

1 DUANE K. THOMPSON
 Email: thompsond@sec.gov
 2 BRITT BILES
 Email: bilesb@sec.gov
 3 RYAN FARNEY
 Email: farneyr@sec.gov
 4 SCOTT W. FRIESTAD
 Email: friestads@sec.gov
 5 NINA B. FINSTON
 Email: finstonn@sec.gov
 6 100 F Street, N.W.
 Washington, District of Columbia 20549
 7 Telephone: (202) 551-4779 (Biles)

8 LOCAL COUNSEL:
 9 GARY Y. LEUNG, (Cal. Bar No. 302928)
 Email: leungg@sec.gov
 10 U.S. Securities and Exchange Commission
 444 S. Flower Street, Suite 900
 11 Los Angeles, California 90071
 Telephone: (323) 965-3213
 12 Facsimile: (213) 443-1904

13 Attorneys for Plaintiff
 Securities and Exchange Commission
 14

15 **UNITED STATES DISTRICT COURT**
CENTRAL DISTRICT OF CALIFORNIA
 16 **SOUTHERN DIVISION**

<p>18 SECURITIES AND EXCHANGE COMMISSION, 19 Plaintiff, 20 v. 21 JASON A. WALLACE, 22 Defendant. 23</p>	<p>Case No. 24 COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS 25 JURY TRIAL DEMANDED 26 27 28</p>
--	--

1 Plaintiff Securities and Exchange Commission (“SEC” or the “Commission”)
2 alleges as follows:

3 **Jurisdiction And Venue**

4 1. The Commission brings this action against defendant, Jason A. Wallace
5 (“Wallace” or “Defendant”), for violating the federal securities laws, including
6 engaging in fraudulent acts involving retail investors, acting as an unregistered
7 broker, and selling unregistered securities. The Court has jurisdiction over this action
8 pursuant to §§ 20(b), 20(d), and 22(a) of the Securities Act of 1933 (“Securities Act”)
9 and §§ 21(d), 21(e), and 27(a) of the Securities Exchange Act of 1934 (“Exchange
10 Act”). [15 U.S.C. §§ 77t(b), 77t(d), 77v(a), 78u(d), 78u(e), and 78aa(a)]. The
11 Commission alleges that Defendant, directly and indirectly, made use of the mails,
12 the means and instruments of transportation and communication in interstate
13 commerce, and the means and instrumentalities of interstate commerce in connection
14 with the transactions, acts, practices, and courses of business alleged in this
15 Complaint.

16 2. Venue is proper in this district pursuant to § 22(a) of the Securities Act
17 and § 27 of the Exchange Act. [15 U.S.C. §§ 77v(a), 78aa]. Defendant is found,
18 inhabits, or transacts business in this District, and certain of the acts, practices,
19 courses of conduct, and transactions constituting violations of the federal securities
20 laws occurred in this District.

21 **Summary**

22 3. Defendant engaged in a fraudulent scheme to manipulate the market for
23 the securities of Healthient, Inc. (“Healthient”), PEI Worldwide Holdings, Inc. (“PEI
24 Worldwide”), Sycamore Ventures, Inc. (“Sycamore”), and Systems America, Inc.
25 (“Systems America”).

26 4. These companies were microcap issuers, and there was no ready market
27 for their shares. To overcome this, two large shareholders, James Price and William
28 Alverson, engaged Wallace to create a false market for these securities and sell them

1 to unsuspecting investors.

2 5. Wallace identified and targeted potential investors and then persuaded
3 them to buy the securities at inflated prices. He — directly and indirectly through
4 his company — made fraudulent misrepresentations to potential investors to falsely
5 promote the securities. He also placed manipulative trades in his own brokerage
6 account to create the deceptive appearance of market interest in the stocks.

7 6. In carrying out this fraudulent sales campaign, Wallace and his company
8 acted as unregistered brokers. They also failed to comply with the federal registration
9 requirements for the Sycamore securities.

10 7. In total, Wallace's illegal conduct resulted in more than \$2 million in
11 stock sales. Price and Alverson paid 40-50% commissions on the gross sales, with
12 Wallace and his company earning nearly half-a-million dollars from the fraudulent
13 scheme. Wallace's victims, who number more than 200 and include retired people,
14 lost virtually all of the money that Wallace persuaded them to invest.

15 8. By engaging in the transactions, acts, practices, and courses of business
16 alleged in this Complaint, Wallace directly violated: Section 15(a) of the Exchange
17 Act; Sections 5(a) and 5(c) of the Securities Act; Section 9(a)(2) of the Exchange
18 Act; Section 17(a) of the Securities Act; and Section 10(b) of the Exchange Act and
19 Exchange Act Rule 10b-5.

20 9. In addition, Wallace aided and abetted violations of the federal securities
21 laws by his company and his business associate, Brian Kingsfield ("Kingsfield"). He
22 also is liable for his company's violations as its sole control person.

