

JUDGE CHIN

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GLENN GROSSMAN, LAWRENCE STEVEN COHEN,  
DAVID SCHMIDT, and JOHN ZANIC,

Defendants.

SEP 18 2008  
U.S.D.C. S.D. N.Y.  
CASHIERS

08 Civ. \_\_\_\_\_

COMPLAINT

**PRELIMINARY STATEMENT**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Glenn Grossman ("Grossman"), Lawrence Steven Cohen ("Cohen"), David Schmidt ("Schmidt"), and John Zanic ("Zanic") (collectively, the "Defendants"), alleges as follows:

1. The Defendants, all stock promoters, engaged in a fraudulent scheme to manipulate the market for the common stock of Guyana Gold, Corp. ("GYGC"), a publicly-traded gold mining and exploration company, by bribing registered representatives ("RRs") to purchase GYGC common stock in accounts over which the RRs had trading discretion.

2. More specifically, in approximately April 2008, The Defendants entered into an

agreement with an individual (“Individual A”), whom they believed represented a group of RRs with trading discretion over the accounts of wealthy customers. Defendants promised to pay a 30% kickback to Individual A and the RRs he represented in exchange for the RRs buying up to \$3 million in GYGC stock through their customers’ accounts. Unbeknownst to the Defendants, Individual A actually was an FBI agent posing as a stock promoter.

3. From May 1-5, 2008, in accordance with the illicit arrangement, Zanic instructed Individual A to submit orders to buy GYGC stock, and gave Individual A detailed instructions concerning the size, price and timing of those orders, as well as which market makers to contact for execution. In this way, Zanic was able to insure that all or almost all of individual A’s purchase orders were matched with Zanic’s sell orders at prices Zanic predetermined.

4. Between May 1<sup>st</sup> and May 5<sup>th</sup>, 2008, at Zanic’s instruction, Individual A caused the purchase of approximately 115,000 shares of GYGC stock for a total of approximately \$72,000. Thereafter, the Defendants paid Individual A bribes of almost \$14,000 for those purchases.

### **VIOLATIONS**

5. By virtue of their conduct, the Defendants violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

### **JURISDICTION AND VENUE**

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) of the Exchange Act, 15 U.S.C. §§ 78u(d), seeking permanently to enjoin the Defendants from engaging in the acts, practices and courses of business alleged in this Complaint. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains, if any, with prejudgment interest thereon. The Commission seeks a judgment ordering 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). The Commission also seeks an order prohibiting the Defendants from participating in an 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).

7. This Court has jurisdiction of 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.

8. Venue in this District is proper pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa, because certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within this District. For example, the purchases of GYGC stock for which the Defendants paid kickbacks were made in New York City.

9. The Defendants, directly or indirectly, have 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, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

**DEFENDANTS**

10. **Glenn Grossman**, age 33, is a stock promoter. He lives in Cedarhurst, New York.

11. **Lawrence Steven Cohen**, age 35, is a stock promoter. He lives in Cedarhurst, New York.

12. **David Schmidt** is a stock promoter.

13. **John Zanic** is a stock promoter who lives in Vancouver, British Columbia.

**RELEVANT ENTITY**

14. **GYGC** is a Nevada corporation with its offices located in Las Vegas, Nevada. GYGC's stock began trading publicly on February 7, 2008 and is quoted on the Pink Sheets. As of April 16, 2008, the company purportedly had 164,538,947 shares outstanding, 3,000,000 of which were unrestricted. GYGC's securities are not registered with the Commission.

**FACTS**

**A. Background**

15. GYGC, a development stage company, purports to be a gold and mineral exploration company.

16. According to an issuer information and disclosure statement that GYGC filed on

April 18, 2008 with Pink Sheets, LLC, GYGC conducted no operations during the fiscal years ended December 31, 2007 and December 31, 2006 and has never generated revenue.

17. GYGC common stock qualifies as a penny stock as it does not meet any of the exceptions from the definition of penny stock contained in Rule 3a51-1 of the Exchange Act.

