

Initial Decision Release No. 1406
Administrative Proceeding
File Nos. 3-20021 and 3-20022

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of the Registration
Statements of

**Crest Radius, Inc., and
Loyal Source Market Services,
Inc.**

Initial Decision of Default
January 5, 2021

Appearances: Timothy J. Stockwell and Jonathan A. Epstein
for the Division of Enforcement,
Securities and Exchange Commission

Before: James E. Grimes, Administrative Law Judge

Summary

I grant the Division of Enforcement's motion for default and sanctions. I suspend the effectiveness of the Form S-1 registration statements filed by Crest Radius, Inc., and Loyal Source Market Services, Inc. The basis for this stop order is that their registration statements include material misstatements and omissions and that Crest Radius failed to cooperate with examination by the staff of the Securities and Exchange Commission.

Background

On September 18, 2020, the Commission initiated separate proceedings against Crest Radius and Loyal Source when it issued orders instituting proceedings (OIPs) against each Respondent under Section 8(d) of the

Securities Act of 1933.¹ The OIPs allege that Respondents failed to cooperate with the Commission's examinations under Securities Act Section 8(e) and that Respondents' registration statements include material misstatements and omissions.² The OIPs directed that the hearings for each Respondent take place on October 8, 2020.³ But the hearings were postponed pending service of the OIPs.⁴

On November 2, 2020, the Division served Respondents with their respective OIPs.⁵ To comply with Section 8(d)'s requirement that the hearing occur within fifteen days of service, I scheduled the hearing for November 16, 2020.⁶ I warned Respondents that if they did not appear at the hearing, the Division could move for default and sanctions.⁷ On the motion of the Division, I consolidated the two proceedings.⁸

At the November 16 hearing, the Division offered the testimony of two witnesses, and I admitted Crest Radius Exhibits 1–17 and 19–35 and Loyal Source Exhibits 1–22 and 24–34.⁹ Respondents had not answered the OIPs and did not appear at the hearing, so I ordered them to show cause by November 25, 2020, why the proceeding should not be determined against them on

¹ 15 U.S.C. § 77h(d).

² Crest Radius OIP at 2–3; Loyal Source OIP at 2.

³ Crest Radius OIP at 3; Loyal Source OIP at 2.

⁴ *Crest Radius, Inc.*, Admin. Proc. Rulings Release No. 6791, 2020 SEC LEXIS 4474, at *1 (ALJ Oct. 6, 2020); *Loyal Source Market Servs., Inc.*, Admin. Proc. Rulings Release No. 6792, 2020 SEC LEXIS 4488, at *1 (ALJ Oct. 7, 2020).

⁵ *Crest Radius*, Admin. Proc. Rulings Release No. 6797, 2020 SEC LEXIS 4793, at *1–2 (ALJ Nov. 4, 2020). The Division served Respondents through personal service on the Nevada Secretary of State, as agent for each Respondent under Nevada law. *Id.*

⁶ *Id.* at *2; see 15 U.S.C. § 77h(d); 17 C.F.R. § 201.141(a)(2)(v).

⁷ *Crest Radius*, 2020 SEC LEXIS 4793, at *2–3.

⁸ *Id.* at *1.

⁹ *Crest Radius*, Admin. Proc. Rulings Release No. 6798, 2020 SEC LEXIS 4901, at *1 (ALJ Nov. 16, 2020).

default.¹⁰ I also gave the Division an opportunity to move for default and sanctions.¹¹

The Division filed its motion for default on November 30, 2020. I admitted four additional exhibits, Crest Radius Exhibits 36–37 and Loyal Source Exhibits 35–36.¹²

Respondents have yet to answer their respective OIPs or respond to the order to show cause.

Findings of Fact

The findings and conclusions in this initial decision are based on the record, including matters subject to official notice.¹³ Because Respondents are in default for failing to file an answer, appear at the hearing, or otherwise defend themselves in this proceeding, I deem true the allegations in the OIPs, unless otherwise noted.¹⁴ In addition, I have considered the Division's supporting Epstein declarations, the admitted exhibits, and the testimony of the witnesses, applying preponderance of the evidence as the standard of proof.¹⁵

¹⁰ *Id.*; see 17 C.F.R. §§ 201.155(a)(1)–(2), .220(f), .310.

