

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,)
)
)
Plaintiff,)
v.)
)
KEVIN MCKNIGHT,)
and)
STEPHEN C. BAUER)
)
Defendants.)
<hr/>	

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. In August of 2011, Defendants Kevin McKnight and Stephen C. Bauer engaged in a fraudulent market manipulation scheme involving the stock of Environmental Infrastructure Holdings Corp. (“EIHC”).
2. The Defendants engaged in this scheme in an effort to generate the appearance of market interest in EIHC, induce public purchases of EIHC stock, and artificially increase the stock’s trading price and volume.
3. As part of the scheme, the Defendants paid a corrupt promoter so he and his purported buying group would engage in matched orders of EIHC stock.
4. Unbeknownst to the Defendants, the corrupt promoter was a witness cooperating with the FBI.

5. As a result of the conduct described in this Complaint, the Defendants violated Section 17(a)(1) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a)(1); and Section 10(b) and Rule 10b-5(a) and (c) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. §§ 240.10b-5(a) and (c). Unless restrained and enjoined, they are reasonably likely to continue to violate the federal securities laws.

6. The Commission respectfully requests that the Court enter: (a) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (b) an order directing the Defendants to pay disgorgement with prejudgment interest; (c) an order directing the Defendants to pay civil money penalties; and (d) an order barring the Defendants from participating in any offering of a penny stock.

II. DEFENDANTS AND RELEVANT ENTITY

A. Defendants

7. McKnight resides in Boca Raton, Florida. McKnight is the president and editor of Undiscovered Equities, Inc., a business that purports to research and identify companies with substantial growth potential for investment. At all times relevant to this action, McKnight acted as a stock promoter for EIHC and also owned substantial stock in EIHC.

8. Bauer resides in Boca Raton, Florida. At all times relevant to this action, Bauer acted as a stock promoter for EIHC. Bauer is a former registered representative who was associated with more than a dozen registered broker-dealers between 1984 and 1997.

B. Relevant Entity

9. At all times relevant to this action, EIHC was a Delaware corporation with offices in West Conshohocken, Pennsylvania. EIHC purported to be an equipment solutions provider that supplied environmentally friendly products, services and engineering solutions to customers.

Its common stock has been quoted on the OTCBB and OTC Link operated by OTC Markets Group, Inc. under the symbol “EIHC.” It was removed from OTCBB on May 23, 2012. EIHC filed a Form SB-2 with the Commission that became effective in October, 2006, thereby subjecting EIHC to the reporting obligations of Section 15(d) of the Exchange Act. Because the company has never disclosed the number of record holders of its common stock, it is unknown whether its 15(d) obligation is currently suspended.

10. EIHC’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 five cents per share. During the same time period, EIHC’s stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, EIHC’s stock did not trade on a national securities exchange and was not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47). Furthermore, EIHC did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

11. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a); and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

12. This Court has personal jurisdiction over the Defendants, and venue is proper in the Southern District of Florida because McKnight and Bauer reside in the District. Also, many of the Defendants’ acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, McKnight and Bauer met with the cooperating witness in Palm Beach County on August 18, 2011. In addition, McKnight and

Bauer each participated in several telephone calls concerning the fraudulent scheme while they were in the District.

13. The Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or of a means or instrumentality of interstate commerce, or of the mails, in connection with the conduct alleged in this Complaint.

IV. THE FRAUDULENT SCHEME

14. In August 2011, McKnight and Bauer agreed to engage in a market manipulation scheme to artificially inflate the trading volume and share price of EIHC common stock. As part of this scheme, the cooperating witness would buy McKnight's shares of EIHC in the open market in exchange for a kickback.

15. On August 18, 2011, Bauer, McKnight and the cooperating witness met in Palm Beach County, Florida. McKnight, Bauer and the cooperating witness discussed the cooperating witness buying shares of EIHC stock in the open market. McKnight told the cooperating witness he had substantial holdings of EIHC stock that he wanted to liquidate. McKnight also represented that once the cooperating witness made his purchases, McKnight would arrange for EIHC to issue well-timed press releases. These releases, in conjunction with the increased trading volume, would drive up EIHC's stock price.

16. During an August 22, 2011, phone call, McKnight informed the cooperating witness that a substantial amount of his EIHC stock had purportedly become unrestricted. Therefore, he asked the cooperating witness to engage in matched orders, whereupon the cooperating witness would purchase the exact quantity of McKnight's shares in EIHC that he offered for sale in the open market.

17. McKnight assured the cooperating witness he would arrange for others to take care of outstanding offers and allow McKnight and the cooperating witness to execute successful matched orders. McKnight also repeatedly assured the cooperating witness EIHC would issue a positive press release the day after the matched orders.

18. In exchange for the cooperating witness's agreement that he and his purported buying group would engage in matched orders of 2 ½ million shares of EIHC stock, McKnight agreed to provide the cooperating witness with a cash inducement payment equal to 20% of the value of EIHC shares the cooperating witness would purchase. McKnight then agreed to provide a \$2,500 cash payment upfront to the cooperating witness to effectuate the matched orders.

19. Between August 20 and 24, 2011, Bauer and the cooperating witness spoke repeatedly about the details of the deal with McKnight. On several occasions, Bauer served as a go-between to facilitate the proposed transaction, speaking with McKnight or the cooperating witness and then relaying information to the other. Bauer informed the cooperating witness about the timing of the matched orders and assisted the cooperating witness in negotiating the amount of the upfront payment. Bauer also represented to the cooperating witness that he was personally purchasing EIHC stock to eliminate outstanding offers that could interfere with the planned matched orders.

20. On August 23, 2011, as compensation for the cooperating witness' services in connection with the EIHC transaction, McKnight provided the \$2,500 cash payment to Bauer, who deposited the inducement payment, less \$650 which Bauer kept for himself, into the cooperating witness' bank account on August 24, 2011.

21. On August 24, 2011, McKnight and the cooperating witness orchestrated four matched orders over the telephone. In each instance, McKnight and the cooperating witness

agreed on a price and quantity of shares that McKnight would offer. As soon as McKnight offered the shares, the cooperating witness purchased the entire quantity at the previously agreed-upon price. In total, the matched orders between McKnight and the cooperating witnesses consisted of at least 302,000 shares totaling at least \$11,475.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

22. The Commission realleges and incorporates paragraphs 1 through 21 of its Complaint.

23. In August of 2011, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

24. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Fraud in Violation of Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act

25. The Commission realleges and incorporates paragraphs 1 through 21 of its Complaint.

26. In August of 2011, the Defendants, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

- (a) employed devices, schemes, or artifices to defraud; or

(b) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon any person.

27. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a) and (c), 17 C.F.R. §§ 240.10b-5(a) and (c).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that the Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a)(1) of the Securities Act and Section 10(b) and Rule 10b-5(a) and (c) of the Exchange Act, as indicated above.

III.

Disgorgement

Issue an Order directing all Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

IV.

Penalties

Issue an Order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Penny Stock Bar

Issue an Order barring Bauer and McKnight from participating in any offering of penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), for the violations alleged in this Complaint.

VI.

Further Relief

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

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

May 22, 2014

By:

/s/Russell Koonin

Russell Koonin
Senior Trial Counsel
Florida Bar No. 474479
Direct Dial: (305) 982-6385
E-mail: KooninR@sec.gov
Lead Attorney

Amy L. Weber
Senior Counsel
Florida Bar No. 662151
Telephone: (305) 416-6296
E-mail: WeberA@sec.gov

**ATTORNEYS FOR PLAINTIFF
SECURITIES AND EXCHANGE COMMISSION**
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 536-4154