**B. The Defendants Entered into an Illicit Arrangement**

18. Between April and August, 2008, Individual A represented himself to Grossman, Cohen, and Schmidt as a person who could arrange stock purchases by a group of RRs with discretion over the accounts of wealthy customers.

19. On April 17, 2008, Grossman, Cohen, and Schmidt offered to pay Individual A a 30% kickback in exchange for the purchase of \$2-3 million of GYGC common stock.

20. On April 25, 2008, Cohen introduced Individual A to Zanic, who confirmed to Individual A that the Defendants would pay a 30% kickback in exchange for the purchase of \$3 million of GYGC common stock.

21. Zanic agreed to complete a test transaction during which Individual A would purchase \$75,000 of GYGC stock.

22. Zanic also agreed to conceal the kickback from investors.

23. From May 1 to May 5, 2008, in accordance with the agreement, Zanic instructed Individual A to submit orders to buy an aggregate of 115,000 shares of GYGC stock for an aggregate purchase price of \$72,350. In order to ensure that Individual A's buy orders were matched with the Defendants' sell orders, Zanic gave precise instructions to Individual A concerning the size, price and timing of the buy orders, as well as which market makers to

contact in order to obtain execution.

24. As a result of Zanic's coordination of trading, all or almost all of Individual A's purchase orders for GYGC stock were matched against the Defendants' sell orders at prices Zanic prearranged.

25. On May 6, 2008, Zanic wired \$7,480 to Individual A as a portion of the 30% kickback that the Defendants had agreed to pay.

26. On July 17, 2008, after Individual A had complained to Grossman that Zanic had not paid the entire amount of the promised kickback, Grossman wired \$6,300 to Individual A and promised to wire the remaining portion separately.

27. Grossman, Cohen, and Schmidt agreed to conceal the kickback payments from investors.

28. On August 11, 2008, Zanic asked Individual A to purchase additional shares of GYGC stock in exchange for a 30% kickback.

29. Zanic agreed to conceal the kickback payments from investors.

30. However, Individual A did not purchase additional shares of GYGC stock.

### **FIRST CLAIM FOR RELIEF**

#### **Violations of Section 17(a) of the Securities Act**

31. The Commission realleges and incorporates paragraphs 1 through 30 by reference as if fully set forth herein.

32. The Defendants, directly or indirectly, singly or in concert, in the offer and sale of

securities, by the use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b) have obtained money or property by means of, or have otherwise made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in transactions, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon the purchasers of securities.

33. The Defendants knowingly or recklessly paid kickbacks in order to facilitate matched trading in GYGC common stock with the intent of manipulating the market for GYGC stock for the Defendants' unlawful benefit.

34. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

### **SECOND CLAIM FOR RELIEF**

#### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

35. Paragraphs 1 through 34 are hereby realleged and incorporated by reference.

36. The Defendants, directly and indirectly, singly or in concert, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange: (a) have employed, are employing, or are about to employ, devices, schemes, or artifices to defraud; (b)

have made, are making, or are about to make untrue statements of material fact, or have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) have engaged, are engaging, or are about to engage in acts, practices, or courses of business which operate, operated, or would operate as a fraud or deceit upon other persons.

37. The Defendants knowingly or recklessly paid kickbacks in order to facilitate matched trading in GYGC common stock with the intent of manipulating the market for GYGC stock for the Defendants' unlawful benefit.

38. By reason of the foregoing, Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again 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.

### **RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that this Court enter a final judgment:

#### **I.**

Permanently enjoining the Defendants from violating Section 17(a) of the Securities Act, 15 U.S.C. §77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. §§ 240.10b-5.

#### **II.**

Ordering Defendants to disgorge their ill-gotten gains, if any, plus prejudgment interest.

### **III.**

Imposing civil money penalties upon the Defendants 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).

### **IV.**

Prohibiting the Defendants 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).

### **V.**

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

Dated: September 18, 2008  
New York, New York



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