¹¹ *Crest Radius*, 2020 SEC LEXIS 4901, at *1.

¹² *Crest Radius*, Admin Proc. Rulings Release No. 6802, 2020 SEC LEXIS 5077, at *1 (ALJ Dec. 7, 2020).

¹³ See 17 C.F.R. § 201.323.

¹⁴ See 17 C.F.R. §§ 201.155(a)(1)–(2), .220(f), .310; *Crest Radius* OIP at 3; *Loyal Source* OIP at 3.

¹⁵ See *Rita J. McConville*, Securities Exchange Act of 1934 Release No. 51950, 2005 WL 1560276, at *14 (June 30, 2005), *pet. denied*, 465 F.3d 780 (7th Cir. 2006).

Crest Radius

Crest Radius filed a registration statement containing multiple misstatements and omissions.

Crest Radius is a Nevada corporation purportedly headquartered in Tsolgo, Estonia; it purportedly engages in the distribution of laundry washing machines.¹⁶

Crest Radius filed a Form S-1 registration statement on January 17, 2018, and amended it three times.¹⁷ The registration statement and amendments accurately identify the company's state of incorporation (Nevada) and its attorney at the time, but little else.¹⁸

The registration statement lists the phone number and street address of the company's principal executive office in Tsolgo, Estonia.¹⁹ But the phone number does not work.²⁰ And there does not appear to be a structure at the address that could serve as the company's office.²¹

In addition, the registration statement includes, as an exhibit, the company's articles of incorporation, which identifies Nevada Formation

¹⁶ Crest Radius OIP at 1.

¹⁷ *Id.*; Crest Radius Exs. 1–4.

¹⁸ Crest Radius OIP at 1; Crest Radius Ex. 1 at 1; Crest Radius Ex. 6; Crest Radius Ex. 37, ¶ 12 & n.1.

¹⁹ Crest Radius Ex. 4 at 1.

²⁰ Crest Radius OIP at 3; Crest Radius Ex. 37, ¶ 17.

²¹ Crest Radius OIP at 1, 3; Crest Radius Ex. 16; Crest Radius Ex. 37, ¶ 16. The Division relies on a satellite image of the address from Google Maps, a publicly available, commercial internet application. *See United States v. Perea-Rey*, 680 F.3d 1179, 1182 n.1 (9th Cir. 2012) (taking judicial notice of Google Maps for, at least, some purposes). It is not clear whether Google Maps shows Crest Radius's purported address or, because it does not have a record of the street name and number, defaults to a central point in the area. The latter possibility might indicate that the address does not exist. *See* Crest Radius Ex. 16 (listing only the town name in the Google Maps screenshot). By defaulting, however, Crest Radius has admitted the allegation in the OIP and not challenged the Division's evidence.

Services LLC as Crest Radius’s registered agent.²² But Nevada Formation Services does not exist.²³ An individual who lives at Nevada Formation Services’s supposed address represented that no one living at that address was affiliated with Nevada Formation Services or Crest Radius.²⁴

Crest Radius’s registration statement lists Kardo Valbe as the company’s “sole officer and director.”²⁵ But Valbe was paid by Anisiy Evrasov to play that role; Evrasov, not Valbe, controlled Crest Radius’s communications, business connections, and office, and ultimately fired Valbe and barred him from the office.²⁶ Valbe also did not open or control Crest Radius’s bank account.²⁷ Instead, it was opened at the direction of Andrey Troshin.²⁸

Crest Radius reported total income of \$30,033 in the fourth quarter of 2017 and \$30,027 in the first quarter of 2018.²⁹ This income was entirely derived from two roundtrip transactions.³⁰

First, in December 2017, The Millenium Group International, Inc., sent \$30,371.19 to Songbird Development Inc., which then sent \$30,032.74 to Crest Radius, which then sent \$29,021.88 to Foshan Mingdeng Kitchen Cabinet Co., which sent \$28,927.36 back to Millenium.³¹ Notably, Troshin, who had directed

²² Crest Radius Ex. 1 at 53 (PDF); *see also* Crest Radius Ex. 6.