23 10. Unless this Court enjoins Wallace, he will continue to engage in
24 fraudulent conduct similar to that alleged in this Complaint. The Commission thus
25 seeks the following relief against Wallace: an injunction permanently restraining
26 Defendant from committing future violations of the federal securities laws; an order
27 requiring Defendant to disgorge all ill-gotten gains, plus prejudgment interest; an
28 order imposing civil money penalties on Defendant; an order permanently barring

1 Defendant from participating in any future penny stock offerings; and any other relief
2 consistent with the evidence adduced at the trial of this case and applicable law.

3 **The Defendant**

4 11. Wallace, age 35, resides in Huntington Beach, California. During the
5 relevant time period, Wallace was the only shareholder, officer, and director of Jason
6 A. Wallace & Associates (“JAW”). Wallace holds no professional licenses and has
7 never been associated with any registered broker-dealer. In November 2012, in
8 connection with the conduct alleged herein, Wallace pled guilty to conspiracy to
9 commit securities fraud in violation of 18 U.S.C. § 371. *U.S. v. Wallace*, SA CR-12-
10 211-JVS (C.D. Cal.).

11 **Related Entities And Individuals**

12 12. JAW was a California corporation founded by Wallace in 2007 and
13 dissolved in 2012. JAW’s principal place of business was Huntington Beach,
14 California. Wallace controlled the affairs of JAW during the relevant time period.

15 13. Aero Financial, Inc. (“Aero”) is a Nevada corporation with its principal
16 place of business in San Diego, California. Aero purports to provide promotional and
17 other growth support services to development-stage companies.

18 14. James Price (“Price”), age 57, resides in San Diego, California. Price
19 owns Aero and is the company’s Chief Executive Officer and Board Chairman. As a
20 result, Price often received shares of the development-stage companies that were
21 working with Aero. Additionally, Price was the sole officer and director of Sycamore
22 from November 8, 2010, through at least January 18, 2011.

23 15. Alverson, age 51, resides in Jupiter, Florida. During the relevant time
24 period, Alverson was the Chairman of the Board of Healthient. In January 2015,
25 Alverson pled guilty to violating 15 U.S.C. §§ 77e and 77x and 18 U.S.C. § 2 by
26 engaging in unregistered sales of Healthient securities. Alverson declined to testify
27 in the Commission’s investigation based on his Fifth Amendment privilege against
28 self-incrimination.

1 16. Kingsfield, age 46, resides in La Quinta, California. Kingsfield was a
2 business associate of Alverson, Price, and Wallace. Kingsfield was a penny stock
3 promoter who frequently solicited buyers for securities owned by Price. In 2015,
4 Kingsfield pled guilty to conspiracy to commit securities fraud in violation of 18
5 U.S.C. § 371. *U.S. v. Kingsfield*, SA CR 15-00014 JVS (C.D. Cal.).

6 **The Issuers**

7 17. Healthient was a Nevada corporation with its principal place of business
8 in Florida. Healthient purportedly was in the business of developing and marketing
9 snack food products. During the relevant time period, Healthient's common stock
10 was quoted on the OTC Bulletin Board ("OTCBB") under the symbol "SNAX."

11 18. PEI Worldwide is a Nevada corporation. During the relevant time
12 period, PEI Worldwide's principal place of business was in Texas, and the company
13 purportedly engaged in the business of producing, selling, and distributing building
14 materials. PEI Worldwide's common stock was quoted on OTC Link under the
15 symbol "PEIW."

16 19. Sycamore is a Delaware corporation that was formed using a defunct
17 publicly traded company's name, Committee on Uniform Security Identification
18 Procedures ("CUSIP") number, and ticker symbol. Sycamore's common stock was
19 quoted during the relevant time period on OTC Link under the symbol "SYVN," even
20 though Sycamore is a private company.

21 20. Systems America was a Florida corporation with its principal place of
22 business in California. Systems America was a cloud services and information
23 technology ("IT") company that purportedly provided IT staffing services to clients
24 and third-party vendors in the United States. During the relevant time period,
25 Systems America's common stock was quoted on OTC Link under the symbol
26 "SYAI."

1 **Glossary Of Terms Used In This Complaint**

2 21. A penny stock is a security issued by a small company that generally
3 trades at less than \$5 per share. Penny stocks generally are quoted over-the-counter,
4 such as on OTCBB or OTC Link. Penny stocks may trade infrequently, which means
5 their owners may have difficulty selling them.

6 22. A boiler room is an operation that uses high-pressure sales techniques to
7 sell securities. The securities sold by boiler rooms are generally thinly traded penny
8 stocks, and the boiler room's task is to create a market for them. The boiler room
9 generally sells the securities on behalf of either the issuer or a large shareholder. The
10 boiler room typically is paid a commission tied to the amount of securities sold.

11 23. Cold calling is one sales technique used by boiler rooms. Telemarketers
12 or "cold callers" sell securities by making telephone sales pitches to potential
13 investors. These sales pitches often are unsolicited because the potential investors
14 have not expressed interest in buying the particular security being offered. The cold
15 caller's job is to introduce the security to the potential investor and persuade him or
16 her to purchase it. The cold caller receives as compensation a percentage of the sales
17 that he or she is able to close.

