

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF ERIE

----- X

THE PEOPLE OF THE STATE OF NEW YORK :

By LETITIA JAMES, :

Attorney General of the State of New York, :

Plaintiff, :

-against- :

KEAN WIND TURBINES, INC. and KEAN W. :

STIMM :

Defendants :

----- X

Index No.:

VERIFIED COMPLAINT

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NATURE OF THE ACTION

1. Defendants Kean W. Stimm (“Stimm”) and Kean Wind Turbines, Inc. (“Kean Wind” or “KWT”), a company controlled by Stimm, defrauded over 400 residents of Western New York into investing a total of over \$3.5 million for the development and production of the so-called the “Newtonian Wind Turbine” from 2013 to today.

2. Stimm sold Western New Yorkers millions of dollars of securities even though Kean Wind was never registered as a dealer of securities, never registered its securities with the Department of Law, never filed a balance sheet nor profit and loss statement with the State, and never filed its offering prospectus with the State – all in violation of the Martin Act, New York General Business Law (“GBL”) §§ 352 *et seq.* and Executive Law § 63 (12). Indeed, Stimm continued to sell securities even after being informed through counsel that he was in plain violation of New York registration laws.

3. Stimm sold these securities through years of false and misleading statements to investors. Among others, he repeatedly misrepresented: the efficiency of already existing and deployed wind turbines manufactured by reputable companies, the time frame in which he would begin production, the risk of the investment (“[v]irtually zero risk with an incredible potential yearly return for 17 years”), and that he was a “volunteer” who took neither a salary nor “other compensation” for his work (in fact, he used the shareholder money for a penthouse apartment, a cruise, a piano, and a personal assistant, among other things).

4. To this day, a working Newtonian Wind Turbine has not been assembled, tested, certified, or manufactured, despite repeated promises by Stimm each year since 2013 that production was planned for “later this year.”

5. Indeed, notwithstanding the disaster emergency that Governor Cuomo declared on March 7, 2020, as a result of the spread of the coronavirus disease 2019 (“COVID-19”), Defendants have continued to offer and sell securities in violation of the Martin Act. In fact, this month Stimm asked investors for more money that would allow him to “continue marketing promotions to persons and politicians in the energy business,” during the emergency shut-down.

6. On March 31, 2020, Stimm sent a letter to his shareholders stating that “we will use this shut down period to continue marketing promotions.” Stimm urged current shareholders to help identify new prospective shareholders. When those new prospects are found, said Stimm, “I will give them a personal presentation at the office with a six foot separation with just one other person present.” Stimm also invoked patriotism during this time of crisis: “Our nation cannot recover without abundant low cost energy Energy from wind . . . is free.”

7. In the same letter, Stimm also outlined a “plan for bringing in the needed cash.” This plan consisted of finding “potential new shareholders who would buy the shares of current shareholders. We have seven shareholders who have asked us to bail them out and most appear to be genuine hardship cases.” New investors would buy out old investors and will have to buy an additional \$4,000 of “royalty certificates,” which Stimm describes as “preferred shares.” Bringing in new investors to cash out old investors is the hallmark of a Ponzi scheme. Stimm claims that successfully cashing out these current investors will “carry us until the virus has hopefully abated.”

8. Stimm further claimed to have conducted an online Zoom presentation to a “very large potential investor,” who could potentially purchase up to \$250,000 of “royalty certificates.” He further claimed that he has “others coming up.”

9. And just last week, on April 22, 2020, Stimm sent a letter to investors telling them that “we need your enthusiasm and your continued investment in Certificates for Future Royalties.” Stimm extended his offer to sell certificates in a “Two for One” special, telling investors to “[s]end us a check, we will do the paper work and return the documents to you. What you invest now has the potential to become a very remarkable investment.”

10. Stimm’s persistent and ongoing violation of New York’s securities laws warrants an immediate injunction.

PARTIES

11. Plaintiff Letitia James is the Attorney General of the State of New York. The State of New York has an interest in upholding the laws of the State, and the New York State Office of the Attorney General (the “OAG”) is charged with enforcing those laws. The Martin Act protects New Yorkers from fraudulent investment-related conduct. The Martin Act empowers the OAG to commence a civil action seeking legal and equitable relief for the use of fraudulent practices in the issuance, exchange, purchase, sale, promotion, negotiation, advertisement, investment advice, or distribution of securities in or from New York State. New York Executive Law § 63(12) empowers the Attorney General to seek restitution, damages, injunctive relief and costs when any person or business entity has engaged in repeated fraudulent or illegal acts or has otherwise demonstrated persistent fraud or illegality in the carrying on, conducting or transacting business. The OAG brings this action on behalf of the People of the State of New York pursuant to, among other authorities, the Martin Act and Executive Law § 63(12).

