

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No.

00-1-15
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CLERK OF U.S. DIST. CT.
S.D. OF FLA - MIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

CIV-HIGHSMITH

v.

WEB HOSTING HEADQUARTERS PARTNERSHIP,
DONALD E. RHOADES,
KENNETH R. GROSSFELD,
WAYNE L. PRICHASON,
EDUARDO VILLAR, and
KARYN MILLER,

MAGISTRATE JUDGE
CARER

Defendants, and

WEB HOSTING HEADQUARTERS, INC.,
NATIONAL MILLENNIUM CORPORATION,
INTERNET MANAGEMENT GROUP, INC.,
INTRONET, INC., and
LENICA CORP.,

Relief Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Introduction

Plaintiff, Securities and Exchange Commission (the "Commission"), brings this action to restrain and enjoin Defendants from continuing to defraud investors and violate the federal securities laws, and to obtain other relief from them and from Relief Defendants, and alleges that:

1. Defendants have been and are continuing to violate the federal securities laws in connection with an ongoing, fraudulent scheme to defraud investors through the offer and sale of

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securities in unregistered transactions by Web Hosting Headquarters Partnership (“Web Hosting” or the “Company”), a Miami, Florida Internet company. Since at least April 1999, Web Hosting and its principals, Donald E. Rhoades (“Rhoades”), Kenneth R. Grossfeld (“Grossfeld”), Wayne L. Prichason (“Prichason”), Eduardo Villar (“Villar”), and Karyn Miller (“Miller”), have raised at least approximately \$2.5 million from investors in 38 states through the sales of securities in the form of partnership units. Web Hosting and its telemarketers tell investors that Web Hosting is an “established, rapidly growing company” that hosts websites on the Internet, and that the funds invested will be used to expand Web Hosting’s operations. Investors are told that Eduardo Villar and Karyn Miller are the Company’s “co-founders” and “initial managing partners.”

2. In reality, however, Web Hosting is a boiler-room operation with only minimal legitimate business activities – its primary activity has been to raise investor funds for the benefit of its principals and telemarketers, and approximately at least 92% of its funds came from sales of securities to investors rather than from business revenue from web site customers. The Company is controlled by Miller’s father, Donald E. Rhoades, and his partner, Kenneth R. Grossfeld, both recidivist securities and commodities laws violators with extensive disciplinary histories. Web Hosting’s offering materials do not disclose Rhoades’ and Grossfeld’s control or their disciplinary histories, nor do they disclose that approximately 62% of the funds raised from investors have been and will continue to be pocketed by Web Hosting’s principals and telemarketers in the form of commissions, costs, and fees, with the largest share going to Rhoades and Grossfeld.

3. Unless immediately restrained and enjoined, and unless their assets are frozen and other ancillary relief is ordered, the Defendants will continue to defraud the investing public and

to place investor funds at serious risk of diversion and theft. An asset freeze and other ancillary relief is necessary to prevent the Relief Defendants from dissipating ill-gotten funds that rightfully belong to Web Hosting's defrauded investors.

DEFENDANTS

4. **Web Hosting** is the issuer of the securities offered and sold to investors in the fraudulent scheme. Web Hosting has been registered as a Florida general partnership since April 1999. Since at least July 2000, Web Hosting's offering materials have listed 111 Park Centre Boulevard, Suite 330, Miami, Florida 33169 as its address. However, its registration with the State of Florida provides its address as 500 N.W. 165th Street-Road, Suite 201, Miami, Florida 33169, and at least one of its employees provided the latter address to a publisher for an advertisement as recently as September 2000. Web Hosting currently runs a boiler-room operation out of offices in North Miami Beach, Florida and Miami, Florida. In October 2000, the Commonwealth of Pennsylvania issued a cease-and-desist order against Web Hosting, Villar, and Miller in connection with the offer and sale of the unregistered Web Hosting partnership units. No registration statement has been filed or is in effect with the Commission in connection with any of the securities being offered and sold by Web Hosting. The Web Hosting offering is not exempt from registration with the Commission.

5. **Donald E. Rhoades**, age 68, resides in Sunny Isles, Florida. Rhoades, along with Grossfeld, runs Web Hosting's boiler-room operation. Rhoades has represented himself to a Web Hosting telemarketer as Web Hosting's "owner," and he hires and fires the telemarketers. Also, Rhoades has represented to a collection service that he has authority to settle claims against Web Hosting. Rhoades is a former commodities broker with an extensive regulatory disciplinary

history. In 1982, the State of Iowa issued a cease-and-desist order against Rhoades and others for material misrepresentations made in connection with the offer and sale of unregistered interests in an oil and gas lease lottery. In 1985, the Commodity Futures Trading Commission ("CFTC") issued a cease-and-desist order against Rhoades and others for fraud in connection with the sales of commodity contracts, revoked Rhoades' commodities registration, and fined him \$10,000. Finally, in 1995, the Commonwealth of Virginia issued a cease-and-desist order against Rhoades, required him to make written offers of rescission to investors, and fined him \$2,000 for the sale of unregistered securities in a purported interactive television company. Rhoades is not registered with the Commission as a broker or dealer.