18 24. A buy limit order is an order to purchase a security at or below a certain
19 price. Instead of paying market price for the security, the buyer sets the price that he
20 or she is willing to pay for a certain number of shares. The buyer is guaranteed to
21 pay that price or less because the order is executed only when a seller's price matches
22 the amount set by the buyer. If the specified price is never met, the order is not filled.

23 25. A sell limit order is an order to sell a security at or above a certain price.
24 Instead of taking market price for a security, the seller sets the price at which he or
25 she is willing to sell a certain number of shares. The seller is guaranteed to sell at or
26 above the specified price because the order is executed only when a buyer matches
27 the seller's price. If the specified price is never matched, the order is not filled.

1 **Facts**

2 **Wallace Controlled JAW And Operated It As A Boiler Room**

3 26. Wallace incorporated JAW in California in 2007 and dissolved JAW in
4 2012.

5 27. Wallace was JAW's sole shareholder and president. At all relevant
6 times, Wallace was in charge of JAW's finances, including maintaining JAW's bank
7 account and filing JAW's tax returns.

8 28. From its founding until its dissolution in 2012, Wallace operated JAW as
9 a boiler room. He employed a team of cold callers to sell private placements.

10 29. At all relevant times, Wallace was responsible for hiring, training, and
11 supervising the cold callers. He also paid their compensation, which was a portion of
12 the sales commissions that JAW received when its sales pitches resulted in sales.

13 30. Wallace also developed and maintained "customer lists" — the names
14 and telephone numbers of potential investors whom his cold callers targeted for sales
15 pitches.

16 **Wallace And His Boiler Room Created A False Market For**

17 **Price's And Alverson's Penny Stocks**

18 31. In 2010, Kingsfield approached Wallace about expanding JAW into a
19 new line of business: promoting and selling penny stocks on the open market. At that
20 time, Kingsfield was promoting and selling penny stocks for Price.

21 32. Price owned a large number of penny stocks and wanted to expand his
22 sales operation beyond Kingsfield. Price wanted to partner with an established boiler
23 room operator with tested customer lists, but he did not want to work with any
24 registered brokers or associated individuals. Price sought someone who was
25 experienced in generating demand and closing sales but was not subject to regulatory
26 scrutiny.

27 33. Wallace satisfied Price's criteria. Kingsfield recruited Wallace to create
28 a false market for Price's penny stocks. Beginning in September 2010, Wallace and

1 his boiler room solicited buyers for Price's shares of PEI Worldwide, Sycamore, and
2 Systems America.

3 34. Kingsfield later recruited Wallace and his boiler room to solicit buyers
4 for Alverson's Healthient shares.

5 35. Wallace's job was to use his boiler room to coordinate trades between
6 investors, Price, and Alverson. Wallace's cold callers directed investors to place buy
7 limit orders with the investors' broker-dealers. The size and the amount of the buy
8 limit orders that Wallace and the cold callers told investors to place were dictated by
9 Price and Alverson based on how many of their shares they wanted to sell and at what
10 price. Wallace arranged for the investors to place buy limit orders, and Price and
11 Alverson placed matching sell limit orders. The corresponding limit orders were
12 executed, and Price and Alverson sold their shares to the buyers solicited by
13 Wallace's boiler room.

14 36. Between September 2010 and January 2012, Wallace and his boiler
15 room induced unsuspecting investors to purchase at least 1.56 million shares of
16 Healthient, at least 6.33 million shares of Sycamore, and at least 494,267 shares of
17 Systems America, as well as a number of PEI Worldwide shares, in coordinated
18 trades with Price and Alverson. Price and Alverson earned at least \$2.2 million on
19 these sales and paid Wallace and his boiler room at least \$440,435 in commissions.

20 **Wallace Operated The Fraudulent Scheme To Sell Price's And Alverson's**
21 **Penny Stocks**

22 37. Because Wallace was new to selling penny stocks on the open market in
23 2010, he learned from Kingsfield how to operate the fraudulent sales scheme.
24 Kingsfield taught Wallace how to place buy limit orders, so that Wallace and the cold
25 callers could teach potential investors how to place orders that Price and Alverson
26 could "catch" in coordinated trades.

27 38. Kingsfield also directed Wallace to open his own personal brokerage
28 account, so that Wallace could trade in Healthient, PEI Worldwide, Sycamore, and

1 Systems America to create volume in the penny stocks and prop up their share prices.

2 39. When Wallace's boiler room first transitioned to selling penny stocks on
3 the open market, Kingsfield demonstrated sales pitches to the cold callers. Price also
4 met with the cold callers to generate their enthusiasm for promoting his penny stocks.

5 40. Thereafter, Wallace assumed responsibility for operating the fraudulent
6 sales scheme.