12. Defendant Kean Wind is a “C” Corporation, incorporated in New York State in March 2011. Kean Wind is located in Williamsville, New York.

13. Defendant Stimm is the founder of Kean Wind, and from its inception through January 31, 2020, was its Chief Executive Officer and its sole director. Upon information and belief, Kean Wind has never had a formal board of directors but at one time had an “Advisory Board,” which advised Stimm, but could not overrule him.

14. Stimm has full and exclusive control over Kean Wind and maintains voting control of the company. Stimm operated and managed Kean Wind out of his apartment and his office, both of which are also located in Williamsville, New York.

JURISDICTION

15. The Court has jurisdiction over the subject matter of this action, personal jurisdiction over the Defendants, and authority to grant the relief requested pursuant to the Martin Act and Executive Law § 63(12).

16. The Attorney General is authorized to bring this action and to assert the causes of action set forth below pursuant to the Martin Act and Executive Law § 63(12).

17. Substantially all of Stimm’s misconduct and misrepresentations took place within or from the State of New York.

18. All of Stimm’s solicitations, offers, and sales of Kean Wind’s shares, certificates of future royalties, and promissory notes, took place within or from New York State.

19. Pursuant to C.P.L.R. § 503 venue is proper in Erie County because Defendants reside in this county.

FACTUAL ALLEGATIONS

I. AFTER TEN YEARS IN DEVELOPMENT, A WORKING NEWTONIAN WIND TURBINE HAS NOT BEEN PRODUCED

20. In or around 2009, Stimm invented the Newtonian Wind Turbine. Stimm claims that his “revolutionary” invention will supplant traditional three-blade wind turbines. Kean Wind’s website purports to describe the invention’s advantages:

The Newtonian Wind Turbine is an engineering breakthrough that will dramatically increase the amount of energy we extract from the wind. These turbines convert over 40% of the energy in the wind to useful electrical power, as compared to 1/2 of 1% from typical windmills. Further, they utilize double the energy available in the wind speed spectrum. Effectively, the Newtonian Wind Turbine converts over 100 times more of the available wind energy than conventional windmills.¹

21. On November 29, 2010, Stimm conducted a test of the engineering prototype for “proof of principle” of a one-meter turbine at Calspan Corporation’s small wind tunnel.

22. Stimm patented his invention, and in or around 2013 began work on the three-meter turbine, which he intended to market to retail consumers, small businesses, and farmers. In 2016, after years of drafting and redesigning, a three-meter turbine prototype was finally built.

23. However, by the time the three-meter turbine was built, Stimm decided that it was already “obsolete” because it provided an inadequate return on investment. As a result, the three-meter prototype was tested only minimally at a shareholder’s property. Despite Stimm’s claim to investors that this prototype “worked as expected,” upon information and belief, this prototype exhibited serious flaws.

¹ <https://www.keanwindturbines.com/about> (last accessed on 4/26/2020).

24. The flaws were never remediated because Stimm abandoned the three-meter turbine in favor of the four-meter turbine, which he intended to sell directly to utility companies.² To date, over ten years since its invention, a working Newtonian Wind Turbine has not been assembled, tested, certified, or manufactured.

II. DEFENDANTS VIOLATED NEW YORK STATE REGISTRATION LAWS AND OFFERED AND SOLD UNREGISTERED SECURITIES TO INVESTORS

25. Stimm and Kean Wind have sold unregistered securities to the public in violation of New York registration requirements since at least 2013. By 2020, Kean Wind had approximately 435 investors, all from Western New York, from whom Stimm raised over \$3.5 million.

26. The Martin Act, GBL § 359-e *et seq.*, specifies the registration requirements for selling securities and acting as a dealer of securities in New York. GBL § 359-e, titled *Definition. Registration requirements*, requires that Kean Wind register as a “dealer” and file a “state notice” and “further state notice” with the department of state before engaging in sales of securities within New York State. Kean Wind failed to satisfy any of the requirements of § 359-e during the seven years it was engaged in sales of securities to New Yorkers.

27. Furthermore, Kean Wind’s securities were subject to the securities registration requirements of GBL § 359-ff, titled *Registration of Intra-State Offerings*, because they were offered and sold exclusively to New York State residents. According to Kean Wind’s website, all shareholders of Kean Wind “are required to have had residence within the eight Western counties of New York at the time they acquired stock.” Kean Wind also required that “[s]tock

² Stimm’s current business plan to sell the four-meter utility grade turbines directly to utilities is untenable in New York, because utilities in New York State are not permitted by law to own small wind turbines. Stimm is aware that utility companies in New York would be unable to purchase his turbines without special permission from the state or amendments to the existing law.

cannot be sold without the approval of the corporation to limit investors from outside Western New York.” Similarly, according to the Private Placement Memorandum, “[t]he offering is restricted to residents of the State of New York and, specifically, within the 8 counties of Western NY...Transfer of stock is restricted and may not be transferred to any person or entity not a resident of the State of New York.”

