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13 **UNITED STATES DISTRICT COURT**

14 **CENTRAL DISTRICT OF CALIFORNIA**

16 SECURITIES AND EXCHANGE
 17 COMMISSION,

18 Plaintiff,

19 vs.

20 LAMBERT VANDER TUIG,
 21 BEN SCHAFTSCHNEIDER,
 22 CAPITAL DEVELOPMENT
 23 RESOURCES, f/k/a BIOSYNETICS,
 and BIOSYNETICS
 MANAGEMENT,

24 Defendants, and

25 GALILEO LABS, INC.

26 Relief Defendant.
 27
 28

Case No.

COMPLAINT

1 Plaintiff Securities and Exchange Commission (“Commission” or “SEC”), for
2 its Complaint against Defendants Lambert Vander Tuig, Ben Schachtschneider,
3 Capital Development Resources, f/k/a Biosynetics, and BioSynetics Management
4 (collectively, “Defendants”) and against Relief Defendant Galileo Labs, Inc., hereby
5 alleges as follows:

6 **JURISDICTION AND VENUE**

7 1. The Commission brings this action pursuant to Sections 20(b) and 20(c)
8 of the Securities Act of 1933 (“Securities Act”) [*15 U.S.C. § 77t(b)*], and Sections
9 21(d) and 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [*15 U.S.C.*
10 *§§ 78u(d) and 78u(e)*].

11 2. This Court has jurisdiction over this action pursuant to Section 22 of the
12 Securities Act [*15 U.S.C. § 77v*], Section 27 of the Exchange Act [*15 U.S.C. § 78aa*],
13 and 28 U.S.C. § 1331.

14 3. Venue is proper in this Court pursuant to Securities Act Section 22(a)
15 [*15 U.S.C. § 77v(a)*] and Exchange Act Section 27 [*15 U.S.C. § 78aa*] as acts,
16 practices, and courses of business constituting violations alleged herein occurred
17 within the Central District of California. Defendants Lambert Vander Tuig and Ben
18 Schachtschneider reside within the Central District of California. Many victims of the
19 Defendants’ fraud reside within this District, and many of the fraudulent securities
20 transactions occurred within this District.

21 4. Defendants directly and indirectly made use of the means and
22 instrumentalities of interstate commerce and of the mails in connection with the acts,
23 practices, and courses of business alleged herein.

24 **SUMMARY**

25 5. Defendants Lambert Vander Tuig (“Vander Tuig”) and Ben
26 Schachtschneider (“Schachtschneider”), while using aliases to hide their true identities
27 and Vander Tuig’s previous convictions and securities law violations, perpetuated an
28 offering fraud to sell unregistered private placement investments in a company that

1 they falsely described as an established pharmaceutical or nutraceutical company.

2 6. From May 2018 until at least October 2020, Vander Tuig,
3 Schachtschneider, and others working at Vander Tuig's direction raised at least
4 \$763,500 from at least 28 investors, pitching purported investments in Defendants
5 Capital Development Resources, f/k/a Biosynetics, and Biosynetics Management
6 (collectively "Biosynetics"). Vander Tuig and Schachtschneider personally solicited
7 at least \$405,000 of the money raised. In so doing, Defendants fundamentally
8 mischaracterized Biosynetics' present operations and future prospects.

9 7. Vander Tuig, Schachtschneider, and others working at Vander Tuig's
10 direction falsely claimed that Biosynetics produced and marketed a sleep aid called
11 SOMNUS VI. Specifically, they told investors that Biosynetics had distribution
12 agreements for SOMNUS VI in place with major retailers, including Costco and
13 Walmart. In fact, no such agreements exist or existed. They also told investors that
14 investments in Biosynetics would yield extraordinary returns when they had no basis
15 for such representations.

16 8. The Biosynetics Private Placement Memoranda ("PPM") and other
17 offering materials, which Vander Tuig and Schachtschneider distributed to investors,
18 also contained material false statements. One version of the Biosynetics PPM listed
19 as the company's management two executives who either do not exist or, at a
20 minimum, do not have the backgrounds described to investors.