²³ Crest Radius OIP at 3; Crest Radius Ex. 7.

²⁴ Crest Radius OIP at 2; Crest Radius Ex. 9; Crest Radius Ex. 37, ¶¶ 10–11.

²⁵ Crest Radius Ex. 1 at 10, 28; *see id.* at 24, 30.

²⁶ Crest Radius OIP at 3; Crest Radius Ex. 13 at 12–14 (PDF); Crest Radius Ex. 37, ¶ 13.

²⁷ Crest Radius OIP at 2; Crest Radius Ex. 13 at 2–3; Crest Radius Ex. 26 at 1; Tr. 14–19.

²⁸ Tr. 14–19.

²⁹ Crest Radius OIP at 2; Crest Radius Ex. 3 at F-3; Crest Radius Ex. 4 at F-3.

³⁰ Crest Radius OIP at 2.

³¹ Crest Radius Exs. 23–30; Crest Radius Ex. 37, ¶¶ 24–27. In some documents, Foshan Mingdeng is referred to as Foshan Mingden. *See, e.g.*, Crest Radius Ex. 28.

the opening of Crest Radius's account, also directed the opening of Millenium's accounts.³² The \$30,032.74 that Crest Radius received from Songbird matches the total fourth quarter 2017 profit of \$30,033 in its registration statement.

Second, in February and March 2018, Millenium sent \$30,433.50 to Asset Solutions Inc., which then sent \$30,027.18 to Crest Radius, which then sent Foshan Mingdeng \$29,871.33, which then returned \$32,091.34 to Millenium.³³ The \$30,027.18 that Crest Radius received from Asset Solutions matches the total first quarter 2018 profit of \$30,027 in its registration statement. The fictitious nature of Crest Radius's income for both quarters calls into question all of Crest Radius's other representations about its business operations.³⁴

Crest Radius failed to cooperate with the Commission's examination.

By providing incomplete responses to investigative subpoenas, Crest Radius failed to cooperate with the Commission's Section 8(e) examination.³⁵ Commission staff attempted to serve a document subpoena on Crest Radius's purported registered agent on May 23, 2018, but learned two days later that the resident of the mailing address had no affiliation with Nevada Formation Services or Crest Radius.³⁶ On June 5, 2018, Commission staff served a subpoena with the same document requests on the attorney listed as Crest Radius's agent on its registration statement; staff served a second set of requests on the attorney on September 18, 2018.³⁷ Valbe responded on behalf of the company to the June 5 and September 18 subpoenas, but he produced a handful of documents only in response to the June 5 subpoena.³⁸ Crest Radius

³² Crest Radius Ex. 22.

³³ Crest Radius Exs. 31–35; Crest Radius Ex. 37, ¶¶ 29–35.

³⁴ See, e.g., Crest Radius Ex. 4 at 17 (making representations about contracts with Chinese washing machine manufacturers).

³⁵ Crest Radius OIP at 2.

³⁶ *Id.* at 2; Crest Radius Ex. 8; Crest Radius Ex. 37, ¶¶ 9–10.

³⁷ Crest Radius OIP at 2; Crest Radius Exs. 10, 12; Crest Radius Ex. 37, ¶¶ 12–13.

³⁸ Crest Radius OIP at 2; Crest Radius Exs. 11 (limited production by Valbe of about twenty documents), 13 (response by Valbe with no additional documents); Crest Radius Ex. 37, ¶¶ 9, 12–13.

failed to produce entire categories of responsive documents, including books and records, sales forecasts, financial projections, and business plans.³⁹

Loyal Source

Loyal Source filed a registration statement containing multiple misstatements and omissions.

Loyal Source is a Nevada corporation purportedly headquartered in Zilina, Slovakia; it purportedly engages in the distribution of home air purifiers.⁴⁰

Loyal Source's story is similar to Crest Radius's. The company filed a Form S-1 registration statement on May 9, 2017, and amended it five times in 2017 and five times in 2018.⁴¹ Loyal Source's registration statement contains multiple misstatements and omissions that will sound familiar.