28. Having offered and sold securities in Kean Wind exclusively within the State of New York, Defendants must comply with the securities registration requirements of GBL § 359-ff, which makes it “unlawful for any person, directly or indirectly, to offer or sell any security which is part of an issue offered and sold only to persons resident within this state unless an offering prospectus which makes full and final disclosure of all material facts if first filed by the issuer of such security with the department of law.”

29. Another requirement of GBL § 359-ff (1) is the filing with the OAG of the balance sheet and profit and loss statement of the company “prepared in accordance with generally accepted accounting principles.” Stimm failed to file either document with the OAG and failed to provide Kean Wind’s investors with an updated offering prospectus or financial statements prepared in accordance with generally accepted accounting principles.

30. Kean Wind and Stimm violated the Martin Act by failing to register Kean Wind and its securities offerings in accordance with GBL §§ 359- e and 359-ff.

31. In the summer of 2019, the OAG communicated to Stimm via his counsel that Stimm was in violation of New York securities registration laws. Stimm continued to sell unregistered securities, this time in the form of certificates of future royalties.

32. Kean Wind offered and sold “certificates of future royalties” for \$1,000 each via a Royalty Assignment Agreement. This agreement explains that certificates “pay a fixed

percentage of royalties as received by the Corporation less any applicable taxes, payable monthly.” The payment structure is explained in the following way:

The fixed percentage of future royalties is .01 of 1% which is .0001 of the royalties received for each Certificate. For example, if the royalties from one typical Licensee producing 4 turbines a day, 1,000 per year, were \$10,000,000, the shareholder would receive \$1,000 times the number of his certificates... The shareholder also receives similar royalties from all other licensees as a total accumulated royalty payment.

33. In the fall of 2019, Stimm devised yet another way of getting new shareholders to invest in Kean Wind without registering with the OAG:

A prospective future shareholder can loan me money personally. I give them a promissory note for the amount and a personal promise that they will get the certificates when it is legally possible in exchange for cancelling the note. We used this same technique when we first started six years ago.

34. Stimm has admitted that ten individuals purchased Kean Wind certificates in this way by loaning Stimm \$68,000, which he “endorsed over to Kean Wind Turbines, Inc. as a temporary loan.”

35. Certificates of future royalties, as well as promissory notes, constitute securities under the Martin Act.

36. In a letter to shareholders dated February 25, 2020, Stimm admitted that Kean Wind was never registered as a “dealer,” nor were Kean Wind’s securities registered with the State of New York in violation of GBL §§ 359-e and 359-ff. Stimm also admitted failing to file Kean Wind’s offering prospectus and “P&L statements” with the OAG.

37. Yet, in the same letter, Defendants declared their intention of continuing to violate the law:

we have a new idea ... It is to sell the stock of any shareholder who needs cash. To make this work, an outsider would buy the current shareholders investment and then pay an equal amount to the corporation for certificates. We have four prospects and it should help.

38. Stimm reiterated this intent in his letter to shareholders on March 31, 2020, stating that “potential new shareholders ... would buy the shares of current shareholders. We have seven shareholders who have asked us to bail them out and most appear to be genuine hardship cases.” New investors would buy out old investors and be forced to buy an additional \$4,000 of “royalty certificates,” which Stimm describes as “preferred shares.” Stimm urged current shareholders to help identify new prospective shareholders. When those new prospects are found, said Stimm, “I will give them a personal presentation at the office with a six foot separation with just one other person present.”

39. In his April 22, 2020 letter to investors, Stimm stated that “If we sell the stock for you, we can make some revenue, but of course, you can always sell your own stock to a local investor.”

40. Kean Wind’s and Stimm’s offer and sales of unregistered securities in New York violate the Martin Act. Such repeated sales also constitute persistent fraud and illegality under Executive Law § 63(12). Stimm and Kean Wind must be enjoined from continuing to violate New York registration laws by selling unregistered securities.

III. STIMM MADE NUMEROUS MATERIAL MISSTATEMENTS AND OMISSIONS TO KEAN WIND’S SHAREHOLDERS

41. Since 2013, Stimm repeatedly misrepresented to investors the timing and progress of the turbine development, the value of the patent, and the use of proceeds, among other misstatements. Stimm’s misrepresentations were made during his private meetings with potential investors, in a periodic letter to shareholders called “*The Newtonian*,” in other shareholder letters and publications, and in the press. Defendants also made material misrepresentations in the Confidential Private Placement Memorandum dated November 2015 which was distributed to all new shareholders through 2019. All shareholders executing the

Stock Purchase Agreement were required to acknowledge receipt and review of the Private Placement Memorandum.