7 41. Wallace orally received a sales pitch from Kingsfield, Price, or Alverson
8 that detailed how many shares Price or Alverson wanted to sell and at what share
9 price. Wallace wrote down the sales pitch and gave it to his cold callers, but he did
10 not expect the cold callers to follow the scripts verbatim. Wallace closely monitored
11 the cold callers when they delivered sales pitches. In real time, Wallace directed the
12 cold callers to adjust the sales pitches to fit the needs and interests of the potential
13 investors who were on the calls. Wallace even stepped in and delivered adapted sales
14 pitches when he thought different sales tactics were needed to persuade potential
15 investors to buy. As a result, Wallace had ultimate authority over the contents of the
16 sales pitches that his cold callers delivered to potential investors.

17 42. Wallace also set up the coordinated trades. When an investor was
18 persuaded to buy, Wallace texted or called Kingsfield, Price, or Alverson to confirm
19 how many shares Price or Alverson wanted to sell and for how much. Wallace or a
20 cold caller then went back to the potential investor and instructed him or her to place
21 a buy limit order for the exact number of shares that Price or Alverson wanted to sell
22 at precisely the price they wanted to receive. To make the investor more comfortable
23 with the transactions, he or she was directed to use his or her own broker-dealer to
24 place the buy limit order. Wallace or a cold caller also urged the investor not to listen
25 if the broker-dealer tried to dissuade him or her from placing the buy limit order.
26 Wallace then alerted Kingsfield, Price, or Alverson that an investor was placing the
27 requested buy limit order. Price or Alverson placed a corresponding sell limit order
28 and "caught" the investor's buy limit order. A trade was then executed between Price

1 or Alverson and the investor solicited by Wallace's boiler room. Wallace was paid a
2 commission of up to a 40-50% on each of these executed trades, which he split with
3 the cold callers and, at times, Kingsfield.

4 43. Wallace also placed buy limit orders in his own brokerage account for
5 the purpose of creating volume and increasing the share prices of Healthient, PEI
6 Worldwide, Sycamore, and Systems America securities. At times, Wallace engaged
7 in this trading at the request of Kingsfield or Price. More often, however, Wallace
8 undertook the trading at his own initiative when he thought the stocks needed the
9 appearance of market demand and some price support.

10 44. To maintain the appearance of a real market, Wallace took steps to
11 prevent investors from independently selling their Healthient, PEI Worldwide,
12 Sycamore, and Systems America securities into the market. Wallace and his cold
13 callers directed investors not to sell unless they went through Wallace and the boiler
14 room to find the best buyer at the best price. This was to ensure that Wallace and the
15 boiler room had an opportunity to talk the investors out of selling or at least find
16 someone else to buy the shares. Wallace, along with Kingsfield and Price, monitored
17 the over-the-counter markets in real time and looked for bids and asks in the penny
18 stocks they were promoting. When there was an order out to sell one of the penny
19 stocks they were promoting, Wallace worked to find the seller. When he did not
20 recognize the seller based on the number of shares being sold and the market maker,
21 Wallace and the cold callers called the investors they had solicited until they found
22 the investor who was selling. Then, they would try to talk the investor out of selling
23 or find a replacement investor.

24 **Wallace And His Boiler Room Acted As Unregistered Brokers**

25 45. As detailed above, for more than a year, Wallace and JAW solicited
26 potential buyers for Price's and Alverson's securities. In the course of doing so,
27 Wallace and the cold callers introduced the potential investors to Healthient, PEI
28 Worldwide, Sycamore, and Systems America. In promoting the securities of these

1 four issuers, Wallace and the cold callers advised potential investors about the returns
2 they could expect from investing in the stocks and promised guidance on when to sell
3 the securities for maximum profit. When investors were ready to purchase, Wallace
4 and the cold callers told the investors how many shares to buy at what price and
5 instructed the investors how to place buy limit orders. In total, Wallace and the cold
6 callers facilitated more than \$2 million in sales for Price and Alverson. In exchange,
7 Wallace and JAW received a commission of up to 40-50% on each sale that Price and
8 Alverson made to a buyer solicited by Wallace and JAW.

9 46. Yet, JAW never registered with the Commission as a broker, and
10 Wallace never associated himself with any registered broker.

11 47. Therefore, Wallace and JAW acted as unregistered brokers every time
12 they called a potential investor to attempt to induce him or her to purchase Healthient,
13 PEI Worldwide, Sycamore, or Systems America securities.

14 **Wallace And His Boiler Room Offered And Sold Unregistered Securities**

15 48. In addition to acting as unregistered brokers, Wallace and his boiler
16 room offered and sold unregistered Sycamore securities, or in the alternative, were
17 necessary participants and played a substantial factor in the offer and sale of
18 unregistered Sycamore securities.

19 49. In February 2011, Price and Aero purchased 663,702 Sycamore shares in
20 private transactions. Price engaged Wallace and his boiler room to resell the shares
21 through telephone sales pitches to potential investors.

22 50. From February 2011 through April 18, 2011, Wallace and his boiler
23 room offered and sold at least 83,550 Sycamore shares to investors, with gross sales
24 totaling at least \$68,586.