The registration statement lists a phone number and the street address of the company's principal executive office in Zilina, Slovakia.⁴² But the phone number does not work and it is unlikely the address could serve as the company's office.⁴³

The registration statement identifies Corporate Filing Agents as Loyal Source's registered agent.⁴⁴ But Corporate Filing Agents does not exist.⁴⁵ An individual who lives at its purported address does not run a business from his home and has no connection with Corporate Filing Agents or Loyal Source.⁴⁶

³⁹ Crest Radius OIP at 2; *see* Crest Radius Ex. 11; Crest Radius Ex. 37, ¶ 12.

⁴⁰ Loyal Source OIP at 1.

⁴¹ *Id.*; Loyal Source Exs. 1–11.

⁴² Loyal Source Ex. 11 at 1.

⁴³ Loyal Source OIP at 2; Loyal Source Ex. 20 (Google Maps screenshot); Loyal Source Ex. 36, ¶¶ 14–15. *But see* Loyal Source Ex. 13 (letter from Loyal Source claiming to have received mail at its listed street address). Like Crest Radius, Loyal Source has forfeited any argument that the Division's evidence is less than conclusive; I deem true the allegation of falsity in the OIP.

⁴⁴ Loyal Source Ex. 1 at 67 (PDF); *see also* Loyal Source Ex. 16.

⁴⁵ Loyal Source OIP at 2; Loyal Source Ex. 17.

⁴⁶ Loyal Source OIP at 2; Loyal Source Ex. 19; Tr. 24–26.

Finally, at least some of Loyal Source's reported income of \$127,571 for the year ended January 31, 2017, resulted from a roundtrip transaction.⁴⁷ In July 2016, Cascade Networks Inc. sent \$11,161.69 to Emerald Data, Inc., which then sent \$11,005.17 to Loyal Source, which then sent \$10,617.18 back to Cascade.⁴⁸ As with the Crest Radius roundtrip transactions, Troshin was involved in setting up more than one of the involved bank accounts—in this case, all three. Troshin directed the opening of Cascade's account and opened Loyal Source's and Emerald Data's accounts.⁴⁹

Loyal Source never received the Commission's subpoena.

As part of the Commission's Section 8(e) examination, Commission staff attempted to serve a document subpoena on Loyal Source's purported registered agent on May 22, 2018.⁵⁰ Twelve days earlier, staff had sent an email to Loyal Source, informing Loyal Source that the Commission was starting a Section 8(e) examination and that the Commission would "contact [it] shortly regarding the examination."⁵¹ The Division represents that it did not receive a response to this email.⁵² No further email correspondence to or from Loyal Source appears in the record.

The Commission never received a response to the subpoena from Loyal Source.⁵³ Commission staff learned, however, that the resident of the service address did not run a business from his home and had never heard of Loyal Source.⁵⁴ Unlike with the Crest Radius May 23 subpoena, there is no evidence in the record that Commission staff attempted other methods of service.

⁴⁷ Loyal Source OIP at 2; Loyal Source Ex. 11 at F-5.

⁴⁸ Loyal Source Exs. 27–28, 31–32, 34; Loyal Source Ex. 36, ¶¶ 22–26.

⁴⁹ Loyal Source Exs. 29–30, 33; Tr. 14–19.

⁵⁰ Loyal Source OIP at 2; Loyal Source Ex. 18; Loyal Source Ex. 36, ¶ 12.

⁵¹ Loyal Source Ex. 15.

⁵² Loyal Source Ex. 36, ¶ 9.

⁵³ Loyal Source OIP at 2; Loyal Source Ex. 36, ¶ 12.

⁵⁴ Loyal Source OIP at 2; Loyal Source Ex. 19. Based on the OIP's allegations, Commission staff knew of the problem regarding the purported agent's address before the OIP issued.

Conclusions of Law

The Division argues that I should issue stop orders against Crest Radius and Loyal Source for two independent reasons: (1) Respondents made material misstatements and omissions in their registration statements and (2) Respondents failed to cooperate with the Section 8(e) examinations.⁵⁵ Although I find that the Division has not established that Loyal Source failed to cooperate with the Commission's examination, I conclude that stop orders are nevertheless appropriate to suspend the effectiveness of Respondents' registration statements.

Stop orders are warranted under Section 8(d) because Respondents made material misstatements and omissions in their registration statements.