6. **Kenneth R. Grossfeld**, age 53, resides in Miami Beach, Florida. Grossfeld, along with Rhoades, runs Web Hosting's boiler-room operation. Grossfeld is a former commodities broker with an extensive disciplinary history. In 1986, the CFTC issued a cease-and-desist order against Grossfeld and others for fraud in connection with the offer and sale of commodity options. The CFTC also suspended Grossfeld from trading for six months, suspended his registration for 30 days, and suspended him from acting in a supervisory capacity. Grossfeld was also fined \$52,500. In 1988, the National Futures Association ("NFA") fined Grossfeld and his firm for making false and misleading statements, as well as abusive and threatening statements, to potential customers. Grossfeld and the firm were fined \$10,000 and \$75,000, respectively. In 1995, the CFTC issued a cease-and-desist order against Grossfeld for making material misrepresentations in the course of soliciting investors. The CFTC fined Grossfeld \$1.8 million, revoked his registration as an associated person, and barred him from ever seeking registration with the CFTC in any capacity. The Eleventh Circuit Court of Appeals affirmed the CFTC's order in 1998. Grossfeld is not registered with the Commission as a broker or dealer.

7. **Wayne L. Prichason**, age 50, resides in Pembroke Pines, Florida. Prichason is Web Hosting's sales manager. Prichason was formerly a commodities broker and once worked for a commodities firm headed by Grossfeld. A customer of Grossfeld's firm named Prichason in a NFA arbitration, and alleged churning, misrepresentation, high-pressure sales tactics, and failure to disclose risks by Prichason. The customer was awarded \$7,500. Prichason is not registered with the Commission as a broker or dealer.

8. **Eduardo Villar**, age 39, resides in Sunny Isles, Florida. Web Hosting's offering materials describe Villar as the Company's co-founder and "initial managing partner." Villar is also the president of proposed relief defendant Web Hosting Headquarters, Inc. In October 2000, Villar was a subject of the recent cease-and-desist order issued by the Commonwealth of Pennsylvania in connection with the Web Hosting offering. Villar is not registered with the Commission as a broker or dealer.

9. **Karyn Miller**, age 35, is Rhoades' daughter and resides in North Miami Beach, Florida. Web Hosting's offering materials describe Miller as the Company's co-founder and "initial managing partner." Miller is also the vice president of proposed relief defendant Web Hosting Headquarters, Inc. In October 2000, Miller was also a subject of the cease-and-desist order issued by the Commonwealth of Pennsylvania in connection with the Web Hosting offering. In addition, in 1983 the State of Florida issued a cease-and-desist order against Miller (then known as Karyn or Karen Rhoades) for selling unregistered interests in an oil and gas lease lottery, and for failing to register as an issuer, dealer, or associated person in connection with those sales. Miller is not registered with the Commission as a broker or dealer.

RELIEF DEFENDANTS

10. **Web Hosting Headquarters, Inc.** (“WHI”), was an active, Florida corporation with offices in North Miami Beach, Florida from March 1999 until September 2000, when Florida’s Secretary of State administratively dissolved it for non-payment of its annual report fee. Villar was the president of WHI and Miller was its vice president. WHI signed a lease on behalf of Web Hosting, for Web Hosting’s current headquarters. WHI also entered into an agreement for a dedicated server and Internet access on behalf of Web Hosting. WHI’s Better Business Bureau membership certificate is included in the offering materials sent to prospective investors. Approximately \$51,000 in investor funds have been used to pay WHI’s expenses.

11. **National Millennium Corporation** (“National”) is a Florida corporation with offices in Miami Beach, Florida. National has received approximately \$432,000 in investor funds. Rhoades endorsed most of the checks that Web Hosting paid to National, and on many instances added the designation “V.P.” to his signature.

12. **Internet Management Group, Inc.** (“IMG”), is a Florida corporation which shares the first office occupied by Web Hosting. Grossfeld is the president of IMG, which has received approximately \$419,000 in investor funds.

13. **Intronet, Inc.** (“Intronet”), is a Florida corporation headquartered at the North Miami Beach, Florida home of Miller and her husband. Miller is Intronet’s sole officer. Around the same time that it began soliciting investors, Web Hosting listed Intronet as one of its partners when it made its general partnership filing with the State of Florida. Intronet has received

approximately \$64,500 in investor funds. Miller endorsed most of the checks that Web Hosting paid to Intronet.

14. **Lenica Corp.** ("Lenica") is a Florida corporation with offices in Miami, Florida. Prichason and his wife, Susan, are the sole directors of Lenica. Lenica has received approximately \$48,000 in investor funds.

JURISDICTION AND VENUE

15. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a), and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa. These provisions authorize the Commission to seek injunctive relief from the federal district courts and the imposition of civil money penalties for violations of the federal securities laws.

16. Venue is appropriate in the Southern District of Florida. Certain of the acts and transactions constituting violations of the Securities Act and the Exchange Act have occurred within the Southern District of Florida. The principal offices of Defendants are located in the Southern District of Florida, and the individual Defendants all reside in the Southern District of Florida. Defendants have engaged in the acts, transactions, and practices complained of herein within the Southern District of Florida.

17. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

OVERVIEW OF THE FRAUDULENT SCHEME

18. Since April 1999, and continuing through the present, Web Hosting has raised at least approximately \$2.5 million from investors nationwide through the offer and sale of unregistered partnership units. Web Hosting has sold at least 133 units to investors thus far (“Phase One” of the offering), and is currently attempting to raise another \$2.8 million through the sale of an additional 115 units (“Phase Two”). Web Hosting has thus far conducted its offering in at least two phases.