25 51. All of those offers and sales were unregistered because no Sycamore
26 registration statement was ever filed or in effect with the Commission and thus
27 purchasers in those unregistered transactions were deprived of the information that
28 should have been set forth in a registration statement.

1 of the sales campaign. Wallace and the cold callers affirmatively told potential
2 investors that the telephone sales pitches were only the initial phase and that a “viral”
3 email marketing campaign would follow once the securities reached certain selling
4 prices. Potential investors were led to believe that the penny stocks would be worth
5 more after the “viral” email marketing campaign started. In fact, no “viral” email
6 marketing campaign was undertaken or even contemplated.

7 56. Additionally, Wallace and the cold callers made false price predictions
8 to induce potential investors to purchase the penny stocks. For example,

- 9 • On or about January 11, 2011, a cold caller induced an investor to buy
10 Systems America stock at \$2.45 per share by promising that price would
11 rise to \$9 per share.
- 12 • A cold caller induced an investor to purchase Sycamore securities on or
13 about January 25, 2011 at \$0.30 per share by promising that the stock’s
14 price would reach \$2-3 per share.
- 15 • On or about July 27, 2011 Wallace promised one potential investor that
16 “the [Sycamore] stock will go up in value with every single trade.”
- 17 • Also, on or about July 27, 2011, Wallace promised a prospective
18 investor that Sycamore’s share price would increase from \$0.06 per
19 share to \$5.00 per share in one year.
- 20 • On or about August 15, 2011, a cold caller induced an investor to
21 purchase Healthient shares for \$0.17 per share by promising that the
22 price would reach \$5.00 per share.

23 57. These price predictions were false when Wallace and the cold callers
24 made them. The forecasted share prices did not reflect how much the penny stocks
25 were worth or how they reasonably could be expected to perform in the future.
26 Indeed, neither Wallace nor anyone else undertook an analysis of the issuers’
27 financial performance or operations. Instead, Wallace directed the cold callers to
28 project price increases that would induce buyers to purchase Price’s and Alverson’s

1 shares at the sought-after prices. Whether an increase in share price was significant
2 enough to induce a purchase was the only metric used in making the price
3 predictions. In fact, Wallace knew that the share prices of Healthient, PEI
4 Worldwide, Sycamore, and Systems America would collapse when his boiler room
5 stopped promoting the securities and he stopped propping up their prices with
6 manipulative trades.

7 58. In addition to making false price predictions, Wallace and the cold
8 callers at times falsely promised risk-free investments: one investor was assured on or
9 about January 20, 2011 that he would be reimbursed fully if he sustained any
10 investing losses on Systems America stock. This was false. Systems America never
11 intended to reimburse any losses on its shares because the issuer had no role in the
12 sales campaign. Price, Kingsfield, Wallace, and the cold callers never intended to
13 reimburse any investment losses either. Price, Kingsfield, Wallace, and the cold
14 callers knew that investment losses were inevitable once the fraudulent sales
15 campaign ended, and the fraudulent sales campaign lasted only as long as it took to
16 sell Price's Systems America shares for maximum profit.

17 59. In addition to making misstatements to induce potential investors to
18 purchase the penny stocks, Wallace and the cold callers made false statements to stop
19 the investors from selling the Healthient, PEI Worldwide, Sycamore, and Systems
20 America securities that they already owned. The price predictions and occasional no-
21 risk guarantees were repeated to convince investors to hold or re-purchase their
22 shares. The investors were assured that Wallace and the cold callers would tell the
23 investors the right time to sell. Wallace and the cold callers only made this promise
24 to ensure that the investors would hold onto their shares; Wallace and the cold callers
25 never intended to tell the investors the right time to sell so that they would avoid
26 losses.

27 60. Wallace knew, or was reckless or negligent in not knowing, that the
28 statements detailed in paragraphs 53-59 were materially false and misleading.

Wallace Artificially Inflated Trading Volume And Share Prices

61. Wallace engaged in his own manipulative trading to further induce investors to purchase the Healthient, PEI Worldwide, Sycamore, and Systems America securities.

62. Wallace bought and sold small amounts of the stocks with his own money. There was no legitimate purpose for his trading. He engaged in it to increase the securities' trading volume and prop up their share prices — a practice that he and Kingsfield referred to as “painting” and “lifting” the stocks. Wallace considered the stock purchases and any investment losses he inevitably sustained on them “a cost of doing business” because the trading supported his boiler room operations.

63. On numerous occasions, Wallace placed buy limit orders for 100-200 shares of the penny stocks. Wallace's buy limit orders resulted in 208 executed trades in these securities.

64. The vast majority of Wallace's executed trades were at prices higher than the securities' last reported trades. For example,

- Wallace had nine executed trades in PEI Worldwide securities, and seven of those were executed at a higher price than the last reported trade.
- Wallace had 61 executed trades in Healthient securities, and 56 of those were executed at a higher price than the last reported trade.
- Wallace had 56 executed trades in Systems America securities, and 51 of those were executed at a higher price than the last reported trade.
- Wallace had 81 executed trades in Sycamore securities, and 80 of those were executed at a higher price than the last reported trade.