A. Stimm made material misstatements about the efficiency of the Newtonian Wind Turbine as compared to the existing three-blade turbines

42. Stimm repeatedly and falsely stated that his Newtonian Wind Turbine is the most efficient wind turbine in existence and is fifty to one hundred times more efficient than the currently operating three-blade turbines, such as those manufactured by General Electric, Siemens, Vestas Wind Systems, and other large manufacturers. Stimm repeatedly misrepresented the efficiency of existing wind turbines, contending that they had a far lower efficiency rating than they actually have. He similarly misrepresented the efficiency of his own invention, for which the actual data does not even exist.

43. Specifically, throughout the years, Stimm has falsely claimed that the efficiency of the conventional three-blade turbine is 1% while the efficiency of his Newtonian Wind Turbine is 50%. For example, in his brochure titled *The Revolutionary Kean Newtonian Wind Turbine*, he calls his invention “A Major Engineering Breakthrough 50x More Efficient Than A Three-Blade Windmill.”

44. In a publication to shareholders dated February 21, 2018, titled *How Does the Newtonian Wind Turbine convert over 100 times more of the wind’s energy to useful power?* Stimm claimed: “Thus 1% vs. 50% means the Newtonian is 50 times more efficient. The ability to double usage of the wind energy wind speed spectrum equates to 100 times greater overall efficiency.”

45. As to the efficiency of conventional, existing, three-blade turbines, the New York State Energy and Research Development Authority (“NYSERDA”) and the U.S. Department of Energy rate their efficiency at 40% or greater -- not 1% as Stimm falsely tells investors -- but

Stimm chose not to disclose that to the shareholders when he was advertising that his yet unbuilt turbine was fifty to one hundred times more efficient. That means that *theoretical* efficiency of Stimm's four-meter turbine (not yet completed, let alone tested), derived from a test of a small 1-meter model, is comparable to the existing three-blade turbines, not 50 or 100 times greater, as Stimm claims.

46. Stimm's misstatements about the comparative efficiency of his Newtonian Wind Turbine were material to Kean Wind shareholders, many of whom lack engineering sophistication to do independent research on this issue.

B. Stimm made material misstatements about the timing of the production of the Newtonian Wind Turbine

47. Stimm made material misstatements about the timing of production for the Newtonian Wind Turbine on Kean Wind's website over six years. From 2013 through August of 2018, the website stated "[p]roduction planned for later this year." Production has still not taken place. Given the necessary time to begin a sophisticated manufacturing process, Stimm knew that production was not mere months away at any time of the many times that he represented that it was. Indeed, Stimm has recently stated that "production drawings ... can take years." This renders his prior statements that production was to take place "later this year" false and misleading. Additional fraudulent representations about timing are contained in Appendix I.

48. The Private Placement Memorandum from 2015 also contains material misstatements and omissions about the timing of the turbine development. It states that Kean Wind is in "the final Developmental Stage," however, this "final Development Stage" has lasted for over four years.

49. Similarly, the Private Placement Memorandum states that "the final assembly and testing are being worked on simultaneously with an end date of about six months" and "[f]inal

testing outdoors is being arranged for the winter of 2015-2016.” These statements are also materially misleading as nothing has been produced or tested to date.

50. Misstatements about the timeline of the turbine’s production were material because they indicated that shareholders would be able to reap their profits in short order.

C. Stimm misrepresented the level of risk of investing in Kean Wind

51. Stimm falsely claimed in a letter to shareholders dated 2017, titled *An Extraordinary Investment Consideration*, that investment in Kean Wind carried “[v]irtually zero risk with incredible potential yearly return for 17 years” despite failing to manufacture or sell a single working turbine.

52. Similarly, in an October 2019 letter to shareholders soliciting funds, Stimm stated: “We doubt that you can find any other investment that even comes close for low risk and high return.”

53. In his April 22, 2020 letter, Stimm wrote that “For us, in contrast with the stock market, there is no gambling casino betting on stock price, since ours is always constant and cannot be manipulated.”

54. When questioned about his claim that an investment with Kean Wind was “virtually zero risk” during his Martin Act testimony, Stimm refused to answer the question, purportedly on the grounds of attorney client privilege, even though that privilege was inapplicable. An unprivileged refusal to provide answers is an independent violation of the Martin Act. *See* GBL § 352(4).

55. Four days after refusing to answer the OAG’s question, Stimm nevertheless repeated his fraudulent claim that an investment in Kean Wind is “virtually zero risk.” In a letter

to shareholders dated December 16, 2019, Stimm declared that certificates of future royalties are “truly a major investment opportunity with little risk due to the significant patent value.”

56. Not only is the statement that shareholders face “virtual zero risk” false and misleading, but it also flatly contradicts provisions of the Private Placement Memorandum which state in the very first paragraph that “[t]he shares (securities) offered hereby involve a high degree of risk (see risk factors).”

