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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
February 27, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-16032

In the Matter of **DEMOSTHENES DRITSAS,** **Respondent.**	**DIVISION OF ENFORCEMENT'S RESPONSE TO ORDER OF FEBRUARY 1, 2017 REQUESTING ADDITIONAL BRIEFING**

I. Introduction

The Division of Enforcement files this brief in response to the Commission's Order Requesting Additional Briefing dated February 1, 2017. The Order asks the parties to address the question of whether there is support for the NRSRO and municipal advisor bars the Commission imposed against Respondent Demosthenes Dritsas in 2014. The short answer is yes. *All* of the conduct giving rise to the bars the Commission imposed in this proceeding occurred well after July 22, 2010 – the effective date of the Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"). Thus, there are no retroactivity concerns of the type set forth in *Koch v. SEC*, 793 F.3d 147 (D.C. Cir. 2015), and the Commission should deny Dritsas' request to vacate the NRSRO and municipal advisor bars.

Background

On August 22, 2014, the Commission entered, by consent, an order making findings and imposing remedial sanctions ("Consent Order") against Dritsas. *In the Matter of Demosthenes Dritsas*, Exchange Act Release No. 72900, 2014 WL 4160069 (Aug. 22, 2014). The Consent Order, among other things, barred Dritsas from association with any nationally recognized statistical rating organization and municipal advisor. *Id.* The Consent Order was based on the entry of an injunction against Dritsas in the United States District Court for the Central District of California, and on Dritsas' guilty plea in a related criminal action also in the Central District of California. *Id.* at § 3, ¶¶ 2 and 4.

Following entry of the Consent Order, the D.C. Circuit Court of Appeals handed down the *Koch* decision, in which it found that NRSRO and municipal advisor bars based on conduct pre-dating the July 22, 2010 effective date of the Dodd Frank Act were "impermissibly retroactive." *Koch*, 793 F.3d at 158. The Commission subsequently invited anyone who had those two associational bars issued against them based on pre-Dodd Frank conduct to request that the Commission vacate the bars. On April 25, 2016, Dritsas filed a request to vacate the NRSRO and municipal advisor bars entered against him in the Consent Order, claiming they were based solely on conduct that pre-dated July 22, 2010. Exhibit 1, Dritsas Request Form. The Commission then issued the Order Requesting Additional Briefing on February 1.

III. Argument

The Commission should not vacate the NRSRO and municipal advisor bars against Dritsas because, in contrast to Dritsas' claim, they were based entirely on conduct occurring in 2011 and 2012, well after the Dodd Frank Act was enacted. The District Court Complaint in the Commission's civil action against Dritsas (referred to in Section III, Paragraphs 3 and 4 of the

Consent Order), clearly states the conduct giving rise to the action occurred from August 2011 through November 2012. Complaint at ¶ 2 (attached as Exhibit 2). While the Complaint alleges the conduct of *other* people not charged in the action leading up to Dritsas' involvement started in 2010, nowhere does it allege that Dritsas committed any misconduct before 2011. For example, the Complaint notes that the company for whom Dritsas worked that was also charged in the case received transaction-based compensation from July 2011 through November 2012. *Id.* at ¶¶ 25-26. In addition, specific instances of misconduct alleged in the Complaint all occurred in November 2011. *Id.* at ¶¶ 35, 37, and 40.

The criminal information leading to the guilty plea (referenced in Section III, Paragraph 6 of the Consent Order), is also based entirely on post-Dodd Frank conduct. *See* Information at ¶ 2 ("Beginning in or around September 2011, and continuing to in or around February 2012 . . ."), attached as Exhibit 3. *See also* Paragraph 4 of Exhibit 3 (alleging an overt act on or about November 16, 2011).

Accordingly, because Dritsas was not charged with any pre-Dodd Frank conduct in this matter, the NRSRO and municipal advisor bars are not impermissibly retroactive. Because they are based entirely on post-Dodd Frank conduct, the Commission should not vacate them.

