11 CV 0289

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	**11 CV _____**
- against -	**COMPLAINT**
CHRISTOPHER WHEELER and OTCSTOCKEXCHANGE.COM,	
Defendants,	
and	
NORTH COAST ADVISORS, INC.,	
Relief Defendant.	

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") for its Complaint against defendants Christopher Wheeler ("Wheeler") and OTCStockExchange.com (the "Website") (collectively the "Defendants") and Relief Defendant North Coast Advisors, Inc. ("North Coast") alleges as follows:

SUMMARY

1. This action arises from a pump-and-dump scheme orchestrated by Wheeler involving the securities of several thinly-traded penny stocks. At various times in 2007 and 2008 (the "Relevant Period"), Wheeler promoted several penny stocks on his Website.

2. Wheeler recommended that investors purchase the featured securities, without disclosing that he had received millions of shares as compensation for his promotions and that he was simultaneously liquidating these shares. To generate interest before Wheeler dumped his shares on unsuspecting buyers, Wheeler featured the securities on his Website, posted lofty price targets, and made buy recommendations.

3. In total, Wheeler profited by at least $2.95 million from his undisclosed sales of the securities of Infinity Medical Group, Inc. ("Infinity"), Solei Systems, Inc. ("Solei"), Cannon Exploration Inc. ("Cannon"), and China Jiangsu Golden Horse Steel Ball Inc. ("China Jiangsu") (collectively, the "Issuers"). In addition, during the Relevant Period Wheeler transferred at least $450,000 to North Coast, an entity he controls.

4. By engaging in this conduct, the Defendants violated the anti-fraud and anti-touting provisions of the federal securities laws.

VIOLATIONS

5. By virtue of the conduct alleged herein, Wheeler and the Website, directly or indirectly, engaged in acts, practices and courses of business, that constitute violations of Sections 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) & 77q(a)(3)]; Section 10(b) of the Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Section 17(b) of the

Securities Act [15 U.S.C. § 77q(b)]. Unless the Defendants are permanently restrained and enjoined, they will again engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices, transactions, and courses of business alleged herein. The Commission also seeks a final judgment:

a. ordering Defendants Wheeler and the Website to disgorge ill-gotten gains on a joint and several basis with prejudgment interest thereon;

b. ordering Relief Defendant North Coast to disgorge ill-gotten gains with prejudgment interest thereon;

c. ordering Defendants Wheeler and the Website and Relief Defendant North Coast to provide an accounting; and

d. permanently barring Wheeler from participating in an offering of penny stock.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa].

8. Venue is proper in the Southern District of New York pursuant to 28 U.S.C. § 1391. The defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of these transactions, acts, practices and courses of business occurred in this district. Specifically, during the Relevant Period, the Issuers' share prices were quoted on Pink OTC Markets Inc. ("Pink Sheets"), which is headquartered in this district. In addition, certain purchasers of the Issuers' shares during the Relevant Period were located in this district.

DEFENDANTS

9. **Wheeler**, age 43, is a resident of Victor, New York. He is the owner of the Website and controls North Coast, a New York limited liability company.

10. **The Website** is owned and controlled by Wheeler. During the Relevant Period, the Website purported to "have compiled a long list of successful stock picks . . . so that [investors] may create a portfolio of stocks that should provide … an overall winning percentage." During the Relevant Period, the Website's definition of itself included "its affiliates … officers, directors, representatives and agents." The Website is still operating and engaged in promoting securities.

RELIEF DEFENDANT

11. **North Coast** is a New York limited liability company that Wheeler controls. During the Relevant Period, Wheeler transferred at least $450,000 from his personal bank account to a bank account that Wheeler controlled on behalf of North Coast.

RELATED ENTITIES

12. **Solei** is a Florida corporation currently headquartered in Cleveland, Ohio. Solei purports to manufacture and distribute tanning booths and machines. Solei has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act and does not file reports under Sections 13(a) or 15(d) of the Exchange Act. During the Relevant Period, Solei's shares were quoted on the Pink Sheets. Solei was a "penny stock" as defined by the Exchange Act and rules thereunder.