57. Stimm, however, quickly dismissed the language of the Private Placement Memorandum, admitting that all new shareholders were told that “the PPM was not up to date,” and that the Private Placement Memorandum was “for new shareholders written by our attorneys and has no connection or relationship to Newsletters.” In his February 25, 2020 letter to shareholders, he again reiterated that “[f]or existing shareholders, it is true that it has provided, unassailably, virtual zero risk.”

58. Stimm’s false statements about lack of risk in the investment were material to investors.

D. Stimm made material misrepresentations about the successful testing and sale of the three-meter prototype

59. Stimm made false statements to investors about the first sale of a turbine in 2016. Specifically, in March of 2016, Kean Wind tested a pre-production prototype turbine in Ashford, New York, at a site provided by one of its shareholders. This shareholder paid \$500 for the turbine, which remained on his property but was taken down a few months after the test. In a letter to shareholders dated March 30, 2016, Stimm falsely described this event as “the sale and installation of our first turbine in Ashford, NY.” Similarly, in a letter to shareholders on March 28, 2016, Stimm again falsely labeled the test as the first “sale” of his turbine: “The actual sale of

our first turbine was completed last week and is now installed by a customer in the Springville, NY area.”

60. Stimm has since admitted that describing this transaction as a “sale” was misleading. On February 25, 2020, he wrote: “This criticism is essentially justified. A shareholder offered to buy it as a gesture of helping by putting it in storage and we accepted it.”

61. Stimm similarly made false statements about the success of the tests and the imminence of production. For example, in March 2016, he falsely stated to investors that “[w]e expect to start limited production in late June 2016.” In a *The Newtonian* letter to shareholders dated September 1, 2016, he stated that the turbine “met all of the tests just as anticipated.” On another occasion, on November 19, 2019, Stimm stated to shareholders that “Our 3 meter turbine was completed and tested outdoors and passed all of the tests.”

62. In truth, upon information and belief, the turbine was tested for a very short time period, did not begin to produce power until the wind reached higher speeds than projected, failed to automatically turn into the wind as it was expected to do, and had to be physically turned into the wind with ropes.

63. In addition, the start date for a limited production in June 2016, just three months after the test, was false. At the time of the test, Stimm had already determined that this model prototype was “obsolete.” The year before, Stimm had decided that the prototype tested was not economically viable and moved on to designing a new version. Since the new model was only in the design stage at the time of testing, Stimm knew or should have known that “limited production in June 2016,” just three months later, was impossible.

64. Stimm’s misstatements about the successful tests and the first sale of the three-meter turbine were material to the shareholders who, after years of waiting for return on their

investment, were eager to see a working product and a prospect of the turbine's commercial viability.

E. Stimm misled shareholders about the reasons for NYSERDA's rejection of Stimm's grant application

65. In 2017 Stimm applied for a grant from NYSERDA, was rejected, and lied to shareholders about the reasons for the rejection.

66. Shareholders, faced with constant solicitations for more funds, repeatedly encouraged Stimm to apply for grants to finance the development of the turbine. In 2017, he applied for such grant from NYSERDA. NYSERDA rejected Stimm's application, writing that:

The technology underlying the "Newtonian Wind Turbine" is not described, however its claimed efficiency of 50% does not significantly exceed measured efficiencies of existing turbines ... The utility mentioned in the proposal has not signed on as a project team member, and there is no indication offered that it would support the project or its objectives. The project plan is not described, and the six-month schedule seems unrealistic.

67. Stimm made false statements to shareholders about NYSERDA's reasons, stating at an October 17, 2018 shareholder meeting that NYSERDA "said, effectively, no consideration until after certification." Stimm's claims that NYSERDA denied him a grant because the turbine was not certified were false. In fact, "certification" does not even appear in NYSERDA's rejection email. Stimm's misrepresentation and omissions of the reasons for NYSERDA's rejection of his grant application are material because NYSERDA's rationale directly contradicted false representations Stimm had been making to investors for years.

F. Stimm made material misstatements about Kean Wind's net worth and grossly inflated the value of its patent

68. Stimm made material misstatements about the value and the assets of Kean Wind. In *The Newtonian*, dated September 1, 2016, Stimm stated: "After five years, the corporate net

worth, which includes the very valuable engineering drawings, plus a half interest in the patent upon Kean's demise, is greater than the total investment of all shareholders."

69. In his May 15, 2019 *Newtonian*, Stimm stated that "[o]ur net worth (on paper) has gone up every year and is now over one million dollars. We use Double Entry G.A.A.P. rules exclusively." In truth, Stimm manipulated the format of Kean Wind's financial statements to inflate its net worth on paper. For example, in financial statements presented to shareholders in 2015, "Technology investment," classified as an asset, is calculated including half of administrative salaries, rents, insurance, utilities and 100% of engineer salaries and "Total Net Worth" at March 31, 2015 was \$831,933 (the same as total assets). According to Stimm, "[a] financial statement required for the IRS is totally useless for us while developing our product. The very special statement we use to study our costs was developed by Kean, 30 years ago."