Securities Act Section 8(d) authorizes the Commission to issue a stop order suspending the effectiveness of a registration statement if the registration statement includes any untrue statement of material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading.⁵⁶ The purpose of registration statements is to "protect investors by promoting full disclosure of information thought necessary to informed investment decisions."⁵⁷ "Information in a registration statement is material when there is a substantial likelihood that a reasonable investor would attach importance to it in determining whether to purchase the security in question."⁵⁸

⁵⁵ The Division also argues that stop orders are appropriate because Respondents defaulted, but that is not an independent basis for suspending the effectiveness of Respondents' registration statements absent "some meaningful explanation" for the requested relief against the defaulted party. *Rapoport v. SEC*, 682 F.3d 98, 108 (D.C. Cir. 2012).

⁵⁶ 15 U.S.C. § 77h(d).

⁵⁷ *mPhase Techs., Inc.*, Exchange Act Release No. 74187, 2015 WL 412910, at *5 (Feb. 2, 2015) (quoting *World Trade Fin. Corp.*, Exchange Act Release No. 66114, 2012 WL 32121, at *7 (Jan. 6, 2012)).

⁵⁸ *Petrofab Int'l, Inc.*, Securities Act Release No. 6769, 1988 SEC LEXIS 782, at *16 (Apr. 20, 1988) (citing *TSC Indus., Inc. v. Norway, Inc.*, 426 U.S. 438, 449 (1976)); see 17 C.F.R. § 230.405 (defining a material fact as one to which "there is a substantial likelihood that a reasonable investor would attach importance in determining whether to purchase the security").

In their registration statements, and accompanying amendments, Crest Radius and Loyal Source made material misrepresentations and omissions about their finances. Crest Radius also made material misrepresentations and omissions concerning its promoters and control persons. Finally, both companies made material misrepresentations and omissions about their company information.

Crest Radius and Loyal Source materially misrepresented their finances.

Item 11(e) of Form S-1 requires a registrant to furnish financial information meeting the requirements of Regulation S-X, including consolidated statements of income and cash flow.⁵⁹ “False claims of substantial unearned revenue, or the substantial overstatement of revenue, are ‘material’ to reasonable investors.”⁶⁰ The materiality of this type of information “relating to financial condition, solvency and profitability is not subject to serious challenge.”⁶¹

Crest Radius and Loyal Source both included deliberately fabricated profits in their financial statements. They created the false appearance of revenue through roundtrip transactions that appear to have been coordinated by a single individual, Troshin, who was involved with opening most, if not all, of the involved bank accounts. And these fabricated profits accounted for all of Crest Radius’s profits during a six-month period and almost ten percent of Loyal Source’s profits in less than a year. These misstatements alone are enough to justify a stop order against both Respondents.

Crest Radius made material misrepresentations and omissions concerning its promoters and control persons.

Item 11(n) of Form S-1 requires a registrant to furnish the information required by Item 404 of Regulation S-K, including the identity of any promoter or control person that the registrant had within the last five fiscal years.⁶² A promoter is defined to include “[a]ny person who, acting alone or in conjunction with one or more other persons, directly or indirectly takes initiative in

⁵⁹ Form S-1, Item 11(e), *available at* <https://www.sec.gov/files/forms-1.pdf>; 17 C.F.R. § 210.3-02.

⁶⁰ *SEC v. USA Real Estate Fund 1, Inc.*, 30 F. Supp. 3d 1026, 1034 (E.D. Wash. 2014).

⁶¹ *SEC v. Murphy*, 626 F.2d 633, 653 (9th Cir. 1980).

⁶² Form S-1, Item 11(n); 17 C.F.R. § 229.404(c).

founding and organizing the business or enterprise of an issuer.”⁶³ Control is defined to mean “the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person.”⁶⁴ Misrepresenting who is a promoter or control person or, as here, failing to disclose a promoter or control person, is material.⁶⁵ “Other than a corporation’s financials, its leadership, the nature of its operations, and its plan for the future would seem to be *the most* important pieces of information available to an investor.”⁶⁶

Crest Radius misrepresented in its registration statement that a single individual, Valbe, was its sole control person. But Valbe was little more than a nominee for the real promoter and control person, Evrasov, who controlled Crest Radius’s communications, business connections, and office. Evrasov controlled Crest Radius’s personnel; he fired Valbe and denied him access to the office. Even Troshin—who directed the opening of Crest Radius’s bank account and appears to have orchestrated the roundtrip transactions that account for all of Crest Radius’s income over six months—had more control than Valbe. Crest Radius’s failure to disclose the involvement of Evrasov and Troshin also warrants the issuance of a stop order against Crest Radius.