[redacted]

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CERTIFICATE OF SERVICE

I hereby certify that an original and three copies of the foregoing were filed with the Securities and Exchange Commission, Office of the Secretary, 100 F Street, N.E., Washington, D.C. 20549-9303, and that a true and correct copy of the foregoing has been served by overnight delivery, on this 27th day of February, 2017, on the following persons entitle to notice:

Demosthenes Dritas
21111 Oakriver Lane
Newhall, CA 91321

[redacted]
Robert K. Levenson

3-16032

REQUEST TO VACATE BAR(S) FROM ASSOCIATION WITH NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS AND/OR MUNICIPAL ADVISORS IN LIGHT OF *KOCH V. SEC*

Summary:

1. As a result of the decision of the United States Court of Appeals for the District of Columbia Circuit in *Koch v. SEC*, the Securities and Exchange Commission has determined to grant requests to vacate bars from association with nationally recognized statistical rating organizations ("NRSROs") and municipal advisors that were imposed against individuals based entirely on conduct that occurred before the effective date of the Dodd-Frank Wall Street Reform and Consumer Protection Act (July 22, 2010).
2. The Commission has established an expedited program for eligible individuals to request that their NRSRO and/or municipal advisor bars be vacated through the completion of this form.
3. This program applies only to NRSRO and municipal advisor bars. If we determine that you are eligible for relief under the program, all other bars and/or suspensions to which you are subject (e.g., from association with a broker-dealer or investment adviser) would remain in place.

Instructions:

1. To make a request that the Commission vacate your NRSRO and municipal advisor bars, you must complete this form by providing all information sought below. Completing the form will facilitate the Commission's determination of your eligibility for the program. Do not submit any additional materials with this form. If the Commission determines that it needs additional information to determine your request, it will notify you.
2. Send three copies of your completed form to the following address:
   Office of the Secretary
   U.S. Securities and Exchange Commission
   100 F Street, N.E.
   Washington, D.C. 20549-1090
3. You will be notified of the Commission's determination of your request at the address you provide below.

Information to be provided by affected individual:

Name: DEMOSTHENES DRITSAS

Address: [redacted]

I am subject to a bar from association with any nationally recognized statistical rating organization and/or municipal advisor based solely on conduct that occurred before July 22, 2010. ☒ Yes ☐ No

Date of order imposing bar: _____

[redacted]

Dated: 03/28/16

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April 11, 2016

VIA U.S. MAIL

Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: In the Matter of Demosthenes Dritsas; Administrative Proceeding
File No. 3-16032
Request to Vacate Bar(s)

Dear Sir or Madam:

Please find enclosed three executed copies of the Request to Vacate Bar(s) from Association with Nationally Recognized Statistical Rating Organizations and/or Municipal Advisors in Light of *Koch v. SEC*.

Please notify me as well as Mr. Dritsas of the Commission's determination.

Thank you.

Very truly yours,

[redacted]

Pamela L. Johnston

Enclosures [redacted]

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **vs.** **CALPACIFIC EQUITY GROUP, LLC, DANIEL R. BAKER, and DEMOSTHENES DRITSAS** **Defendants.**	**Case No.**

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. The Commission brings this action against CalPacific Equity Group, LLC, Daniel R. Baker and Demosthenes Dritsas (collectively, "Defendants") for violations of the registration and antifraud provision of the federal securities laws.

2. From no later than August 2011 until at least November 2012, the Defendants, directly and through the services of their sales agents, offered and or sold unregistered Thought Development, Inc. ("TDI") stock to at least 34 investors located throughout the United States, most of whom were senior citizens, and some of whom were unaccredited.

3. TDI developed a laser-line system that can be used in professional and collegiate sporting events. The Defendants or their sales agents lured victims into investing in TDI by making false promises about investment returns on and timing of a purportedly pending initial public offering ("IPO"). The Defendants and their sales agents also misled investors concerning the status of negotiations with, and the purported use of TDI's first down laser technology by, the National Football League.

4. The Defendants and their sales agents also materially misled investors by failing to disclose to investors they used at least 50% of investor proceeds for commissions or other fees.

5. As a result of the conduct described in this Complaint, the Defendants violated Sections 5(a) and (c), and 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c), 77q(a)(1), 77q(a)(2), 77q(a)(3); and Sections

10(b), 15(a) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), 15 U.S.C. § 78o(a) and 17 C.F.R. § 240.10b-5.

6. Unless restrained and enjoined, the Defendants are reasonably likely to continue to violate the federal securities laws.

7. The Commission respectfully requests that the Court enter: (a) permanent injunctions restraining and enjoining the Defendants from violating the federal securities laws; (b) orders directing the Defendants to pay disgorgement with prejudgment interest; (c) orders directing the Defendants to pay civil money penalties; and (d) orders barring Baker and Dritsas from participating in any offering of a penny stock.

II. DEFENDANTS AND RELATED ENTITY

A. Defendants

8. Baker resides in Valley Village, California. Baker is, and at all relevant times was, a managing member of CalPacific Equity Group, LLC. ("CalPacific"). During the relevant time period, Baker was not a registered broker-dealer nor affiliated with a registered broker-dealer.