13. **Infinity** is a Nevada corporation. Infinity purports to be a specialty healthcare company. Infinity has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act and does not file reports under Sections 13(a) or 15(d) of the Exchange Act. During the Relevant Period, Infinity's shares were quoted on the Pink Sheets. Infinity was a "penny stock" as defined by the Exchange Act and rules thereunder.

14. **Cannon** is a Delaware corporation. Cannon purports to be a mining and exploration company. Cannon has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act and does not file reports under Sections 13(a) or 15(d) of the Exchange Act. During the Relevant Period, Cannon's shares were quoted on the Pink Sheets. Cannon was a "penny stock" as defined by the Exchange Act and rules thereunder.

15. **China Jiangsu** is a Nevada corporation. During the Relevant Period, its principal place of business was in China. China Jiangsu purports to be a manufacturer and supplier of ball bearings. Since late 2008, the company has operated as Santana Mining, Inc. China Jiangsu has never registered an offering of securities under the Securities Act or a class of securities under the Exchange Act and did not file reports under Sections 13(a) or 15(d) of the Exchange Act.

During the Relevant Period, China Jiangsu's shares were quoted on the Pink Sheets. China Jiangsu was a "penny stock" as defined by the Exchange Act and rules thereunder.

FACTS

Introduction

16. In approximately 2005, Wheeler established the Website to promote "undervalued stocks that trade on the NASDAQ, OTCBB, and Pink Sheet Markets." In 2008, Wheeler claimed on the Website to "have compiled a long list of successful stock picks" and that "stocks trading in these markets can provide opportunities for 100% or greater returns, often happening in days not years." Wheeler also claimed on the Website that "[w]e find out the stocks that are going to be heavily promoted and alert you to them." Wheeler further claimed that the Website afforded investors the opportunity to "make a fortune" if those investors "get into the stock at the early phase of that promotional campaign."

17. At various times during 2007 and 2008, Wheeler used the Website to promote the Issuers' stock in return for undisclosed compensation in the form of millions of shares in the Issuers' stock.

18. Wheeler featured the Issuers' stock on the Website and posted lofty price targets for the stock without any reasonable basis for those targets.

19. Wheeler's and the Website's promotional efforts often resulted in dramatic, but temporary, increases in the volume of shares traded and the price of the Issuers' securities.

20. These temporary increases in volume and trading allowed Wheeler to sell his shares in the Issuers at a large profit, totaling approximately $2.95 million.

21. Wheeler and the Website failed to disclose in each instance that Wheeler had received stock, directly or indirectly, from the Issuers as compensation for his promotional efforts or the amount of stock he received in compensation, as required under the federal securities laws. Instead, the Website contained a representation that it had "been compensated by one or more third parties on behalf of the companies listed herein," followed by a list of several companies and the Website's compensation arrangement with those companies. During the Relevant Period, this list never included the Issuers. The Website thereby falsely conveyed that Wheeler received no compensation for its promotional activities with respect to the Issuers.

22. Wheeler and the Website also concealed from investors that Wheeler was personally selling shares in the Issuers' stock while he was promoting the same stock and recommending that investors buy it. The Website contained only a general disclosure that it "*may* at time [*sic*] hold positions in securities mentioned," "*may* make purchases or sales in such securities featured on [its] website," and "*may* sell its shares" (emphasis added). Wheeler and the Website never disclosed that in each instance, Wheeler was selling the Issuers' stock while touting them as "buys."

23. Wheeler and the Website repeated this pattern with each of the Issuers, as set forth in more detail below.

Solei Promotion and Sales

24. On or around May 28, 2008, Wheeler received approximately 1 million shares of purportedly unrestricted Solei stock directly or indirectly from Solei as compensation for promoting the stock.