21 9. Additionally, Vander Tuig, Schachtschneider, and Biosynetics explicitly
22 represented, orally and in written offering materials, that investor proceeds would be
23 used for specific purposes, including raw materials, lab development, and other
24 research and development expenses. In fact, most investor proceeds were
25 misappropriated and used for cash or other bank withdrawals, retail, restaurant and
26 travel expenses, payments to cold-callers working at Vander Tuig's direction, and
27 various unrelated entities. Schachtschneider and Vander Tuig personally received a
28 combined \$107,000 of Biosynetics' investor funds.

1 of investor funds. Schachtschneider resides in this District in Costa Mesa, CA.

2 14. **“Biosynetics,”** as used in this Complaint, means the offeror of
3 investments in PPMs that Vander Tuig, Schachtschneider, and others provided to
4 investors. There are different versions of the PPMs, but each describes Biosynetics
5 as a Wyoming corporation, with its principal office at 5000 Birch Street, Third Floor,
6 Newport Beach, CA 92660. One version of the PPM describes Biosynetics, a
7 Wyoming corporation, as the offeror and BioSynetics Inc., a Wyoming corporation,
8 as its manager. The Wyoming Secretary of State’s database of entities organized
9 under its laws indicates only two entities have ever had the terms “Biosynetics” or
10 “BioSynetics” in their names: Capital Development Resources, f/k/a Biosynetics, and
11 BioSynetics Management. Accordingly, “Biosynetics” shall collectively refer to:

12 a. **Capital Development Resources, f/k/a Biosynetics,** a Wyoming
13 corporation registered on June 12, 2018 with an address at 3401
14 Sirius Avenue, Suite 3-368, Las Vegas, NV 89102. On May 1,
15 2019, this entity changed its name from “Biosynetics” to “Capital
16 Development Resources.” It is currently inactive and
17 administratively dissolved. When it was known as Biosynetics,
18 this entity owned two bank accounts that received investor funds
19 solicited by Vander Tuig and Schachtschneider.

20 b. **BioSynetics Management,** a Wyoming corporation incorporated
21 on May 22, 2018 with an address at 3401 Sirius Avenue, Suite 3-
22 362, Las Vegas, NV 89102. BioSynetics Management is currently
23 inactive and administratively dissolved.

24 **RELIEF DEFENDANT**

25 15. **Galileo Labs, Inc. (“Galileo Labs”)** was incorporated as a Delaware
26 corporation on March 27, 2019, with Vander Tuig as its sole initial director and an
27 address in Yorba Linda, CA. Galileo Labs owns a bank account that Vander Tuig
28 opened in its name and that indirectly received investor funds. Vander Tuig is the

1 signatory on that account.

2 **FACTUAL ALLEGATIONS**

3 16. Defendants, each acting with scienter, perpetrated a long-running fraud
4 to deceive investors in connection with the offer, purchase, or sale of unregistered
5 securities. They used the money they raised in their fraudulent offerings to unjustly
6 enrich themselves, Relief Defendant Galileo Labs, and others.

7 ***Defendants Offered and Sold Unregistered Securities***

8 17. Beginning in approximately May 2018 and continuing until at least
9 October 2020 (the “Relevant Time Period”), Defendants and others offered and sold
10 securities in Biosynetics to at least 28 investors residing in several states, including
11 California, Idaho, Maryland, Missouri, New Jersey, and Louisiana. Among the
12 investors were a retired firefighter, retired military personnel, and multiple small-
13 business owners.

14 18. Under the Securities Act of 1933 (the “Securities Act”), anyone seeking
15 to sell a security must first register the offering of that security by filing an
16 appropriate registration statement. *See* 15 U.S.C. § 77e. This registration
17 requirement protects investors by promoting disclosure of information pertinent to
18 informed investment decisions. There was no registration statement in effect for any
19 of Defendants’ sales of Biosynetics securities.

20 19. Investors paid money in the form of checks and wire transfers to effectuate
21 the purchase and sale of securities from Defendants and others. In total, investors paid
22 at least \$763,500 for Biosynetics’ unregistered offerings. Vander Tuig and
23 Schachtschneider each received proceeds from their sales of Biosynetics’ securities.