9. Dritsas resides in Newhall, California and is a Canadian citizen. Dritsas is, and at all relevant times was, a managing member of CalPacific. During the relevant time period, Dritsas was not a registered broker-dealer nor affiliated with one. Dritsas is also known as Dean Dritsas.

10. CalPacific is a Nevada limited liability company with its principal place of business in Valencia, California. It has never been registered with the Commission in any capacity and has not registered any offering of securities under the Securities Act or a class of securities under the Exchange Act.

B. Related Entities and Individual

11. TDI was incorporated in 2010 with its principal place of business in Miami Beach, Florida. It has never been registered with the Commission in any capacity and has not registered any offering of securities under the Securities Act or a class of securities under the Exchange Act. On October 4, 2013, in an order on a related case, a court in the Southern District of Florida entered a consent judgment enjoining TDI from further violations of registration provisions of federal securities laws. SEC v. Thought Development et al., 1:13-cv-23476-JEM (S.D. Fla.).

12. Advanced Equity Partners, LLC ("AEP") and Premiere Consulting, LLC ("Premiere") are two Florida companies located in Hollywood, Florida. AEP and Premiere were controlled by Peter D. Kirschner and his business partner, both of whom raised approximately $2.4 million from investors in TDI stock while charging undisclosed exorbitant fees. On October 3, 2013, an order of permanent injunction and other relief was entered against AEP and Premiere ordering the entities to, among other things, pay disgorgement, pre-judgment interest and a civil penalty to be determined by the court. SEC v. Advanced Equity Partners et al., 13-cv-62100-RSR (S.D. Fla.).

13. Kirschner resides in Delray Beach, Florida and is a former managing member of Premiere and a current managing member of AEP. He and his business partner founded Premiere and AEP, and hired and paid sales agents to, among other things, solicit investors to purchase unregistered stock in TDI. On October 3, 2013, in a related case, a court in the Southern District of Florida entered a consent judgment which, among others things, enjoined Kirschner from further violations of the registration and antifraud provisions of federal securities laws. SEC v. Advanced Equity Partners, LLC et al., 13-cv-64321-RSR (S.D. Fla.).

III. JURISDICTION AND VENUE

14. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and Sections 21(d), 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

15. The Court has personal jurisdiction over the Defendants and venue is proper in the Central District of California because many of the Defendants' acts constituting violations of the Securities Act and the Exchange Act occurred in the District. More specifically, the Defendants offered and sold securities and recruited sales agents who offered and sold securities from offices in Valencia, California. In addition, proceeds from the fraudulent sale of securities flowed in and transaction-based payments to sales agents came out of bank accounts located in Valencia. Moreover, Baker and Dritsas reside in the Central District of California.

16. In connection with the conduct alleged in this Complaint, the Defendants, directly and indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means and instruments of transportation or communication in interstate commerce, and the mails.

IV. FACTUAL ALLEGATIONS

A. TDI and Relationships with Premiere and AEP

17. TDI was incorporated in 2010 to develop and market a portfolio of products and inventions, including a laser-line system designed to mark first downs in professional and collegiate football games, including the NFL. TDI states that its laser system generates a green line on the field which is visible in the stadium to players, fans and on television. TDI represents that use of its technology would decrease the time used by officials to determine first downs and generate more time to be sold to television advertisers.

18. Sometime in 2010, TDI entered into an agreement with Kirschner and his business partner to solicit investors to raise capital by selling TDI stock. Kirschner and his business partner formed Premiere, and later AEP, which, among other things, offered and sold unregistered TDI stock.

19. Premiere and AEP entered into agreements with the Defendants to act as sales agents to offer and sell TDI stock. Pursuant to these agreements, the Defendants received transaction-based compensation in the form of commissions

and other fees. The Defendants retained approximately 50% of investor proceeds as commissions or other fees on their sale of TDI stock.

20. Baker and Dritsas were aware that Premiere or AEP were also taking a portion of investor proceeds as commissions or other fees.

21. Baker and Dritsas offered and sold TDI stock directly to investors and received transaction-based compensation in the form of undisclosed commissions and other fees derived from investor proceeds.

22. In addition, Baker and Dritsas recruited, hired and supervised sales agents who were paid transaction-based compensation in connection with the offer and sale of TDI stock from bank accounts Baker and or Dritsas controlled and held by CalPacific.

23. Some of these sales agents served as self-described "fronters" whose primary responsibility was to use investor lead lists which consisted of contact information of potential investors. Fronters made initial contact with potential investors and referred those interested in TDI to Baker, Dritsas or others to complete the stock purchase transaction.

24. Baker or Dritsas earned a percentage of every stock purchase as a commission or fee, even on those sales made by the sales agents they hired.