70. Stimm also made numerous material misstatements about the value of the patents for the Newtonian Wind Turbine.

- In the April 1, 2018 *Newtonian*, Stimm stated: "Our patent attorneys told us a patent filed in 52 countries could be worth \$8.6 million. They added the patent would be worth ten times that amount after certification."
- According to notes of minutes of shareholder meeting on October 17, 2018, Stimm stated: "We have net worth, patent is worth \$8.6 million, spent 260,000 on patent. Patent is worth \$100,000,000...Patent Attorney says amount what is worth. (*sic*)"
- During the shareholder meeting on November 19, 2019, Stimm stated that the patent is valued at \$7,500,000. This, Stimm alleges is "easily proved by the patent attorney's own written statement. The value was based on the population of each of the 52 countries where we filed our patent."

71. Upon information and belief, the statements about the value of the patent are false and misleading. Stimm failed to produce any evidence of his attorneys' valuation of the patents.

Meanwhile, on the Balance Sheet Standard for December 31, 2018, Kean Wind valued the patent at approximately \$280,000, which included engineer salaries and patent and other expenses.

72. Stimm's statements about the inflated value of the company and the patent were materially misleading because shareholders wanted to know that risk of their investment in Kean Wind was at least in part mitigated by the value of the company assets.

IV. STIMM TREATED KEAN WIND AS HIS PERSONAL PIGGY BANK

73. In an issue of *The Newtonian*, dated May 20, 2019, Stimm stated: "When a shareholder purchases a corporate asset in the form of a "Certificate," *every penny of cash received goes to complete this project.*" (emphasis in the original). Stimm also repeatedly told the shareholders that he was a "volunteer" and that he did not receive a salary or "other compensation" from the company. In fact, Stimm used shareholder funds to pay for his personal expenses – including a penthouse apartment, a cruise, and the purchase of a piano. Stimm now admits to taking \$48,000 annually from the company's accounts to cover his rent, personal aide, meals, medical and entertainment expenses.

74. Stimm has repeatedly stated at shareholder meetings and in his communications with shareholders that he does not receive a salary and that he volunteers his time to work on the wind turbine. A section in the Private Placement Memorandum titled "Arrangements with Officers and Directors and Key Personnel" states that "[t]here is no compensation at present until the Corporation produces a profit."

75. For example, during the October 17, 2018, meeting shareholders asked whether Kean Wind paid for Stimm's rent, doctors' visits, and personal homecare aid. Stimm falsely stated that "no personal expenses of Kean are paid by KWT." On November 14, 2018, two months after that shareholder meeting, Stimm (presumably in his capacity as the sole director of

Kean Wind) executed a “Replacement Agreement” with himself, which stated that a misplaced original agreement

postulated that Kean would forego any salary in return for KWT providing an auxiliary office for Kean that would permit Kean to do critical creative work at all hours and particularly evenings and weekends... It was further stipulated that this auxiliary office would be a suitable living facility...It was anticipated that there would be special meetings at this location involving KWT staff and special visitors...Since the original agreement, Kean has suffered a serious balance problem about October 2015 that requires a special assistant. The special assistant provides all meals, does the basic shopping and runs required errands...the corporation has agreed to provide the services of a special assistant but... does not include Kean’s personal expenses for food...

76. According to Stimm, the original agreement was stolen by a former employee in 2012. Stimm was unable to explain why this “Replacement Agreement” was not drafted until after he was questioned by shareholders in October 2018 about Kean Wind paying for his personal expenses. Stimm admitted that this agreement was never disclosed to the shareholders.

77. Despite Stimm’s repeated assertions over the years that he takes care of his own expenses, Kean Wind paid for Stimm’s “personal aide,” who cooked him meals and did his shopping, since at least November 2015 and has paid for his apartment (which Defendants’ own documents refer to as “the penthouse”) since at least 2013. The chart below illustrates some of Stimm’s personal expenses paid for by Kean Wind in 2013- mid - 2019:

Medical Expenses (medical co-pays, dental expenses, etc.) ³	\$10,476
Car Expenses	\$10,813
Norwegian Cruise Line	\$2,134
Piano	\$1,943
Penthouse rent	\$126,780
Personal aide	\$82,754
Miscellaneous personal expenses	\$7,514
Approximate total	\$242,414

³ No payments for medical insurance for Stimm or any employees of Kean Wind are included in this calculation.

78. In a letter to shareholders dated February 25, 2020, Stimm, during the Attorney General's investigation into his fraud, finally admitted that Kean Wind paid his personal expenses for years and that "the annual cost averages about \$48,000 per year and is considered a deductible business expense for the company." He also admitted that he purchased a piano and a cruise with Kean Wind funds.