24 ***Vander Tuig and Schachtschneider’s Misrepresentations and Deceptive Conduct:***
25 ***Biosynetics Is a Real Company with a Real Product***

26 20. During the Relevant Time Period, in connection with the offer and sales
27 of securities, Defendants made material misrepresentations orally and in writing to
28 investors about the nature of Biosynetics as an enterprise. Defendants falsely

1 described Biosynetics as an established pharmaceutical or nutraceutical company
2 with key distribution agreements it did not have.

3 21. On or around June 8, 2018, Vander Tuig, posing as “Michael Andrews,”
4 told an investor that Biosynetics had agreements with large retailers and distributors,
5 including, but not limited to, Walmart, GNC, and Costco.

6 22. On June 25, 2018, Vander Tuig, using the email address
7 principle@biosynetics.com and the name “Michael Andrews,” wrote in an email to
8 an investor that Biosynetics had “agreements in place putting us in Walmart, GNC,
9 and Costco.”

10 23. On or around June 26, 2018, Schachtschneider cold-called an investor
11 and told him that Biosynetics had a product on the market and had agreements with
12 retailers like Walmart to sell its product.

13 24. On June 26, 2018, Vander Tuig, using the email address
14 principle@biosynetics.com and the name “Michael Andrews,” wrote in an email to
15 an investor that Biosynetics has “agreements in place putting us in Walmart GNC and
16 Costco We stopped taking orders for our 1st product when we hit \$10 Million,
17 there is just no reason to take any more than that at this time.”

18 25. In or around July 2018, Schachtschneider told another investor that
19 Biosynetics was creating a sleep aid from cannabiniol, and that Biosynetics had
20 purchase orders to sell its product to Costco and Walmart.

21 26. On July 10, 2018, Schachtschneider, using the email address
22 ben@biosynetics.com and the name “Ben Schock,” wrote in an email to an investor,
23 “We just received news last Tuesday night we will be in front of the FDA on July
24 11th...BioSynetics’ Compound will be used with other molecules for the treatment for
25 ALS. A Proforma is attached, this was completed [*sic*] the Company’s largest, but
26 not only Distributor. The numbers are staggering. Attached is some of the additional
27 information we talked about. We just started taking funds this week. The Company
28 stopped taking orders for our products when we hit \$10 Million, there is just no reason

1 to take any more than that at this time. We are only offering \$2,000,000 shares at \$1
2 dollar a share, the rest of this offering will be at \$3-\$5 per share.”

3 27. On July 10, 2018, Schachtschneider, using the email address
4 ben@biosynetics.com and the name “Ben Schock,” wrote in an email to an investor,
5 “the product (SOMNUS VI) will hit the shelves this November.”

6 28. On July 11, 2018, Schachtschneider, using the email address
7 ben@biosynetics.com and the name “Ben Schock,” wrote in an email to an investor
8 that Biosynetics’ attorney appeared before the FDA.

9 29. On July 12, 2018, Schachtschneider, using the email address
10 ben@biosynetics.com and the name “Ben Schock,” wrote in an email to an investor,
11 “We will know in the next couple of days whether our compound (as part of an ALS
12 medication produced by Nightingale) qualifies for an IND application. If we make it
13 through that process, which takes a couple of weeks, the talk around the office is that
14 we will be selling shares at \$10.”

15 30. In or around July 2018, Schachtschneider cold-called another investor
16 and told him that Biosynetics had contracts negotiated with large pharmaceutical
17 companies, like Walmart and Costco, for the sale of its products and that investors
18 would receive a tenfold return on their investments.

19 31. On August 7, 2018, Vander Tuig, using the email address
20 principle@biosynetics.com and the name “Michael Andrews,” wrote in an email to
21 an investor, “we have a new product for the ‘Sleep Cycle’. This one is my brainchild
22 and the Scientists work [*sic*]. It is a small night-time drink, the distributor for this
23 product handles Snapples Products (all Berkley relationships).”

24 32. On August 15, 2018, Vander Tuig, using the email address
25 principle@biosynetics.com and referring to himself as “Michael,” wrote in an email
26 to an investor, “we are announcing a new product next week, I’ll let you know as
27 soon as the Attorneys allow me.”

28 33. In or around January 2019, Vander Tuig told an investor that several

1 drug stores were selling Biosynetics' products.