25. From approximately July 2011 until February 2012, CalPacific received approximately $234,000 from Premiere as compensation for the offer and sale of TDI stock.

26. From February 2012 until November 2012, CalPacific received approximately $72,000 from AEP as compensation for the offer and sale of TDI stock.

B. **The Defendants' Solicitation of TDI Stock**

27. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the TDI stock that the Defendants and their sales agents offered and sold, and no exemption from registration existed with respect to these securities and transactions.

28. The Defendants and their sales agents made material misrepresentations to investors regarding commissions and others fees charged to investors and the actual use of investor proceeds.

29. Furthermore, the Defendants recklessly made specific representations to investors in connection with the offer and sale of TDI stock without taking any basic steps to verify the truthfulness of those representations. In some instances the Defendants made representations regarding the expectant timing of and return on a purported initial public offering ("IPO") of TDI stock. On other occasions, the Defendants made representations regarding the status of negotiations with the NFL and the purported use of TDI's first down laser system technology by certain teams and stadiums, or in the 2013 Super Bowl.

30. The Defendants and their sales agents instructed investors to send, and investors did send, all payments for TDI stock transactions to bank accounts either

Premiere or AEP held or controlled. Premiere and AEP used these bank accounts to pay its sales agents transaction-based compensation, including CalPacific.

31. Neither the Defendants nor their sales agents were registered as broker-dealers or associated with a registered broker-dealer while facilitating and participating in these securities sales.

C. **Material Misrepresentations and Omissions**

32. In connection with the offering of securities during the relevant period, the Defendants made the following material misrepresentations and omissions to investors.

1. *Undisclosed Exorbitant Commissions or Other Fees*

33. The Defendants made representations to investors about the use of investor funds for TDI's business that were materially misleading because they failed to disclose sale commissions and others fees that added up to approximately 50% of the funds raised from investors in connection with the offer and sale of unregistered TDI stock.

34. The Defendants also knew their sales agents materially misled investors by failing to disclose to investors the exorbitant commissions and other fees paid from the offering proceeds.

35. For example, in November 2011, Baker told an investor that no more than "ten cents on every dollar of investor money" would be used as a commission or other fee. Dritsas told the same investor that he would not charge any

commission for a trade – "not even a dime" when, in fact, CalPacific received 50% of that investor's proceeds as commissions or other fees in connection with the offer and sale of TDI stock.

2. *Use of Proceeds*

36. The Defendants or their sales agents also misrepresented the actual use of investor proceeds.

37. For example, in November 2011, Baker told an investor that 90 percent of investor proceeds would go "directly to the business." Dritsas told this same investor that all of the money raised was being used to install the laser-line system in the 32 stadiums of the NFL and a portion would be used for TDI's cash reserves.

38. These representations were false. At the time of these representations, Dritsas and Baker were receiving 50% of investor proceeds as commissions or other fees.

3. *Promises about Pending IPO and Investment Returns*

39. The Defendants and their sales agents recklessly made specific representations to investors concerning the timing of and expected return on a purported TDI IPO without taking any basic steps to verify the truthfulness of those representations.

40. For example, in November 2011 Baker told an investor TDI would go public within seven months – in about May 2012. Dritsas promised this same investor that TDI would go public within a year of November 2011, but was

confident it would be within six to eight months. At that time, TDI had no immediate plans to go public and there was no basis for these statements.

41. In addition, the Defendants and their sales agents represented that the value of TDI stock would increase significantly from $2.50 per share as a result of the purported IPO. For example, Dritsas told an investor that TDI already had a book share value of $8.50 and that the expected opening share price would be between $8.00 and $10.00. Dritsas had no basis for these statements and failed to take any basic steps to verify the truthfulness of these representations.

4. *Use of the Technology*

42. Baker and Dritsas also recklessly made specific representations to investors regarding the status of negotiations with, and the use of the technology by, the NFL.

43. For example, Baker told at least one investor that "now, currently we [TDI] split those revenues, the advertising revenues with the NFL 50/50." Dritsas told the same investor the NFL already had agreed to use TDI's technology during the NFL's 2012 mini-camp. At that time, TDI had no agreement with the NFL, and Baker and Dritsas took no basic steps to verify the truthfulness of those representations.

COUNT I

Violation of Sections 5(a) and 5(c) of the Securities Act of 1933

44. The Commission realleges and incorporates paragraphs 1 through 31 of this Complaint.

45. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities and transactions described in this Complaint and no exemption from registration existed with respect to these securities and transactions.

46. As described above, the Defendants directly or indirectly: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of any prospectus or otherwise, securities as to which no registration statement was in effect; (b) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; or (c) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed.