Crest Radius and Loyal Source materially misrepresented identifying company information.

Form S-1 requires a registrant to furnish basic contact information, including the address and phone number of its principal executive offices, and Item 16(a) of the form requires a registrant to furnish exhibits required by Item 601 of Regulation S-X, including articles of incorporation, which also include contact information.⁶⁷ Although misstating any one piece of contact information may not be material depending on the circumstances, failing to

⁶³ 17 C.F.R. § 230.405.

⁶⁴ *Id.*

⁶⁵ See *SEC v. Fehn*, 97 F.3d 1276, 1290 (9th Cir 1996); *Am. Fin. Co.*, Securities Act Release No. 4465, 1962 WL 68468, at *2 (Mar. 19, 1962).

⁶⁶ *SEC v. Husain*, No. 2:16-cv-3250, 2017 WL 810269, at *8 (C.D. Cal. Mar. 1, 2017); see also *Franchard Corp.*, Securities Act Release No. 4710, 1964 WL 67454, at *6 (July 31, 1964) (“Evaluation of the quality of management—to whatever extent it is possible—is an essential ingredient of informed investment decision.”).

⁶⁷ Form S-1 at 1; *id.*, Item 16(a); 17 C.F.R. § 229.601(b)(3)(i).

provide almost any correct contact information “significantly alter[s] the ‘total mix’ of information made available.”⁶⁸ And substituting fabricated information for accurate information indicates a deliberate intention to deceive that impugns management’s integrity, which is material to a reasonable investor.⁶⁹

In their registration statements, Crest Radius and Loyal Source provided incorrect phone numbers, addresses, and registered agents. The information is not just wrong, but wrong in a way that suggests that it was wholly invented by Respondents. For example, Respondents listed companies that never existed as their registered agents. When considered collectively, the falsified contact information provides another reason to issue a stop order against both Respondents.

A stop order against Crest Radius is warranted under Section 8(e) because it failed to cooperate with the Commission examination.

Securities Act Section 8(e) authorizes the Commission to issue a stop order if an issuer fails to cooperate with or obstructs the Commission’s examination into whether a stop order should issue under Section 8(d).⁷⁰ Refusal to respond to subpoenas constitutes a failure to cooperate.⁷¹

Crest Radius wholly failed to provide documents in response to one of two subpoenas served on its attorney. And it provided a mere handful of documents in response to the second subpoena, omitting the most important requested documents, including its books and records. This behavior is an independent ground for a stop order against Crest Radius.

In addition, the Division argues that Loyal Source failed to cooperate because it never responded to the subpoena that Commission staff attempted to serve on Loyal Source’s purported registered agent. Although service of investigative subpoenas is normally complete upon mailing,⁷² Commission staff knew that its subpoena in this case did not reach its intended recipient.

⁶⁸ *TSC Indus.*, 426 U.S. at 449.

⁶⁹ *See United States v. Hatfield*, 724 F. Supp. 2d 321, 328 (E.D.N.Y. 2010); *SEC v. Joseph Schlitz Brewing Co.*, 452 F. Supp. 824, 830 (E.D. Wis. 1978).

⁷⁰ 15 U.S.C. § 77h(e).

⁷¹ *See Blimpie Corp. of Am.*, Securities Act Release No. 5146, 1971 WL 120491, at *1 (May 6, 1971) (refusal to testify in response to subpoenas, “on grounds of privilege,” establishes a failure to cooperate).

⁷² *See* 17 C.F.R. §§ 201.150(c)(2), (d), .232(c), 203.8.