2 34. On March 5, 2019, Schachtschneider, using the email address
3 principle@biosynetics.com and the name "Ben Schock," wrote in an email to an
4 investor, "Our developed Compound is currently treating the symptoms of PTSD,
5 ALS (Lou Gehrig's disease), and has shown [sic] to reduce seizures in Children by
6 more than 80%. The Company is currently marketing an adjustment of the
7 Compound in a Sleep Aid and cannot keep the product on the shelves."

8 35. On June 27, 2019, Schachtschneider, using the email address
9 ben@biosynetics.com and the name "Ben Schock," emailed another investor,
10 "BioSynetics is a Pharmaceutical Company that has been around for more than 20
11 years. We have a patent pending on our developed Compound which is currently
12 treating the symptoms of PTSD, ALS (Lou Gehrig's disease), and has shown to
13 reduce seizures in Children by more than 80%. The Company is currently marketing
14 an adjustment of the Compound in a Sleep Aid and cannot keep the product on the
15 shelves. We are only selling approximately 30% of the Company in a private offering
16 in an effort to handle the demand for the product."

17 36. In or around July 2019, Vander Tuig, posing as "Michael Andrews,"
18 stated at a meeting with an investor that Biosynetics had a processing facility in
19 central California and exclusive rights to a growing facility in northern California.
20 He also told the investor that a doctor was conducting research on the company's
21 products at the University of California, San Diego and that the company was
22 currently selling its products under various unspecified brand names.

23 37. On or around January 2020, Vander Tuig, posing as "Michael Andrews,"
24 and Schachtschneider told an investor that Biosynetics had several labs, that it was
25 expanding and looking for additional labs outside its San Diego location, and that it
26 was selling its product internationally.

27 38. On or around August 10, 2020, posing as "Michael Andrews," Vander
28 Tuig told an investor that Biosynetics had three or four labs, one in Palm Springs, one

1 in San Diego, and one in Pasadena, CA.

2 39. The representations identified in paragraphs 21 to 38, above, were false
3 and misleading because Biosynetics did not have arrangements with Costco, Walmart,
4 GNC or other large retailers. Biosynetics had not appeared before the FDA or
5 submitted any new drug application. Biosynetics did not announce a new product in
6 August 2018 or at any time thereafter. The US Patent & Trademark Office's patent
7 application database does not show any patent applications by Biosynetics or Galileo
8 Labs. Biosynetics did not own or operate its own laboratories, and the University of
9 California, San Diego has no record of any research relationship with Biosynetics.

10 40. Vander Tuig and Schachtschneider, who held themselves out to
11 investors as knowledgeable representatives of Biosynetics, knew or were reckless or
12 negligent in not knowing that each of these misrepresentations was untrue.

13 41. These false and misleading statements were material to investors
14 considering Biosynetics' prospects for financial performance. It would be important to
15 reasonable investors to know that Biosynetics did not have distribution deals with major
16 retailers, new products on the verge of approval or release into the market, pending
17 patent applications, or robust research operations to develop additional products.

18
19 ***Vander Tuig and Schachtschneider's False Statements and Fraudulent Conduct:***
20 ***Biosynetics Is a High-Return Investment***

21 42. During the Relevant Time Period, both Vander Tuig and
22 Schachtschneider made false statements concerning the future of Biosynetics. They
23 each told multiple investors that Biosynetics was either going public or that all of the
24 shareholders would be bought out and that investors stood to reap extraordinary and
25 unrealistic returns.

26 43. On or around June 14, 2018, Vander Tuig, posing as "Michael
27 Andrews," told an investor that he (the investor) would receive at least a 20:1, but
28 likely a 40:1, return on his investment.

1 44. On or around July 11, 2018, Vander Tuig, posing as “Michael
2 Andrews,” told an investor that he (Vander Tuig) would not sell Biosynetics for less
3 than a 20x multiple purchase price, and that he expected closer to a 40x multiple in
4 less than two years.

5 45. On July 12, 2018 2018, Schachtschneider, using the email address
6 ben@biosynetics.com and the name “Ben Schock,” emailed another investor that “the
7 talk around the office is that we will be selling shares at \$10.” That investor
8 purchased 25,000 shares at \$1 per share.