19. Web Hosting purportedly seeks to capitalize on the explosive growth of the Internet and e-commerce by offering web hosting and other Internet services to individuals and businesses. Web Hosting claims that it expects to be “enormously profitable” because companies cannot conduct business on the Internet without a website, and every company that has a website must have a web host. The Company also claims that it is expanding into the dedicated server market and launching a network marketing division. In contrast to its claims, Web Hosting’s has few clients, minimal legitimate business operations, and its primary purpose is to operate a boiler-room and misappropriate investor funds.

Solicitation of Investors and Use of Boiler-Room Tactics

20. Web Hosting has primarily solicited physicians to invest in the offering. To generate inquiries from physicians, the company places advertisements in the classified section of well-known or widely circulated medical publications such as the New England Journal of Medicine or the Physicians Travel and Meeting Guide. The advertisements state that a company “going public” is seeking doctors to serve on its advisory board and that those doctors can earn

compensation of up to \$100,000. The advertisements state that no business experience is necessary and provide a toll-free number to call for more information.

21. In addition to placing the advertisements, Web Hosting sends unsolicited faxes to physicians at their offices offering them the opportunity to serve on Web Hosting's "advisory board" and become a partner. The faxes are titled, "Confidential Notice," and describe Web Hosting as the "premiere gateway . . . to the World Wide Web." Some "Confidential Notice[s]" state that board members can earn \$100,000 per year; others state that they can earn \$70,000 per year. The "Confidential Notice[s]" also state that board members must spend only about 30 minutes per month participating in meetings. Web Hosting stresses that there are only a "limited number" of board seats available and that prospective board members should call immediately for more information. Web Hosting uses the "Confidential Notice[s]" to generate inquiries from non-physicians as well, and has sent them to at least one of its web host customers.

22. Web Hosting uses telemarketers to field incoming calls from prospects inquiring about the purported "advisory board" positions. In addition, the telemarketers "cold call" prospects throughout the country using lead sheets and detailed scripts provided by the Company. As soon as a prospect is on the telephone, the telemarketer launches into a high-pressure sales pitch about investing in Web Hosting. The telemarketers tell prospects that the web is "burgeoning" and the Company is going to make "money, money, money." The telemarketers compare investing in Web Hosting to investing in companies such as AOL, Amazon.com or ebay when they were first starting. The telemarketers also tell prospects that investing in Web Hosting presents the same kind of "ground floor" opportunity, and that if Web Hosting goes public, they could earn "millions."

23. If the prospect expresses interest in the offering, and, more importantly, has funds immediately available, Web Hosting usually sends the prospect its offering materials by overnight delivery. Within a day or two, the telemarketers telephone the prospect again to make sure he or she has received the offering materials, to answer any questions, and finally, to solicit the investment. The telemarketers use hard-sell tactics designed to create a sense of urgency in the prospect. The telemarketers routinely tell prospects that there are only one or two units left, and that they must decide quickly or they will miss out on the opportunity to invest. For example, one sales script cautions prospects that Web Hosting would be “oversubscribed” and that the prospects should not miss the opportunity to invest. Rhoades, Grossfeld, and Prichason have each told prospects that there are only one or two units left or that Web Hosting was “running out of units.”

24. The telemarketers mislead investors regarding the risk of an investment, if they discuss risk at all. Although the written offering materials contain disclosures that investing in Web Hosting is a highly speculative venture, the telemarketers contradict those disclosures by telling prospects that Web Hosting expects to generate enormous profits and that these profits are virtually “guaranteed.”

Web Hosting’s Undisclosed Principals

25. Web Hosting’s offering materials and telemarketers misleadingly claim that Villar and Miller manage the Company and omit to disclose that Rhoades and Grossfeld, both recidivist securities and commodities laws violators, control Web Hosting and its boiler-room operation. The offering materials and the telemarketers also fraudulently omit to tell investors and potential investors about Rhoades’ and Grossfeld’s past misconduct as set forth in Paragraphs 5 and 6 of this Complaint.

26. Rhoades and Grossfeld control Web Hosting. Although not disclosed to investors, Rhoades and Grossfeld provided the seed money to launch the offering. Bank records show that between November 1998 and March 1999, Rhoades and Grossfeld each deposited \$33,500 into an account in the name of Appalachian Resources Corporation ("Appalachian"). Beginning in December 1998, Grossfeld used funds from the Appalachian account to pay for the initial advertisements that Web Hosting ran in medical publications to advertise the purported "advisory board" positions. In January 1999, Miller began drawing approximately \$600 per week from the Appalachian account. Miller's payments stopped in March 1999, shortly before Web Hosting became registered as a Florida general partnership, and Villar and Miller opened bank accounts in Web Hosting's name. The Appalachian account was closed a short time later. In May 1999, Rhoades and Grossfeld each deposited another \$8,000 into a bank account in Web Hosting's name.

27. Sometime around May 1999, Rhoades and Grossfeld hired Prichason to be Web Hosting's telemarketing sales manager. As set forth in Paragraph 6 of this Complaint, Prichason was a former commodities broker at a firm headed by Grossfeld. Prichason is responsible for recruiting and supervising the Company's telemarketers, but Rhoades is the final authority on hiring and firing telemarketers. Prichason prepares the detailed scripts that the telemarketers must follow when soliciting prospects, and he monitors sales calls. Rhoades and Prichason hold daily sales meetings to drill the telemarketers on various "hard-sell" techniques, including ways to overcome possible objections from prospects. Grossfeld also participates in the sales meetings. Rhoades, Grossfeld, and Prichason each solicit prospective investors. Web Hosting's telemarketers frequently rely on Prichason and Rhoades to close a sale with a reluctant or skeptical prospect.