65. Indeed, Wallace's executed trades set the highest price for the trading day 99 different times.

66. Wallace's executed trades created the appearance of an active market for the securities of Healthient, PEI Worldwide, Sycamore, and Systems America and

1 artificially inflated their share prices for the purpose of inducing investors to buy.

2 **FIRST CLAIM**

3 **Violations of Section 15(a) of the Exchange Act**

4 67. The Commission realleges and incorporates by reference paragraphs 1
5 through 66 above.

6 68. By engaging in the conduct described above, Defendant Wallace made
7 use of the mails or any means or instrumentality of interstate commerce to effect
8 transactions in, or to induce or attempt to induce the purchase or sale of securities.

9 69. During the relevant time period, neither Defendant Wallace nor JAW
10 was registered as a broker-dealer.

11 70. By engaging in the conduct described above, Defendant Wallace
12 violated and, unless restrained and enjoined, will continue to violate Section 15(a)(1)
13 of the Exchange Act [15 U.S.C. § 78o(a)(1)].

14 **SECOND CLAIM**

15 **Aiding and Abetting Violations of Section 15(a) of the Exchange Act**

16 71. The Commission realleges and incorporates by reference paragraphs 1
17 through 66 above.

18 72. By engaging in the conduct described above, JAW made use of the mails
19 or any means or instrumentality of interstate commerce to effect transactions in, or to
20 induce or attempt to induce the purchase or sale of securities.

21 73. During the relevant time period, JAW was not registered as a broker-
22 dealer.

23 74. JAW violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

24 75. By engaging in the conduct described above, Defendant Wallace
25 knowingly or recklessly provided substantial assistance to JAW's violations of
26 Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

27 76. Accordingly, Defendant Wallace aided and abetted the primary
28 violations described above and, pursuant to Section 20(e) of the Exchange Act [15

1 U.S.C. § 78t(e)], is liable for such violations.

2 77. Unless restrained and enjoined, Defendant Wallace will continue to aid
3 and abet violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

4 **THIRD CLAIM**

5 **Controlling Person Liability for Violations of Section 15(a) of the Exchange Act**

6 78. The Commission realleges and incorporates by reference paragraphs 1
7 through 66 above.

8 79. By engaging in the conduct described above, JAW violated Section
9 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

10 80. Wallace: (a) directly or indirectly controlled JAW; and (b) possessed the
11 power and ability to control JAW as to its violation of Section 15(a) of the Exchange
12 Act [15 U.S.C. § 78o(a)].

13 81. Accordingly, Wallace is liable as a controlling person pursuant to
14 Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] as to JAW's violation of
15 Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

16 82. Unless restrained and enjoined, Wallace will continue to engage in
17 conduct that would render him liable, under Section 20(a) of the Exchange Act [15
18 U.S.C. § 78t(a)], for violations of Section 15(a) of the Exchange Act [15 U.S.C. §
19 78o(a)].

20 **FOURTH CLAIM**

21 **Violations of Sections 5(a) and 5(c) of the Securities Act**

22 83. The Commission realleges and incorporates by reference paragraphs 1
23 through 66 above.

24 84. Defendant Wallace, by engaging in the conduct described above, directly
25 or indirectly, made use of means or instruments of transportation or communication
26 in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry
27 or cause such securities to be carried through the mails or in interstate commerce for
28 the purpose of sale or for delivery after sale.

1 85. No registration statement has been filed with the SEC or has been in
2 effect with respect to any of the unregistered offerings and sales of Sycamore
3 securities alleged herein.

4 86. By engaging in the conduct described above, Defendant Wallace
5 violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and
6 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

7 **FIFTH CLAIM**

8 **Violations of Section 9(a)(2) of the Exchange Act**

9 87. The Commission realleges and incorporates by reference paragraphs 1
10 through 66 above.

11 88. By engaging in the conduct described above, Defendant Wallace,
12 directly or indirectly, by the use of the mails or any means or instrumentality of
13 interstate commerce, or of any facility of any national securities exchange, with
14 specific intent, effected, alone or with other persons, a series of transactions in a
15 security other than a government security or in connection with any security-based
16 swap agreement with respect to such security creating actual or apparent active
17 trading in such security, for the purpose of inducing the purchase or sale of such
18 security by others.

19 89. By engaging in the conduct described above, Defendant Wallace
20 violated and, unless restrained and enjoined, will continue to violate Section 9(a)(2)
21 of the Exchange Act [15 U.S.C. § 78i(a)(2)].

22 **SIXTH CLAIM**

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

24 90. The Commission realleges and incorporates by reference paragraphs 1
25 through 66 above.