9 46. On or around March 19, 2019, Vander Tuig, posing as “Michael
10 Andrews,” told an investor that he (the investor) would receive a 20:1 or 100:1 return
11 on investment.

12 47. In or around July 2019, during an in-person luncheon, Vander Tuig,
13 posing as “Michael Andrews,” told an investor that his investment would receive a
14 20% return each quarter, paid in quarterly installments beginning in April 2020. That
15 investor wrote a check for \$100,000 before he left the luncheon.

16 48. On a number of occasions during the Relevant Time Period,
17 Schachtschneider told investors that multiple offers had been made to purchase or
18 merge with Biosynetics.

19 49. For instance, in or around July 2018, Schachtschneider told an investor
20 that someone had already offered \$60 million, but Biosynetics rejected the offer
21 because Biosynetics was worth more.

22 50. On July 24, 2020, Schachtschneider, using the email address
23 ben@futureisolates.com and the name “Ben Schock,” wrote in an email to an
24 investor, “All the legal stuff for the merger is still in progress due to covid.”

25 51. Each of the representations alleged in paragraphs 43 to 50, above, was false
26 and misleading. Vander Tuig and Schachtschneider had no basis to tell investors that
27 they would receive returns on their investment, let alone quarterly returns of 20% or
28 ultimate returns of 20:1 or 40:1. Furthermore, given that Biosynetics is not the thriving

1 company Vander Tuig and Schachtschneider represented it to be to investors, it is highly
2 unlikely that any third party has ever offered millions of dollars to acquire it, as Vander
3 Tuig and Schachtschneider knew or were reckless or negligent in not knowing.

4 52. Vander Tuig and Schachtschneider's misrepresentations about the
5 potential profitability of prospective investments in Biosynetics were material. It
6 would be important to investors to know that they could not actually expect to earn
7 handsome profits on their investments and that the company did not have an acquirer
8 waiting in the wings to buy the company.

9
10 ***Defendants' False Statements and Deceptive Conduct: Biosynetics Is Led by***
11 ***Prominent Figures in the Pharmaceutical Industry***

12 53. Vander Tuig and Schachtschneider distributed to investors offering
13 materials in which Biosynetics made material false statements regarding, among
14 other things, Biosynetics' management. Vander Tuig made similar false
15 representations to at least one investor.

16 54. One version of a private placement memorandum that Vander Tuig and
17 Schachtschneider sent to investors named David Debres as Biosynetics' President and
18 Director and Nick Feely as Biosynetics' Secretary and Director. These two
19 individuals also purportedly signed the Biosynetics stock certificates sent to
20 investors. The Biosynetics offering memo and Biosynetics' website stated that
21 Debres attended Arizona State University and worked at Dupont, and that Feely was
22 employed at Merck KGaA for 14 years.

23 55. Similarly, on or around March 19, 2019, Vander Tuig, posing as "Michael
24 Andrews," told an investor that Biosynetics' executive team consists of prominent
25 figures in the biopharma industry who conduct clinical research for the company.

26 56. Debres and Feely, as described to investors, do not appear to exist. No
27 one named David Debres has ever enrolled at Arizona State University, and Dupont
28 could not confirm ever employing him. Similarly, Merck KGaA found no record of

1 Nick Feely ever having worked at that company.

2 57. Biosynetics' and Vander Tuig's statements regarding Biosynetics'
3 management were material, false and misleading. They knowingly, recklessly, or
4 negligently gave investors the false impression that Biosynetics was led by industry
5 experts, providing the veneer of legitimacy to an enterprise that had no meaningful
6 pharmaceutical or nutraceutical operations of its own.

7
8 ***Defendants' False Statements and Deceptive Conduct: Defendants Misled
Investors about the Use of Invested Funds***

9
10 58. During the Relevant Time Period, Defendants induced investors to
11 invest by falsely representing that their money would be used for the purpose of
12 operating and expanding Biosynetics' operations and research and development.
13 Instead, Defendants misused investor money to unjustly enrich Vander Tuig,
14 Schachtschneider, Biosynetics, Galileo Labs, and others.

15 59. On or around June 14, 2018, Vander Tuig, posing as "Michael
16 Andrews," told an investor that the investment proceeds were going to be used to
17 purchase a bigger laboratory.