25. On or around June 2, 2008, Wheeler and the Website began touting Solei's stock on the website. The Website rated Solei's stock as a "buy" and projected a "target price" of $10.00 when Solei's stock was then quoted for sale at approximately $1.60 per share.

26. Solei's volume increased by approximately 48,258%, and its price increased by approximately 33% from May 30 to June 2, 2008. Solei's stock price reached a high of approximately $1.70 on June 3, 2008, and later traded down to $0.09 on July 10, 2008. On July 11, 2008, the day after Wheeler stopped promoting Solei, the stock price decreased by approximately 50% to $0.045.

27. From approximately June 2 through July 10, 2008, Wheeler sold more than 194,000 Solei shares, generating more than $254,000 in profits.

28. During the Relevant Period, Wheeler and the Website never disclosed that Wheeler received shares of Solei's stock as compensation for the promotion, the amount of such compensation, or that Wheeler was selling Solei stock while recommending the stock as a "buy."

Infinity Promotion and Sales

29. Wheeler touted Infinity shares during two separate periods in 2007 and 2008, claiming that Infinity was a financing company that provides funding for the acquisition of facilities and equipment by medical and dental professionals.

30. Between approximately June 18 and August 28, 2007, Wheeler received approximately 1.3 million shares of purportedly unrestricted Infinity stock directly or indirectly from Infinity as compensation for promoting the stock.

31. On July 27, 2007, the Website recommended Infinity as a buy and posted a "long term target price" of $18.00, when the stock was trading at approximately $1.20 per share.

32. From approximately July through December 2007, Wheeler sold more than 380,000 Infinity shares from his personal account for approximately $1 million in profits.

33. From approximately May 20 to June 5, 2008, Wheeler received approximately 2 million additional shares of purportedly unrestricted Infinity stock directly or indirectly from Infinity as compensation for promoting the stock.

34. On approximately May 27, 2008, the Website began disseminating positive news about Infinity, including a recommendation of a "buy" and a "target price" of $1.70 from a "recent price" of $0.14. On May 27, 2008, Infinity's volume and price increased approximately 4,681% and 135%, respectively.

35. From approximately May through September 2008, Wheeler sold more than 839,000 Infinity shares for approximately $200,000 in additional profits.

36. During the Relevant Period, Wheeler and the Website never disclosed that Wheeler received shares of Infinity's stock as compensation for the promotion, the amount of such compensation, or that Wheeler was selling Infinity stock while recommending the stock as a "buy."

Cannon Promotion and Sales

37. On or around May 1, 2008, Wheeler received 1 million shares of unrestricted Cannon stock directly or indirectly from Cannon as compensation for promoting the stock.

38. On or around May 8, 2008, the Website began featuring Cannon's stock. On May 13, 2008, the Website recommended Cannon as a "buy," projected a "target price" of $10.00, and stated that Cannon had signed a "letter of intent" for an option to purchase a gold mine.

Wheeler's projected target price of $10.00 per share was approximately 792% higher than Cannon's closing price of $1.12 a few days earlier.

39. From approximately May through September 2008, Wheeler sold more than 774,000 Cannon shares for a profit of approximately $1.3 million. Wheeler's sales of Cannon stock on the day the Website began promoting it accounted for approximately 35% of the volume of shares traded that day.

40. Between May and September 2008, Wheeler and the Website never disclosed that Wheeler received shares of Cannon's stock as compensation for the promotion, the amount of such compensation, or that Wheeler was selling Cannon stock while recommending the stock as a "buy."

China Jiangsu Promotion and Sales

41. On or around June 5, 2008, Wheeler received 500,000 shares of purportedly unrestricted China Jiangsu stock directly or indirectly from China Jiangsu as compensation for promoting the stock.

42. On or around June 12, 2008, Wheeler began featuring China Jiangsu stock on the Website. Wheeler stated that China Jiangsu was a leading manufacturer and supplier of ball bearings and that it recorded revenues of $6.3 million in the first quarter of 2008. On June 12, 2008, China Jiangsu's volume and price increased approximately 320% and 20%, respectively. On June 13, 2008, the Website recommended China Jiangsu as a "buy" and projected a "target price" of $2.00 from a "recent price" of $0.12.