In the context of notice of a tax sale to the owner of real property, the Supreme Court has held that, although due process does not require actual notice in all circumstances, when “the government learns its attempt at notice has failed,” the government must “do something more” by taking “further *reasonable* steps if any were available.”⁷³ The Court refused to draw a distinction between knowing that notice would not reach the intended recipient before calculating how best to provide notice and learning that notice did not reach the intended recipient after notice was sent but before the government taking occurred.⁷⁴ It further noted that even if a person has a legal obligation to maintain an address on file with the government, the government is not necessarily relieved of having to take further reasonable steps upon learning that the party cannot be reached at its address of record.⁷⁵

Service of an investigative subpoena might not usually implicate the same due process concerns that notice of a tax sale does, but finding service of the subpoena in this proceeding—where Loyal Source’s purported failure to respond to the subpoena is alleged as an independent basis for a stop order—raises concerns similar to those in *Jones*.⁷⁶ Commission staff learned that the address to which the staff mailed the subpoena did not belong to Loyal Source’s purported registered agent, yet—in contrast to its actions with respect to Crest Radius—the record contains no evidence that the staff made other attempts to serve the subpoena. The Division has not shown that further reasonable steps were unavailable or impractical.

The Division has not made other arguments demonstrating that Loyal Source failed to cooperate. Because it would not affect the disposition of this proceeding, I decline to raise or address alternative theories. I thus conclude on this record that the Division has not shown that Loyal Source failed to cooperate with the Commission’s examination.

⁷³ *Jones v. Flowers*, 547 U.S. 220, 227, 230 (2006) (emphasis added).

⁷⁴ *Id.* at 230.

⁷⁵ *Id.* at 232.

⁷⁶ In a different but somewhat analogous context of subpoena enforcement in federal court, service is a key requirement and implicates due process. *See, e.g.*, Fed. R. Civ. Pro. 45(b); 9 *Moore’s Federal Practice* § 45.21 (Matthew Bender 3d ed. 2020) (“The apparent purpose of the service requirement is to ensure receipt, so that notice will be provided to the recipient, and enforcement of the subpoena will be consistent with the requirements of due process.”).

Record Certification

I certify that the record includes the items set forth in the record index issued by the Secretary of the Commission on December 18, 2020.⁷⁷

Order

The Division of Enforcement's motion for default and sanctions is GRANTED.

Under Section 8(d) of the Securities Act of 1933, the effectiveness of the Form S-1 registration statement filed by Crest Radius, Inc., on January 17, 2018, and amended on March 1 and 20 and May 9, 2018, is SUSPENDED.

Under Section 8(d) of the Securities Act of 1933, the effectiveness of the Form S-1 registration statement filed by Loyal Source Market Services, Inc., on May 9, 2017, and amended on June 19, July 5, August 16, October 20, and November 30, 2017, and January 5, February 2 and 13, March 13, and April 24, 2018, is SUSPENDED.

This initial decision will become effective in accordance with and subject to the provisions of Rule 360.⁷⁸ Under that rule, a party may petition for review of this initial decision within 21 days after service of the initial decision. Under Rule of Practice 111, a party may also move to correct a manifest error of fact within ten days of the initial decision.⁷⁹ If a party moves to correct a manifest error of fact, then a party will have 21 days from the date of the order resolving that motion to petition for review.

The initial decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party petitions for review or moves to correct a manifest error of fact or the Commission determines on its own initiative to review the initial decision as to a party. If any of these events occur, the initial decision will not become final as to that party.

Respondents may move the Commission to set aside the default under Rule of Practice 155(b), which permits the Commission, at any time, to set aside a default for good cause, in order to prevent injustice and on such

⁷⁷ See 17 C.F.R. § 201.351(b).

⁷⁸ See 17 C.F.R. § 201.360.

⁷⁹ See 17 C.F.R. § 201.111.

conditions as may be appropriate.⁸⁰ A motion to set aside a default must be made within a reasonable time, state the reasons for the failure to appear or defend, and specify the nature of the proposed defense in the proceeding.⁸¹ Such motion, if filed, should be directed to the Commission, as the hearing officer may set aside a default only “prior to the filing of the initial decision.”⁸²

James E. Grimes
Administrative Law Judge

Served by email on the Division of Enforcement.

⁸⁰ 17 C.F.R. § 201.155(b).

⁸¹ *Id.*

⁸² *Id.*