Web Hosting's Disclosed Principals--Karyn Miller and Eduardo Villar

28. The offering materials misleadingly tout the background and experience of Web Hosting's "co-founders" and "initial managing partners," Miller and Villar. The offering materials vaguely describe Miller as the former general manager of a "technology and management-based consulting firm," who has an "extensive management background in starting and running successful companies." The telemarketers also tell prospects that Miller has the "business expertise" required to make Web Hosting a success.

29. The offering materials fail to disclose, however, that in 1983, the State of Florida issued a cease-and-desist order against Miller and others for making false and misleading statements in connection with the sale of unregistered interests in an oil and gas lease lottery, and failing to register as an issuer, dealer, or associated person in connection with those sales.

30. The offering materials vaguely describe Villar as the former director of "an international web hosting company" and an expert in Search Engine Keywording. The materials also describe Villar as having "extensive management background in starting and running successful companies." The telemarketers tout Villar as a computer "genius" and "expert" and as a former web designer for AOL. These claims are false. Villar never worked for AOL in any capacity. Villar has little, if any, technical computer skills.

31. Miller and Villar on occasion have also solicited prospective investors. At least on one occasion, a telemarketer transferred to Miller a telephone call with a reluctant investor. Miller persuaded the prospect to invest in Web Hosting. Certain calls with potential investors also were transferred to Villar to answer questions from the prospects.

32. As set forth in Paragraphs 8 and 9 of this Complaint, Miller and Villar were the subjects of a Pennsylvania Securities Commission cease-and-desist order in connection with the Web Hosting offering.

Misuse of Proceeds

33. Web Hosting's offering materials and telemarketers misleadingly describe the projected use of investor funds. In Phase One, Web Hosting failed to disclose that approximately 62% of investor funds would be used to pay commissions, costs, and other fees to Web Hosting's principals and telemarketers. In Phase Two, Web Hosting misleadingly describes how it used Phase One investor funds, and further fails to disclose how it will use investor funds raised during Phase Two.

34. The Phase One offering materials include a section entitled, "Projected Use of Proceeds" (the "Phase One Use of Proceeds section"), which lists expenses purportedly incurred "by the formation of the partnership and the sale of the units." The Phase One Use of Proceeds section identifies these expenses as advertising, business consultants, cost of sales, loan repayment, administrative services, rent, office and computer equipment, software, telephone equipment and service, furniture, legal, accounting, business licenses, and salaries.

35. The Phase One Use of Proceeds section misleadingly fails to disclose that Web Hosting would pay any commissions or that its principals (disclosed and undisclosed) would receive investor funds. In fact, Web Hosting used approximately 62% of investor funds to pay sales commissions, costs, and fees to the Company's principals and telemarketers. Specifically, Rhoades and National received at least approximately \$433,000, Grossfeld and IMG received at least approximately \$422,000, Miller and Intronet received at least approximately \$137,000, Villar received at least approximately \$140,000, and Prichason and Lenica received at least

approximately \$107,000. Thus, the vast majority of investor funds were siphoned off by the defendants and relief defendants and used to perpetrate further Web Hosting's fraudulent scheme.

36. The "June Update," a letter dated in June 2000 and sent to existing Phase One investors (but not to potential new investors) (hereinafter "June Update") just prior to the start of the Phase Two offering, reveals that 62% of the funds raised from investors during Phase One were used to pay "fundraising costs and fees." The June Update identifies Rhoades as one of the principals of the unnamed "fundraising company" that Web Hosting purportedly used to solicit investor funds. Investors are never told, however, that Rhoades is Miller's father or that Villar and Miller received a significant share of the "fundraising costs and fees."

37. The June Update also reveals that Web Hosting plans to use Rhoades to sell an additional 115 units at a price of \$24,500 per unit for a total offering of approximately \$2.8 million. The June Update further states that Web Hosting would "net" only \$1 million of the \$2.8 million to be raised, i.e., that Rhoades and the other "fundraisers" would keep \$1.8 million or nearly 65%, of the additional investor funds. Potential new investors are not provided a copy of the June Update.

38. Web Hosting's misuse of proceeds admission in the June Update does not cure its previous misrepresentations and omissions concerning the use of proceeds because it was made long after all of the funds had been collected from Phase One investors and has not been provided to potential new investors. In addition, the June Update also fails to correct other false and misleading statements in the Phase One offering materials.

39. Although the Phase Two offering materials refer to past commission payments, they fail to disclose the amount of those payments, and they misleadingly bury the

acknowledgment of those payments in a string of other expenses, including rent, advertising, and equipment purchases. The Phase Two offering materials “Projected Use of Proceeds” section (the “Phase Two Use of Proceeds section”) lists expenses purportedly incurred “by the expansion of the partnership and the sale of the units.” The Phase Two Use of Proceeds section identifies these expenses as operating expenses, advertising, salaries, and new equipment, and states that approximately 94% of the funds raised from investors during Phase One was used for “start up expenses” such as rent, advertising, salaries, business consultants’ fees, commissions for partner recruitment, and equipment purchases.