79. In a letter to the OAG (through counsel), on January 20, 2020, Defendants promised not to use Kean Wind's funds for Stimm's personal expenses. However, to this day, Stimm continues to use the shareholder funds as his personal piggy bank. Since February 1, 2020, Stimm spent at least \$6,515 of Kean Wind's funds on rent, personal aide and medical expenses.

80. Stimm's repeated false statements that he was a "volunteer" and that he did not receive a salary or "other compensation" -- when in fact he took over a quarter of a million dollars over six years -- were material. He made these statements to gain the trust of prospective investors, to demonstrate that all the funds raised went to the development of the turbine, and to convince investors to invest more of their money.

CAUSES OF ACTION

I. FIRST CAUSE OF ACTION

Scheme to Defraud and other Fraudulent Practices

(Martin Act Securities Fraud - General Business Law §§ 352 *et seq.*)

81. The Attorney General repeats and re-alleges the paragraphs above as if fully stated herein.

82. The acts and practices of the Defendants alleged herein violated Article 23-A of the General Business Law, in that they constituted a scheme to defraud and other fraudulent practices as defined in General Business Law §§ 352 *et seq.*

II. SECOND CAUSE OF ACTION

Material Misstatements and Omissions

(Martin Act Securities Fraud - General Business Law §§ 352 *et seq.*)

83. The Attorney General repeats and re-alleges the paragraphs above as if fully stated herein.

84. The acts and practices of the Defendants alleged herein violated Article 23-A of the General Business Law, in that Defendants made, or caused to be made, representations or statements which were false, where (i) they knew the truth, or (ii) with reasonable efforts could have known the truth, or (iii) made no reasonable effort to ascertain the truth, or (iv) did not have knowledge concerning the representations or statements made or where Defendants made material omissions, where said representations, statements or omissions were engaged in to induce or promote the issuance, distribution, exchange, sale, negotiation, or purchase within or from this state of securities.

85. The acts and practices of the Defendants alleged herein violated Article 23-A of the General Business Law, in that they involved the use or employment of a fraud, deception, concealment, suppression, or false pretense, where said uses or employments were engaged in to induce or promote the issuance, distribution, exchange, sale, negotiation, or purchase within or from this state of securities.

III. THIRD CAUSE OF ACTION

(Persistent Fraud and Illegality – Executive Law § 63(12))

86. The Attorney General repeats and re-alleges the paragraphs above as if fully stated herein.

87. The acts and practices of the Defendants alleged herein constitute conduct proscribed by § 63(12) of the New York Executive Law, in that Defendants (a) engaged in repeated fraudulent acts and otherwise demonstrated persistent fraud and (b) engaged in repeated illegality by repeatedly violated the Martin Act in the carrying on, conducting or transaction of business within the meaning and intent of Executive Law § 63(12).

IV. FOURTH CAUSE OF ACTION

(Martin Act New York Registration Provisions – General Business Law § 359-e)

88. The Attorney General repeats and re-alleges the paragraphs above as if fully stated herein.

89. The acts and practices of Defendants alleged above violated New York General Business Law § 359-e insofar as Kean Wind is subject to GBL § 359-e and failed to register as a “dealer” and failed to file a “state notice” and “further state notice” under that section.

V. FIFTH CAUSE OF ACTION

(Martin Act New York Registration Provisions – General Business Law § 359-ff)

90. The Attorney General repeats and re-alleges the paragraphs above as if fully stated herein.

91. The acts and practices of Defendants alleged above violated New York General Business Law § 359-ff insofar because they failed to register Kean Wind’s intra-state offerings

of securities and file an offering prospectus, balance sheet and profit and loss statement with the OAG.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Permanently enjoining all Defendants and their principals, agents, and employees from violating the Martin Act, Article 23-A of the General Business Law, and Executive Law § 63(12) and from engaging in the fraudulent, deceptive and illegal acts alleged herein;

B. Permanently enjoining Kean Stimm from engaging in any business related to the issuance, distribution, exchange, advertisement, negotiation, purchase, investment advice, or sale of securities within or from this state;

C. Directing Defendants to pay damages caused, directly or indirectly, by the fraudulent and deceptive acts and repeated fraudulent acts and persistent illegality complained of herein plus applicable pre-judgment interest;

D. Directing Defendants to disgorge all amounts obtained in connection with or as a result of the violations of law alleged herein, all moneys obtained in connection with or as a result of the fraud alleged herein;

E. Directing Defendants to make restitution of all funds obtained from investors in connection with the fraudulent and deceptive acts complained of herein;

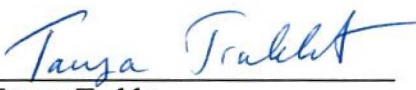
F. Directing rescission of all shareholder Stock Purchase Agreements;