43. In approximately June 2008, Wheeler sold more than 540,000 China Jiangsu shares for approximately $56,000 in profits.

44. During the Relevant Period, Wheeler and the Website never disclosed that Wheeler received shares of China Jiangsu's stock as compensation for the promotion, the amount of such compensation, or that he was selling China Jiangsu stock while recommending the stock as a "buy."

Wheeler Gives Fraudulent Proceeds to North Coast

45. From approximately July 2007 through approximately September 2008, Wheeler caused at least $450,000 of his fraudulent proceeds to be transferred to North Coast. For example, in May and June 2008, Wheeler made profits of approximately $1.1 million from his undisclosed sales of Infinity and Cannon shares. Wheeler transferred the gains from his brokerage account to his personal bank account and then transferred $120,000 from his personal bank account to a North Coast bank account.

46. North Coast did not provide any legitimate services to Wheeler or the Website in exchange for this money, and North Coast has no legitimate claim to the funds.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a)(1) of the Securities Act
(Anti-fraud violations)

47. The Commission re-alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 46.

48. As described above, defendants Wheeler and the Website, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, employed devices, schemes and artifices to defraud.

49. The misstatements and omissions of fact alleged in this Complaint were material.

50. Wheeler and the Website knew or were reckless in not knowing that their

statements were false and misleading.

51. By reason of the activities herein described, Wheeler and the Website have violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

SECOND CLAIM FOR RELIEF
Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
(Material misrepresentations and omissions)

52. The Commission re-alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 46.

53. As described above, defendants Wheeler and the Website, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, (i) obtained 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, and (ii) engaged in transactions, practices or courses of business which have operated as a fraud and deceit upon purchasers of the Issuers' securities.

54. The misstatements and omissions of fact alleged in this Complaint were material.

55. By reason of the activities herein described, Wheeler and the Website have violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) & 77q(a)(3)].

THIRD CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Anti-fraud violations)

56. The Commission re-alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 46.

57. Wheeler and the Website, in connection with the purchase and sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce or of the mails, has employed devices, schemes or artifices to defraud; has made untrue statements of material fact and/or has 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 has engaged in acts, practices, transactions or courses of business which operate or would operate as a fraud or deceit upon investors.

58. The misstatements and omissions of fact alleged in this Complaint were material.

59. Wheeler and the Website knew or were reckless in not knowing that their statements were false and misleading.

60. By reason of the activities described herein, Wheeler and the Website have violated and unless restrained and enjoined will again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

FOURTH CLAIM FOR RELIEF
Violations of Section 17(b) of the Securities Act
(Anti-touting violations)

61. The Commission re-alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 46.

62. As described above, defendants Wheeler and the Website, by use of means or instrumentalities of interstate commerce or of the mails, gave publicity to a security for consideration received, directly or indirectly, from an issuer, without fully disclosing the receipt of such consideration and the amount thereof.

63. By reason of the activities described herein, Wheeler and the Website have violated Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

FIFTH CLAIM FOR RELIEF
(Disgorgement from Relief Defendant North Coast)

64. The Commission re-alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 46.

65. In the manner described above, North Coast received ill-gotten gains for which it gave no consideration and to which it has no legitimate claim.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently restraining and enjoining Wheeler, the Website, and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) & 77q(a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

II.

Imposing civil money penalties on Wheeler and the Website 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)].

III.

Ordering Wheeler, the Website, and North Coast to each provide an accounting and to each disgorge any ill-gotten gains they received, plus prejudgment interest thereon.

IV.

Permanently barring defendant Wheeler from participation in any offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock.

V.

Granting such other and further relief as the Court deems just and proper.

Dated: January 14, 2011
New York, New York

By: _____

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