40. While the categories described in the Phase Two Use of Proceeds section imply that Web Hosting used investor funds to “start up” a legitimate business, that section fails to disclose that Web Hosting is primarily a boiler-room. The section also fails to disclose that Web Hosting used 62% of the funds raised during the Phase One offering to pay commissions, fees, and costs to Web Hosting’s principals and telemarketers. Furthermore, the Phase Two offering materials also fail to disclose to prospective investors that Web Hosting’s principals and telemarketers plan to keep 65% of the additional funds to be raised from investors, as disclosed to Phase One investors in the June Update.

41. As set forth in Paragraphs 11-14 of this Complaint, the principals receive investor funds in part through payments to certain corporate entities of which they are officers and which are named as Relief Defendants. Upon information and belief, these entities are merely “shell” companies for the purposes of diverting investor funds and have no other legitimate business purpose.

42. While Relief Defendant WHI has not directly received investor funds into any bank accounts, its expenses have been paid by checks drawn on Web Hosting accounts, which are funded almost entirely by investor deposits.

THE "PARTNERSHIP UNITS" ARE SECURITIES

Composition of Web Hosting's Investors

43. Web Hosting does not genuinely expect its investors to manage the Company, and the investors lack the ability to do so. When Web Hosting's telemarketers contact potential investors, they tell the potential investor that Web Hosting needs his or her "expertise" on its advisory board, regardless of the potential investor's education, background, or experience. Moreover, nearly 70% of the investors in Web Hosting are physicians and none live in Florida. Most of the investors have full-time medical practices and never expected or intended to take time from their medical practices to participate in Web Hosting's day-to-day operations. Significantly, none of the investors have any experience in running a web hosting or Internet company. In fact, one investor does not even own a computer.

44. Also contrary to its offering materials, Web Hosting has not required all of its investors to be a member of a Company committee. At least some of the investors have never served on any partnership committees. Prichason told one investor that serving on a committee was merely a way to keep informed about the Company and that the investor did not have to participate on a committee.

45. The Commission repeats and realleges Paragraphs 20-24 of this Complaint.

THE OFFERING OF SECURITIES

46. Between April 1999 and June 2000 (Phase One), Web Hosting's offering materials stated that the Company was a Florida general partnership consisting of 133 units.

Web Hosting represented that 100 units were being sold to investors and that the remaining 33 units were being retained by the company's initial managing partners and unnamed "consultants." Investors were orally told that Web Hosting would be converted to a "limited liability company" at the first partnership meeting.

47. Web Hosting priced the units at approximately \$20,000 per unit for a total offering of between \$1,950,000 and \$2 million. Investors were allowed to invest in fractional units and to purchase more than one unit. They were also required to pay a separate \$500 fee purportedly to cover the cost of "escrow agent services," "administrative and compliance expenses," or "legal and accounting services."

48. Web Hosting sold all 133 units during Phase One, including the 33 units purportedly being retained by the initial managing partners and consultants, and raised at least approximately \$2.5 million from 132 investors.

49. In mid-June 2000, Villar and Miller sent a letter to the Phase One investors advising them that Web Hosting needed "immediate additional capital" to stay in business and expand its operations. Villar and Miller advised the investors to retain Web Hosting's "original fundraisers" to sell an additional 115 units, which they said would "net" \$1 million to Web Hosting. They warned investors to "not lose sight of the time, effort and resources invested on our part and the potential investment loss on your part if we do not raise this very necessary operating capital to make our company a huge success." Villar and Miller attached to their letter the June Update, purportedly authored by four investors elected to serve on Web Hosting's Steering Committee. According to Villar and Miller, the June Update recounts certain of Web Hosting's "growing-related tribulations" and "references the wonderful opportunities that lie ahead for growth."

50. The investors ratified Villar and Miller's recommendation to raise additional capital, and in July 2000, Web Hosting launched Phase Two of the offering. In the Phase Two offering materials, Web Hosting states that it is a Florida limited liability partnership consisting of 248 units. Web Hosting has never filed an amendment with the Florida Department of State, whose records presently reflect that Web Hosting is a general partnership. Web Hosting represents that 133 units have been sold, and that of the 115 additional units being offered for sale, 62.5 units will be sold to investors and 52.5 units will be retained by the "business consultants/recruiters."

51. Web Hosting priced the additional units at \$24,500 per unit, which includes a purported \$500 "compliance, legal, and accounting fee." Web Hosting claims it will receive about \$1 million out of a projected \$2.8 million from the sale of the additional units.

Web Hosting's Securities Offering Materials

52. The Web Hosting offering materials include, among other things, subscription documents, a signature page, a business plan, a committee selection form, payment instructions, and a compilation of news and information regarding successful Internet companies. The offering materials falsely tell investors that they will be required to be active partners in Web Hosting.

53. Since July 2000, Web Hosting has included a professionally produced videotape along with the offering materials. In the videotape, Web Hosting represents that it already has a "well-established customer base with over a thousand clients worldwide," and claims that investors "have the potential to make sudden wealth, dramatic wealth, life-changing wealth" as the company continues to grow. The videotape also features interviews with Villar and Miller,

who claim that Web Hosting is an “up and coming, rapidly growing, successful...company” that is “capturing a big piece of the exploding web hosting market.” Villar and Miller also claim “since the web hosting market is still in its infancy, being a part-owner of Web Hosting...could be worth millions as [the company] become[s] a web hosting powerhouse.”