18 60. On or around June 26, 2018, Schachtschneider told an investor that his
19 investment would be used for raw materials and to help Biosynetics' laboratory
20 generate products to sell. It was important to this investor that his money was being
21 used for operational purposes.

22 61. On or around July 2018, Schachtschneider told an investor that investor
23 funds would be used to buy equipment and to help fulfill contracts with large retail
24 stores.

25 62. On or around March 2019, Vander Tuig, posing as "Michael Andrews,"
26 told another investor that Biosynetics needed investor money in the short term to
27 build facilities and laboratories.

28 63. Biosynetics, in its PPMs, told investors that it was raising money from

1 investors to execute its business plan to manufacture distribute and sell CBN
2 products. Each PPM also made one or more of the following specific promises about
3 the use of proceeds:

- 4 a. “We intend to raise up to \$10,000,000 in the Offering through the
5 sale of up to 10,000,000 shares. We anticipate using the first
6 \$2,000,000 raised to increase production of SOMNUS VI, to
7 market the product as a nutritional supplement and for general
8 working capital needs. We intend to deploy the next \$8,000,000 to
9 pursue the approval of SOMNUS VI as a pharmaceutical drug,
10 including funding the requisite clinical trials and for general
11 working capital needs.”
- 12 b. “We will use part of the proceeds from the Offering to engage
13 marketing professionals with significant experience in the sleep
14 aid industry to assist in building a strong online presence and
15 increase product awareness for SOMNUS VI.”
- 16 c. “We anticipate using the funds raised to establish a commercial
17 facility to increase production of SOMNUS VI, to market the
18 product as a nutritional supplement. We may also deploy funds to
19 pursue the approval of SOMNUS VI as a pharmaceutical drug,
20 including funding the requisite clinical trials to establish specific
21 efficacy claims and for general working capital needs.”
- 22 d. “Company capital that is not invested in Proprietary Products will
23 be invested in short-term United States securities or short-term
24 deposits at financial institutions.”
- 25 e. “The Manager has a fiduciary responsibility for the safekeeping
26 and use of all funds and assets of the Company, whether or not in
27 its immediate possession and control, and may not use or permit
28 another to use such funds or assets in any manner except for the

1 exclusive benefit of the Company. The funds of the Company will
2 not be commingled with the funds of any other person or entity.”

3 64. The representations in paragraphs 59 to 63, above, were false and
4 misleading. As Defendants knew or were reckless or negligent in not knowing,
5 investor funds were not principally used for research, development, or the other
6 specific purposes Defendants identified for investors. From May 2018 through
7 August 2020, at least 28 individuals invested at least \$763,500 into Biosynetics. This
8 money was diverted through nine different bank accounts. Most investor proceeds
9 were used for purposes unrelated to Biosynetics, including enriching Vander Tuig
10 and Schachtschneider.

11 65. From July 2018 through August 2020, out of the \$763,500 of investor
12 funds, approximately \$700,000 was used to pay for the following:

- 13 f. \$322,000 in cash or other bank withdrawals;
- 14 g. \$107,000 to pay Vander Tuig and Schachtschneider;
- 15 h. \$74,000 to other individuals associated with Biosynetics;
- 16 i. \$46,500 for retail, restaurant, travel, and gas expenses;
- 17 j. \$79,000 to cold-callers, other employees, and Vander Tuig’s then-
18 girlfriend;
- 19 k. \$30,000 to buyout one investor’s original investment;
- 20 l. \$7,850 in rent payments for the benefit of Vander Tuig’s then-
21 girlfriend;
- 22 m. \$10,000 to a plastic surgeon;
- 23 n. \$6,000 to an individual who purportedly created and maintained
24 the Biosynetics website; and
- 25 o. \$18,000 to individuals and entities seemingly unconnected to
26 Biosynetics research and development.

27 66. Defendants’ representations about the use of investor funds were
28 material. They led investors to believe their money would be used to help

1 Biosynetics generate profits and/or be acquired at a higher price.

2 67. All defendants and relief defendants directly or indirectly received
3 investor proceeds unconnected to any legitimate business purpose.

4 68. Specifically, Biosynetics' bank accounts paid \$70,000 of investor
5 proceeds to Schachtschneider.