26 91. By engaging in the conduct described above, Defendant Wallace,
27 directly or indirectly, in the offer or sale of securities by the use of means or
28 instruments of transportation or communication in interstate commerce or by use of

1 the mails:

- 2 a. knowingly or recklessly employed devices, schemes, or artifices to
3 defraud;
- 4 b. knowingly, recklessly, or negligently obtained money or property by
5 means of untrue statements of material fact or omissions of material
6 facts necessary in order to make the statements made, in light of the
7 circumstances under which they were made, not misleading; or
- 8 c. knowingly, recklessly, or negligently engaged in transactions, practices,
9 or courses of business which operated or would operate as a fraud or
10 deceit upon the purchaser.

11 92. By engaging in the conduct described above, Defendant Wallace
12 violated and, unless restrained and enjoined, will continue to violate Sections
13 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1), (2) and
14 (3)].

15 **SEVENTH CLAIM**

16 **Aiding and Abetting Violations of Section 17(a) of the Securities Act**

17 93. The Commission realleges and incorporates by reference paragraphs 1
18 through 66 above.

19 94. JAW, by engaging in the conduct described above, in the offer or sale of
20 securities by the use of means or instruments of transportation or communication in
21 interstate commerce or by use of the mails, directly or indirectly:

- 22 a. knowingly or recklessly employed devices, schemes, or artifices to
23 defraud;
- 24 b. knowingly, recklessly, or negligently obtained money or property by
25 means of untrue statements of material fact or omissions of material
26 facts necessary in order to make the statements made, in light of the
27 circumstances under which they were made, not misleading; or
- 28 c. knowingly, recklessly, or negligently engaged in transactions, practices,

1 or courses of business which operated or would operate as a fraud or
2 deceit upon the purchaser.

3 95. JAW violated Section 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities
4 Act [15 U.S.C. § 77q(a)(1), (2) and (3)].

5 96. Kingsfield, by engaging in the conduct described above, in the offer or
6 sale of securities by the use of means or instruments of transportation or
7 communication in interstate commerce or by use of the mails, directly or indirectly:

8 a. knowingly, recklessly, or negligently obtained money or property by
9 means of untrue statements of material fact or omissions of material
10 facts necessary in order to make the statements made, in light of the
11 circumstances under which they were made, not misleading; or

12 b. knowingly, recklessly, or negligently engaged in transactions, practices,
13 or courses of business which operated or would operate as a fraud or
14 deceit upon the purchaser.

15 97. Kingsfield violated Section 17(a)(2) and (3) of the Securities Act [15
16 U.S.C. § 77q(a)(2) and (3)].

17 98. By engaging in the conduct described above, Defendant Wallace
18 knowingly or recklessly provided substantial assistance to: (a) JAW's violations of
19 Section 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1),
20 (2) and (3)]; and/or (b) Kingsfield's violations of Section 17(a)(2) and (3) of the
21 Securities Act [15 U.S.C. § 77q(a)(2) and (3)].

22 99. Accordingly, Defendant Wallace aided and abetted JAW's and/or
23 Kingsfield's primary violations described above and, pursuant to Section 15(b) of the
24 Securities Act [15 U.S.C. § 77o(b)], is liable for such violations.

25 100. Unless restrained and enjoined, Defendant Wallace will continue to aid
26 and abet violations of Section 17(a) of the Securities Act [15 U.S.C. § 78q(a)].
27
28

1 **EIGHTH CLAIM**

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

3 101. The Commission realleges and incorporates by reference paragraphs 1
4 through 66 above.

5 102. By engaging in the conduct described above, Defendant Wallace,
6 directly or indirectly, in connection with the purchase or sale of a security, by the use
7 of any means or instrumentality of interstate commerce, of the mails, or of any
8 facility of any national securities exchange, knowingly or recklessly:

- 9 a. employed devices, schemes, or artifices to defraud;
- 10 b. made untrue statements of a material fact or omitted to state a material
11 fact necessary in order to make the statements made, in light of the
12 circumstances under which they were made, not misleading; or
- 13 c. engaged in acts, practices, or courses of business which operated or
14 would operate as a fraud or deceit upon other persons.

15 103. By engaging in the conduct described above, Defendant Wallace
16 violated and, unless restrained and enjoined, will continue to violate Section 10(b) of
17 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17
18 CFR § 240.10b-5(a), (b), and (c)].

19 **NINTH CLAIM**

20 **Aiding and Abetting Violations of Section 10(b) of the Exchange Act and**
21 **Exchange Act Rule 10b-5**

22 104. The Commission realleges and incorporates by reference paragraphs 1
23 through 66 above.

24 105. By engaging in the conduct described above, JAW, directly or indirectly,
25 in connection with the purchase or sale of a security, by the use of any means or
26 instrumentality of interstate commerce, of the mails, or of any facility of any national
27 securities exchange, knowingly or recklessly:

- 28 a. employed devices, schemes, or artifices to defraud;

1 b. made untrue statements of a material fact or omitted to state a material
2 fact necessary in order to make the statements made, in the light of the
3 circumstances under which they were made, not misleading; or

4 c. engaged in acts, practices, or courses of business which operated or
5 would operate as a fraud or deceit upon other persons.

6 106. JAW violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
7 and Rule 10b-5(a), (b), and (c) thereunder [17 CFR § 240.10b-5(a), (b), and (c)].