G. Directing Defendants to pay penalties for each instance of offer and sale of securities while unregistered in accordance with New York law; and

H. Granting such other and further relief as may be just and proper.

Dated: New York, New York
April 27, 2020

LETITIA JAMES
Attorney General of the State of New York

By: 
Tanya Trakht
Christopher L. Boyd
Assistant Attorneys General

Peter Pope
Chief of the Investor Protection Bureau
28 Liberty Street
New York, New York 10005
Tel.: (212) 416-8457

Counsel for the People of the State of New York

VERIFICATION

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.:

TANYA TRAKHT, being duly sworn, deposes and says: I am an Assistant Attorney General in the office of Letitia James, Attorney General of the State of New York, and am duly authorized to make this verification.

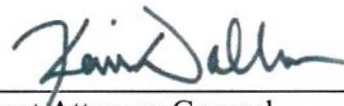
I have read the foregoing complaint and know the contents thereof, and the same is true to my own knowledge, except as to matters therein stated to be alleged on information and belief, and as to those matters I believe them to be true.

The reason this verification is not made by Plaintiff is that Plaintiff is a body politic. The Attorney General is Plaintiff's statutory representative.



TANYA TRAKHT

Sworn to before me this
27th day of April, 2020



Assistant Attorney General
of the State of New York

APPENDIX I**Sample of Misleading Representations Made by Kean Stimm and Kean Wind Turbine Inc.
Regarding Production Timeline of the Newtonian Wind Turbine**

Date	Source	Statement
5/1/2014	<i>Ellicottville Times</i>	“Assuming testing of the prototype is successful...production can begin as early as this fall in the new assembly plant in Ashford, Cattaraugus Country.”
10/27/2014	Notes of Shareholder meeting	“[T]he huge engineering effort is largely complete with drawings.” “Manufacturing is expected next year [2015].” “Our current goal is to start production by March or April [2015].”
3/20/2015	Letter to shareholders	“It is expected that we will start by June 2015 and ramp up slowly to one turbine per day by early fall.”
Fall 2015	The Newtonian	“We have started the process of ordering parts and components for the start of production beginning in about three months...”
3/17/2016	The Newtonian	“We expect to do the final testing of the four meter turbine at Calspan in a few months and secure final certification at that time.... It is our intention to begin very limited production this summer in our pilot plant...”
9/1/2016	The Newtonian	“We completed the engineering design work for our Four Meter Turbine a month ago and a team of us has been reviewing all 200 plus drawings for consistency and to be sure that all parts will work with each other and conform to our standards...This intensive review has tuned up a few necessary revisions involving about 30 drawings. This work is now about complete.”
10/19/2016	Notes of Shareholder meeting	“Kean said all the engineering is done [for 4 m]. Kean said it will be built in spring/early summer [2017].”
2/22/2017	Letter to shareholder	“Our current efforts during the past several months and continuing on for perhaps another month or two, is an intensive review of all production drawings...the critical and basic engineering was completed last year and our pre-production model was built and successfully tested ... With shareholder help we can start production this summer [2017].”
7/27/2017	Notes of Shareholder meeting	“We have been working on new drawings – since beginning of 2017 (about 200 drawings). Drawings keep our cost down if they are done correctly. We believe we are 3-4 weeks away from having the drawings done. Our turbine will get into production next year [2018].”
1/7/2018	Shareholder newsletter	“We are well on our way to assembling the production model to be delivered to Calspan for testing. The appropriate staff and facilities are in place and most of the materials and component parts are either here or on their way... probable September test date is anticipated.”

Date	Source	Statement
4/1/2018	The Newtonian	"We've started the process for Calspan certification ... Our goal is to have the certification completed by the end of July [2018]."
6/8/2018	Letter to shareholders	"We are still placing purchase orders for parts and components needed to produce the first production turbine for certification at Calspan. ... We hope to have everything in by late July and then about two weeks to assemble."
8/1/2018	<i>Solving Our Looming Energy Crisis</i> Brochure	"Final certification tests are in process."
8/30/2018	<i>Buffalo Business First</i> article titled <i>Kean Wind Turbines preparing to launch its innovative product into the market.</i>	"After an exhaustive development and testing phase, it's nearly time to start selling the Newtonian Wind Turbine." "Kean Wind Turbines will soon place a prototype at Calspan to receive third-party validation of its turbine..."
4/14/2019	<i>Lockport Newspaper</i>	"Kean Wind Turbines is currently developing its first production unit, scheduled to be finished in June. Once complete, the turbine will undergo testing at Calspan."
5/15/2019	The Newtonian	"We are now 'changing the guard' over to <u>production manufacturing</u> from <u>product development</u> because we have completed the design, the engineering and the production drawings." (emphasis in the original)