6 69. In addition, Biosynetics' bank accounts paid \$45,000 of investor proceeds
7 to a company owned and operated by Vander Tuig, and \$172,000 to Relief Defendant
8 Galileo Labs. Vander Tuig was the signatory on both companies' bank accounts.
9 Those companies, in turn, paid \$37,000 of investor proceeds to Vander Tuig.

10 ***Defendant Vander Tuig's False Statements and Deceptive Conduct: Use of Alias to***
11 ***Hide His Past Misconduct***

12 70. At all relevant times, Vander Tuig used the alias "Michael Andrews" to
13 obscure his criminal history, including his prior securities fraud felony convictions,
14 SEC injunctions, and penny stock bar.

15 71. Additionally, during the Relevant Time Period, Vander Tuig used
16 varying Biosynetics titles to give the false impression that he was a successful
17 entrepreneur, knowledgeable about the company's affairs, and focused on getting the
18 company's products into the market. At different times, Vander Tuig held himself
19 out as Biosynetics' CFO or Head of Finance. Vander Tuig also told at least two
20 investors that he was the principal of Biosynetics, and, throughout the Relevant Time
21 Period, he regularly emailed investors from "principle@biosynetics.com."

22 72. The corporate records of Defendants Capital Development Resources,
23 f/k/a Biosynetics, and BioSynetics Management do not list Vander Tuig or "Michael
24 Andrews" as an officer or director of either company.

25 73. Vander Tuig's misrepresentations about his name and formal role within
26 Biosynetics were material, false, and misleading. His use of a false name allowed
27 him to hide his past criminal convictions and his prior violations of the securities
28 laws. Investors had a fundamentally false impression of who Michael Andrews was.

1 It would have been material to investors to know that the promoter who solicited their
2 investment had prior securities fraud convictions, SEC injunctions, and an officer and
3 director bar.

4 **FIRST CLAIM FOR RELIEF**
5 **Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder**
6 ***(Against All Defendants)***

7 74. The Commission realleges and reincorporates paragraphs 1 through 73
8 as if fully set forth herein.

9 75. By reason of the conduct described above, Defendants, in connection with
10 the purchase or sale of securities, by the use of the means or instrumentalities of
11 interstate commerce or of the mails, or of any facility of any national securities
12 exchange, directly or indirectly, knowingly or recklessly (1) employed devices,
13 schemes, or artifices to defraud and/or (2) made untrue statements of material facts or
14 omitted to state material facts necessary in order to make the statements made, in light
15 of the circumstances under which they were made, not misleading and/or (3) engaged
16 in acts, practices, or courses of business which operates or would operate as a fraud or
17 deceit upon any persons, including purchasers or sellers of the securities. Defendants
18 made false statements and disseminated offering materials containing additional
19 misstatements to investors about Biosynetics' current business and future prospects.

20 76. By reason of the actions alleged herein, Defendants violated and unless
21 enjoined will continue to violate Exchange Act Section 10(b) [*15 U.S.C. § 78j(b)*] and
22 Rule 10b-5 thereunder [*17 C.F.R. § 240.10b-5(a) and (c)*].

23 **SECOND CLAIM FOR RELIEF**
24 **Violations of Securities Act Section 17(a)**
25 ***(Against All Defendants)***

26 77. The Commission realleges and reincorporates paragraphs 1 through 73
27 as if fully set forth herein.

28 78. Defendants, directly or indirectly, by use of means of instrumentalities

1 of transportation or communication in interstate commerce or by use of the mails, in
2 the offer or sale of securities: (a) knowingly or recklessly employed devices, schemes
3 or artifices to defraud; (b) knowingly, recklessly, or negligently obtained money or
4 property by means of untrue statements of material fact, or have omitted to state
5 material facts necessary in order to make the statements made, in light of the
6 circumstances under which they were made, not misleading; and (c) knowingly,
7 recklessly, or negligently engaged in transactions, practices, or courses of business
8 which operated or would operate as a fraud or deceit upon the purchasers of
9 securities. To induce investors to purchase Biosynetics' securities, Defendants made
10 false statements and disseminated offering materials containing additional
11 misstatements about Biosynetics' current business and future prospects.

12 79. By reason of the actions alleged herein, Defendants violated and unless
13 enjoined will continue to violate Securities Act Section 17(a) [*15 U.S.C. § 77q(a)*].