8 107. By engaging in the conduct described above, Kingsfield, directly or
9 indirectly, in connection with the purchase or sale of a security, by the use of any
10 means or instrumentality of interstate commerce, of the mails, or of any facility of
11 any national securities exchange, knowingly or recklessly:

12 a. made untrue statements of a material fact or omitted to state a material
13 fact necessary in order to make the statements made, in the light of the
14 circumstances under which they were made, not misleading; or

15 b. engaged in transactions, practices, or courses of business which operated
16 or would operate as a fraud or deceit upon the purchaser.

17 108. Kingsfield violated Section 10(b) of the Exchange Act [15 U.S.C. §
18 78j(b)] and Rule 10b-5(b) and (c) thereunder [17 CFR § 240.10b-5(b) and (c)].

19 109. By his actions described above, Defendant Wallace knowingly or
20 recklessly provided substantial assistance to: (a) JAW's violations of Section 10(b) of
21 the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and (c) thereunder [17
22 CFR § 240.10b-5 (a), (b), and (c)]; and/or (b) Kingsfield's violations of Section 10(b)
23 of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) and (c) thereunder [17
24 CFR § 240.10b-5 (b) and (c)].

25 110. Accordingly, Defendant Wallace aided and abetted the primary
26 violations described above and, pursuant to Section 20(e) of the Exchange Act [15
27 U.S.C. § 78t(e)], is liable for such violations.

28 111. Unless restrained and enjoined, Kingsfield will continue to aid and abet

1 violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-
2 5(a), (b) and (c) thereunder [17 CFR § 240.10b-5(a), (b), and (c)].

3 **TENTH CLAIM**

4 **Controlling Person Liability for Violations of Section 10(b) of the Exchange Act**
5 **and Exchange Act Rule 10b-5**

6 112. The Commission realleges and incorporates by reference paragraphs 1
7 through 66 above.

8 113. By engaging in the conduct described above, JAW violated Section
9 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and (c)
10 thereunder [17 CFR § 240.10b-5(a), (b), and (c)].

11 114. Wallace: (a) directly or indirectly controlled JAW; and (b) possessed the
12 power and ability to control JAW as to its violation of Section 10(b) of the Exchange
13 Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and (c) thereunder [17 CFR §
14 240.10b-5(a), (b), and (c)].

15 115. Accordingly, Wallace is liable as a controlling person pursuant to
16 Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] as to JAW's violation of
17 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and
18 (c) thereunder [17 CFR § 240.10b-5(a), (b), and (c)].

19 116. Unless restrained and enjoined, Wallace will continue to engage in
20 conduct that would render him liable, under Section 20(a) of the Exchange Act [15
21 U.S.C. § 78t(a)], for violations of Section 10(b) of the Exchange Act [15 U.S.C. §
22 78j(b)] and Rule 10b-5(a), (b), and (c) thereunder [17 CFR § 240.10b-5(a), (b), and
23 (c)].

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the SEC respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that Wallace committed the
28 alleged violations.

1 **II.**

2 Issue a judgment, in form consistent with Rule 65(d) of the Federal Rules of
3 Civil Procedure, permanently enjoining Wallace, and his agents, servants, employees,
4 and attorneys, and those persons in active concert or participation with him, who
5 receive actual notice of the judgment by personal service or otherwise, and each of
6 them, from violating Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C.
7 §§77e(a), 77e(c) and 77q(a)], and Sections 9(a)(2), 10(b) and 15(a) of the Exchange
8 Act [15 U.S.C. §§ 78i(a)(2), 78j(b) and 78o(a)(1)] and Rule 10b-5 thereunder [17
9 CFR § 240.10b-5].

10 **III.**

11 Order Defendant Wallace to disgorge all ill-gotten gains received from his
12 illegal conduct, together with prejudgment interest thereon.

13 **IV.**

14 Order Defendant Wallace to pay civil penalties under Section 20(d) of the
15 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15
16 U.S.C. § 78u(d)(3)].

17 **V.**

18 Pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section
19 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)], bar Wallace from participating
20 in an offering of penny stock, including engaging in activities with a broker, dealer,
21 or issuer for purposes of issuing, trading, or inducing or attempting to induce the
22 purchase or sale of any penny stock.

23 **VI.**

24 Retain jurisdiction of this action in accordance with the principles of equity and
25 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
26 all orders and decrees that may be entered, or to entertain any suitable application or
27 motion for additional relief within the jurisdiction of this Court.
28

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

In accordance with Fed. R. Civ. P. 38 and C.D. Cal. L.R. 38-1, Plaintiff Securities and Exchange Commission hereby demands a jury trial on all issues so triable.

Dated: September 27, 2016

Respectfully submitted,

/s/ Gary Y. Leung

Gary Y. Leung

Duane K. Thompson

Britt Biles

Ryan Farney

Attorneys for Plaintiff

Securities and Exchange Commission

Of Counsel:

Scott W. Friestad

Nina B. Finston