MATERIAL MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS IN CONNECTION WITH THE WEB HOSTING OFFERING

54. The Commission repeats and realleges paragraphs [4-53] of the Complaint.

55. Web Hosting, in its written materials and through its telemarketers, has misrepresented investors’ potential returns from their investment and has misrepresented the Company’s customer base and, therefore, its current and likely future success.

56. During Phase One, prospective investors were told in the offering materials and by the telemarketers that they could expect to earn exorbitant (over 400%) annual returns on their investment and that if Web Hosting went public – which was expected to occur within six to 24 months – each unit could be worth “millions.” Rhoades, Prichason, and Web Hosting’s telemarketers also told prospects that Web Hosting was signing up 100 customers a day, that within a year it would have 36,000 clients, and that based on these figures investors could expect to earn an annual return of approximately \$90,000 within one year. Prichason included these financial projections in a script that he provided to the telemarketers.

57. When he spoke with prospective investors, Prichason said these returns were “conservative” or “just the tip of the iceberg.” He also told prospects that the company had the potential to “generate millions of dollars in revenue and profits for its partners.” Prichason falsely told one investor that he was so confident of Web Hosting’s success that he opted to receive partnership units instead of a salary.

58. In or about December 1999, Web Hosting revised its financial projections in the offering materials to include anticipated returns from a new dedicated server division. The offering materials represented to prospective investors that within two years, they could expect to earn an annual return of \$128,000 from the company's two divisions. Investors were also told in the offering materials that if Web Hosting went public, it could be worth \$170 million.

59. Web Hosting's financial projections and anticipated returns had no reasonable basis because the company had only minimal operations and far fewer customers than it claimed. According to Dialtone, which provided a dedicated server and Internet access to Web Hosting from April through September 1999, Web Hosting never had more than 300 or 400 clients – far fewer than the hundreds of clients Web Hosting claimed it was signing up each week.

60. The June Update also confirms that Web Hosting had far fewer customers than it told prospective investors it had. In the June Update, Web Hosting states it had 1,100 customers as of September 1999. Even if true, that number is far below the thousands of customers that prospects were told Web Hosting had signed up. Web Hosting also reveals in the June Update that it lost this customer base shortly after September 1999. Not only did Web Hosting fail to disclose this loss to prospective investors, it misrepresented to existing investors the reason for the loss of customers. Dialtone Internet, Inc. ("Dialtone") is a Fort Lauderdale, Florida company that provided a dedicated server and Internet access to Web Hosting's web site customers between April and September 1999. Web Hosting claimed in the June Update that its purported "alliance partner," Dialtone, "became overwhelmed with their own success and gave [Web Hosting] lowest priority." Consequently, frequent disruptions cost [Web Hosting] our new customer base" In fact, Web Hosting was merely one of many customers of Dialtone, the

purported “alliance partner.” Dialtone terminated service to Web Hosting in October 1999 and referred the account to a collection service because Web Hosting repeatedly failed to pay its bills.

61. Despite the Company’s June Update, which acknowledged to existing investors that Web Hosting needed additional funds or risked not succeeding, Web Hosting’s offering materials for the Phase Two offering continue to contain outrageous predictions. The Phase Two offering materials project that investors can expect to earn an annual return of up to \$64,000 from the company’s retail and dedicated server divisions as well as a purportedly soon-to-be launched network marketing division. At least one prospect was assured that these returns were “guaranteed.”

62. The Phase Two offering materials also falsely claim that Web Hosting’s retail division now has more than 1,000 customers, that its dedicated server division has more than 50 customers, and that within two years, its network marketing division will have 55,000 affiliates each paying Web Hosting \$100 per month. The evidence contradicts these claims.

63. Web Hosting’s claim that it has over 1,000 Web Hosting customers is clearly false. Two “Partial Client Lists” that Web Hosting sent to potential investors beginning in July 2000 appear to contain the website domain names of 183 clients, but Web Hosting padded one of the client lists by including 26 names twice. Of the remaining 157 website domain names on the lists, six domain names were never registered; three websites never used Web Hosting as their web host, and 33 websites sites had ceased using Web Hosting as their web host. Some customers had discontinued service long before the client lists were disseminated to prospective investors. An e-mail that Web Hosting apparently sent to *all* of its web site customers in late April 2000 was addressed to only approximately 100 addressees.

64. Web Hosting's bank records show that 92% of the funds deposited into Web Hosting's bank accounts came from investors – not from revenues generated by paying customers. Moreover, given that Web Hosting's principals and telemarketers have siphoned off 62% of the funds raised from investors, and intend to do so again, there is also no reasonable basis for Web Hosting's claim that it will be able to fund the expansion of its dedicated server division and launch a new network marketing division.

Lulling of Existing Investors

65. Web Hosting continues to make material misrepresentations and omissions to existing investors in order to convince them to invest more money in the Company or to lull them into believing that they can still expect to earn enormous profits from their investment. For example, Rhoades told one investor, whom he was trying to convince to invest another \$10,000 in the company, that Web Hosting was “up-and-coming” and that he could not “go wrong” by investing more money in the Company. Rhoades told this investor that he had started Web Hosting and that he previously owned a chain of “crab shack” restaurants, leading the investor to believe that he was a successful businessman. Rhoades failed to disclose anything else about his background, including his extensive disciplinary history. Rhoades also falsely told the investor that Web Hosting was in the process of setting up an “e-mall” for Service Merchandise Co., Inc., a national retailer of jewelry and other consumer products. In contrast, Service Merchandise Co., Inc. claims it has never heard of Web Hosting and that it never entered into any negotiations or discussions with Web Hosting regarding setting up an “e-mall.”

