this Complaint; and
3. Order disgorgement totaling \$436,660, plus prejudgment interest thereon, and a civil money penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)]; and
4. Order the Commission to propose a plan of distribution of the disgorged funds, which plan will be subject to Court approval; and

5. Retain jurisdiction of this action for all purposes; and
6. Grant such other relief as this Court may deem just or appropriate.

Dated: March 6, 2001

Respectfully submitted,



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