47. By reasons of the foregoing, the Defendants violated, and, unless restrained and enjoined, are reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

Fraud in Violation of Section 17(a)(1) of the Securities Act

48. The Commission realleges and incorporates paragraphs 1 through 43 of this Complaint.

49. From no later than August 2011 until at least November 2012, the Defendants directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

50. By reason of the foregoing, the Defendants directly and indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

51. The Commission realleges and incorporates paragraphs 1 through 43 of this Complaint.

52. From no later than August 2011 until at least November 2012, the Defendants directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make

the statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices and courses of business which operated and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

53. By reason of the foregoing, the Defendants directly and indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT IV

Fraud In Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

54. The Commission realleges and incorporates paragraphs 1 through 43 of this Complaint.

55. From no later than August 2011 until at least November 2012, the Defendants directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this complaint, knowingly, willfully or recklessly; (1) employed devices, schemes or artifices to defraud; (2) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) engaged in acts, practices and courses of business, which operated as a fraud upon the purchasers of such securities and will operate as a fraud upon the purchasers of such securities.

56. By reasons of the foregoing, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) and Rule 10b-5 of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. § 240.10b-5.

COUNT V

Violation of Section 15(a) of the Exchange Act

57. The Commission realleges and incorporates paragraphs 1 through 38 of this Complaint.

58. From no later than August 2011 until at least November 2012, the Defendants, while acting as or associated with a broker or dealer, effected transactions in, or induced or attempted to induce the purchase or sale of, securities while they were not registered with the Commission as a broker or dealer or when they were not associated with an entity registered with the commission as a broker-dealer.

59. By reasons of the foregoing, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court:

I.

Declaratory Relief

Declare, determine and find that the Defendants have committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, representatives and all persons in active concert or participation with them, and each of them, from violating Sections 5(a), 5(c), 17(a)(1), (2) and (3) of the Securities Act, and Sections 10(b) and 15(a) and Rule 10b-5 of the Exchange Act.

III.

Disgorgement and Prejudgment Interest

Issue an order directing the Defendants to disgorge all ill-gotten gains as a result of the conduct alleged in the complaint, together with prejudgment interest on all disgorgement amounts.

IV.

Penalties

Issue an Order directing each of the Defendants to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Penny Stock Bar

Issue an Order barring Baker and Dritsas from participating in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and

decrees that may be entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

[redacted]

July 23, 2014

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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, Plaintiff, v. DEMOSTHENES DRITSAS, Defendant.	No. SA CR SACR14-00068 I N F O R M A T I O N [18 U.S.C. § 371: Conspiracy]

The United States Attorney charges:

[18 U.S.C. § 371]

A. INTRODUCTION

1. At all times relevant to this Information, defendant DEMOSTHENES DRITSAS ("DRITSAS") was a co-owner of CalPacific Equity Group LLC ("CalPacific") located in Valencia, California.

B. THE OBJECT OF THE CONSPIRACY

2. Beginning in or around September 2011, and continuing to in or around February 2012, in Orange County, within the Central District of California, and elsewhere, defendant DRITSAS, D.B., S.R., and P.K., together with others known and unknown to the United States Attorney, combined, conspired, and agreed with each other to knowingly and intentionally commit an

offense against the United States, namely, mail fraud by shipping through private and interstate mail carriers documents related to an investment fraud scheme, in violation of Title 18, United States Code, Section 1341.

C. THE MANNER AND MEANS OF THE CONSPIRACY

3. The object of the conspiracy was carried out, and to be carried out, in substance, as follows:

a. Defendant DRITSAS and D.B. contacted prospective investors to solicit them to purchase Thought Development, Inc. ("TDI") common stock.

b. Defendant DRITSAS and D.B. did not disclose to potential investors that CalPacific was receiving at least a 40% commission on the sales of TDI stock and affirmatively misrepresented that fact.

c. Defendant DRITSAS and D.B., through CalPacific, received investor funds as commissions for selling TDI stock.

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D. OVERT ACT

4. In furtherance of the conspiracy and to accomplish its object, defendant DRITSAS and D.B., together with others known and unknown to the United States Attorney, committed and willfully caused others to commit the following overt act, among others, in Orange County, within the Central District of California, and elsewhere:

Overt Act No. 1: On or about November 16, 2011, defendant DRITSAS and D.B. caused investor R.B. to send, by Federal Express, a cashier's check in the amount of $10,000 to purchase 4,000 shares of TDI stock.

ANDRÉ BIROTTE JR.
United States Attorney

[redacted]

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Chief, Criminal Division

DENNISE D. WILLETT
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