66. Web Hosting has also provided written materials to existing investors claiming that the Company is on the verge of becoming a “huge success” and a “big winner.” In the June Update and in correspondence, Villar and Miller told current investors that if Web Hosting raises

additional funds from new investors, the Company will be able to expand its dedicated server division and launch a new network marketing division, thereby creating another revenue stream. Similarly, in a November 16, 2000 letter, Villar and Miller told the Company's existing investors that a marketing firm recently hired by the Company had indicated that Web Hosting's proposed "network-marketing program" would "be profitable within four-to-six months" (if Web Hosting raised additional funds). Web Hosting has never told existing investors a more likely explanation for its need for additional funds: that the company's principals and telemarketers have taken approximately 62% of the monies already raised for themselves – leaving little, if any, funds available for legitimate business operations.

67. Web Hosting also misleads existing investors about its business relationships. For example, in the June Update, Web Hosting describes Dialtone as its former "alliance partner," when, in fact, Web Hosting was merely one of Dialtone's customers. Web Hosting also misleadingly describes in the June Update the reason that Dialtone ended their business relationship. Similarly, Web Hosting posted an update on the "partners only" section of its website stating that it had become "an authorized seller of Intel processors." In fact, Web Hosting has no such relationship with Intel. Intel does not use the designation "authorized seller of Intel processors" and denied an application by Web Hosting to become a member of Intel's free Internet Service Provider program.

ONGOING FRAUD

68. Emergency relief is necessary because the Defendants are currently using the fraudulent means described above to sell securities to the public. The Defendants are continuing to engage in the fraudulent scheme despite the entry of a state securities commission injunctive

order. Rhoades and Prichason told a former telemarketer that they actually intended to do ten Web Hosting offerings. The Defendants are continuing to solicit investors.

COUNT I

SALES OF SECURITIES IN UNREGISTERED TRANSACTIONS IN VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT

69. The Commission repeats and realleges paragraphs 1 through 68 of this Complaint.

70. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities and transactions described herein.

71. Since a date unknown but since at least April 1999 through to the present, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar and Miller, directly and indirectly, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or
- (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described herein,

without a registration statement having been filed or being in effect with the Commission as to such securities.

72. By reason of the foregoing, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller have violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

FRAUD IN THE OFFER OR SALE OF SECURITIES IN VIOLATION OF SECTION 17(a)(1) OF THE SECURITIES ACT

73. The Commission repeats and realleges paragraphs 1 through 68 of the Complaint.

74. Since a date unknown but since at least April 1999 through to the present, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, in the offer or sale of securities, as described herein, have knowingly or recklessly employed devices, schemes or artifices to defraud.

75. By reason of the foregoing, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

76. The Commission repeats and realleges paragraphs 1 through 68 of its Complaint.

77. Since a date unknown but since at least April 1999 through to the present, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities have knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- (c) engaged in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

78. By reason of the foregoing, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller have violated and, unless enjoined, will continue to 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, thereunder.

COUNT IV

FRAUD IN VIOLATION OF SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT

79. The Commission repeats and realleges paragraphs 1 through 68 of its Complaint.

80. Since a date unknown but since at least April 1999 through to the present, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities, as described herein, have:

- (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or

- (b) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

81. By reason of the foregoing, Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

COUNT V

**FAILURE TO REGISTER AS BROKER-DEALERS IN VIOLATION OF
SECTION 15(a)(1) OF THE EXCHANGE ACT**

82. The Commission repeats and realleges paragraphs 1 through 68 of its Complaint.

83. Since a date unknown, but commencing in at least April 1999 through the present, Defendants Rhoades, Grossfeld, Prichason, Villar and Miller, directly and indirectly, by use of the mails or any means or instrumentality of interstate commerce, while acting as a broker or dealer engaged in the business of effecting transactions in securities for the accounts of others, effected transactions in securities, or induced or attempted to induce the purchase or sale of securities, without registering as a broker-dealer in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), including, but not limited to, the activities described in paragraphs 14 through 26 above.

84. By reason of the foregoing, Defendants Rhoades, Grossfeld, Prichason, Villar and Miller, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine and find that Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller committed the violations of the federal securities laws alleged herein.

II.

**Temporary Restraining Order,
Preliminary and Permanent Injunctive Relief**

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining:

Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (a) Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); (b) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); (c) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder; and (d) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3); and

Defendants Rhoades, Grossfeld, Prichason, Villar and Miller, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them from violating Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

III.

Disgorgement

Issue an Order requiring Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller and Relief Defendants WHI, National, IMG, Intronet, and Lenica, jointly and severally

to disgorge all ill-gotten profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

IV.

Penalties

Issue an Order directing Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

V.

Asset Freeze and Accounting

Issue an Order temporarily freezing the assets of Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller and Relief Defendants WHI, National, IMG, Intronet, and Lenica, until further Order of the Court, and requiring accountings by Web Hosting, Rhoades, Grossfeld, Prichason, Villar, Miller, WHI, National, IMG, Intronet, and Lenica.

VI.

Appointment of Receiver

Issue an Order appointing a Receiver over of Web Hosting to marshal and safeguard all of its assets, and perform any other duties the Court deems appropriate, and to prepare a report to the Court and the Commission detailing the activities of Web Hosting and the whereabouts of investor funds.