14 **THIRD CLAIM FOR RELIEF**
15 **Violations of Securities Act Section 5**
16 ***(Against All Defendants)***

17 80. The Commission realleges and reincorporated paragraphs 1 through 73
18 as if fully set forth herein.

19 81. By engaging in conduct alleged above, Defendants, directly or
20 indirectly, through use of the means or instruments of transportation or
21 communication in interstate commerce, or of the mails, offered to sell or sold
22 securities, or carried or caused such securities to be carried through the mails or in
23 interstate commerce for the purpose of sale or for delivery after sale. Vander Tuig
24 and Schachtschneider emailed, texted, called, and met with investors to induce
25 investors to purchase Biosynetics securities and directly or indirectly received
26 proceeds from these sales.

27 82. No registration statement was filed with the Commission or was in effect
28 with respect to the securities offered by Defendants prior to the offer or sale of those

1 securities.

2 83. By engaging in the foregoing misconduct, Defendants have violated, and
3 unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act
4 [15 U.S.C. §§ 77e(a) and 77e(c)].

5 **FOURTH CLAIM FOR RELIEF**
6 **Unjust Enrichment**
7 ***(Against Relief Defendant Galileo Labs)***

8 84. The Commission realleges and reincorporates paragraphs 1 through 73
9 as if fully set forth herein.

10 85. As described above, Defendants engaged in a fraud to defraud investors in
11 connection with the offer, purchase, or sale of securities of Biosynetics and to use the
12 money raised in such offerings to unjustly enrich themselves, Relief Defendant Galileo
13 Labs, and others in the form of cash, property, and other benefits. Galileo Labs shared at
14 least one bank account with Vander Tuig into which approximately \$172,000 of investor
15 money was deposited. Galileo Labs has no legitimate claim to the funds, property and
16 benefits described above, and has thus been unjustly enriched under circumstances in
17 which it is not just, equitable, or conscionable for it to retain such profits.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, the Commission respectfully requests that the Court enter a
20 judgment:

21 (a) finding that each Defendant violated the antifraud and registration
22 provisions of the federal securities laws as alleged herein;

23 (b) permanently enjoining each Defendant from violating Securities Act
24 Sections 5(a), 5(c), and 17(a) and Exchange Act Section 10(b) and Rule 10b-5
25 thereunder;

26 (c) permanently enjoining each Defendant from directly or indirectly,
27 including, but not limited to, through any entity owned or controlled by Defendants,
28 participating in the issuance, purchase, offer, or sale of any security in an unregistered

1 offering by an issuer;

2 (d) ordering each Defendant to disgorge all ill-gotten gains, plus
3 prejudgment interest thereon, wrongfully obtained as a result of their illegal conduct;

4 (e) ordering the Relief Defendant to disgorge all ill-gotten gains, plus
5 prejudgment interest thereon, obtained as a result of Defendants' illegal conduct
6 alleged in this Complaint;

7 (f) ordering each Defendant to pay civil penalties pursuant to Securities Act
8 Section 20(d) [*15 U.S.C. § 77t(d)*] and Exchange Act Section 21(d) [*15 U.S.C.*
9 *§ 78u(d)*]; and

10 (g) granting such other relief to the Commission as the Court may deem just
11 and proper.

12
13 **DEMAND FOR JURY TRIAL**

14 Pursuant to Rule 39 of the Federal Rules of Civil Procedure and C.D. Cal. L.R.
15 38-1, Plaintiff demands that this case be tried to a jury.

16
17 Dated: July 2, 2021

18 */s/ Amy J. Longo* _____

19 Amy J. Longo

20 Melissa Armstrong

21 Michael T. Grimes

22 Carolyn Kurr

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Complaints and Other Initiating Documents

[2:21-cv-05381 Securities and Exchange Commission v. Vander Tuig et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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Case Number: [2:21-cv-05381](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Amy J. Longo added to party Securities and Exchange Commission(pty:pla))(Longo, Amy)

2:21-cv-05381 Notice has been electronically mailed to:

Amy J. Longo longoa@sec.gov, irwinma@sec.gov, kassabguir@sec.gov, LAROFiling@sec.gov

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