VII.

Records Preservation and Expedited Discovery

Issue an Order requiring Defendants Web Hosting, Rhoades, Grossfeld, Prichason, Villar, and Miller and Relief Defendants WHI, National, IMG, Intronet, and Lenica to preserve any

records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

VIII.

Further Relief

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

IX.

Retention of Jurisdiction

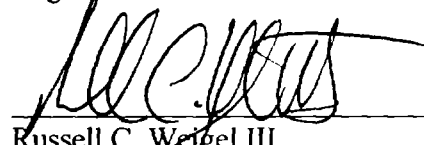
Further, the Commission respectfully requests that the Court retain jurisdiction over this

action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

David Nelson
Regional Director

By:



Russell C. Weigel III
Trial Counsel
S.D. Fla. Trial Bar
Florida Bar No. 822159
Direct Dial: (305) 982-6355

Glenn S. Gordon
Assistant Regional Director
Florida Bar No.

J. Cindy Eson
Chief, Branch of Enforcement #5
Florida Bar No. 959847

Nancy B. Goldstein
Staff Attorney
Massachusetts Bar No. 553131

Dated: December 28, 2000

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
1401 Brickell Avenue, Suite 200
Miami, Florida 33131
Telephone: (305) 536-4700
Facsimile: (305) 536-7465

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1995, is to be used for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

Securities and Exchange Commission

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF
(EXCEPT IN U.S. PLAINTIFF CASES)

A - Dade 00-4975CVSH/Carber

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
Russell Weigel (305)982-6355 Nancy Goldstein
(305) 982-6307, SEC, 1401 Brickell Ave., Suite
200, Miami, FL 33131

DEFENDANTS

Web Hosting Headquarters Partnersh:
Donald E. Rhoades, Kenneth R.
Grossfeld, Wayne L. Prichason, Eduardo Villar,
Karyn Miller, Defendants, Web Hosting Headquar:
Inc., National Millennium Corporation, Internet
Management Group, Inc., Intronet, Inc. and Leni:
COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT Dade Corp., Rel:
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE Def
TRACT OF LAND INVOLVED.

ATTORNEYS (IF KNOWN)

(d) CIRCLE COUNTY WHERE ACTION AROSE (DADE) MONROE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE HIGHLANDS

II. BASIS OF JURISDICTION

(PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 U.S. Government Plaintiff
☐ 2 U.S. Government Defendant
☐ 3 Federal Question (U.S. Government Not a Party)
☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES

(For Diversity Cases Only)

- | | PTF | DEF | | PTF | DEF |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business in This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business in Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. ORIGIN

(PLACE AN "X" IN ONE BOX ONLY)

- ☒ Original Proceeding
☐ 2 Removed from State Court
☐ 3 Remanded from Appellate Court
☐ 4 Reinstated or Reopened
☐ 5 Transferred from another district (specify)
☐ 6 Multidistrict Litigation
☐ 7 Appeal to District Judge from Magistrate Judgment

V. NATURE OF SUIT

(PLACE AN "X" IN ONE BOX ONLY)

| A CONTRACT | A TORTS | FORFEITURE/PENALTY | A BANKRUPTCY | A OTHER STATUTES |
|--|--|--|---|--|
| <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input checked="" type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability | PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability | <input type="checkbox"/> B 610 Agriculture <input type="checkbox"/> B 620 Other Food & Drug <input type="checkbox"/> B 625 Drug Related Seizure of Property 21 USC 861 <input type="checkbox"/> B 630 Liquor Laws <input type="checkbox"/> B 640 R.R. & Truck <input type="checkbox"/> B 650 Airline Regs. <input type="checkbox"/> B 660 Occupational Safety/Health <input type="checkbox"/> B 690 Other | <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 A PROPERTY RIGHTS <input type="checkbox"/> 620 Copyrights <input type="checkbox"/> 630 Patent <input type="checkbox"/> 640 Trademark B LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> A 791 Empl. Ret. Inc. Security Act B SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> A 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> A 871 IRS - Third Party 26 USC 7609 | <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 990 Other Statutory Actions A OR B |
| A REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property | A CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights PRISONER PETITIONS <input type="checkbox"/> B 510 Motions to Vacate Sentence <input type="checkbox"/> B 530 HABEAS CORPUS: <input type="checkbox"/> A 535 Death Penalty <input type="checkbox"/> B 540 Mandamus & Other <input type="checkbox"/> B 550 Civil Rights <input type="checkbox"/> B 555 Prison Condition | | | |

VI. CAUSE OF ACTION

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE)

78j(b); 17 C.F.R. § 240.10b-5; 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3); 15 U.S.C. § 77e(a) and 77e(c); 15 U.S.C. § 78o(a)(1).

Violations of the securities and broker dealer registration and antifraud provisions of the
LENGTH OF TRIAL
via 5 days estimated (for both sides to try entire case) federal securities laws.

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION
☐ UNDER F.R.C.P. 23

DEMAND \$

CHECK YES only if demanded in complaint:

TRO, Prel. & Perm. InjURY DEMAND: ☐ YES ☒ NO

Disgorgement & Penalties

VIII. RELATED CASE(S) IF ANY

JUDGE

DOCKET NUMBER

DATE

SIGNATURE OF ATTORNEY OF RECORD

12/28/00

Russell C. Weigel III

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE