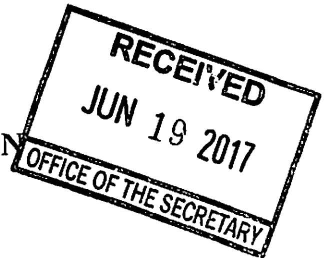
UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION




**ADMINISTRATIVE PROCEEDING**
**File No. 3-17874**

**In the Matter of**

**TALMAN HARRIS,**

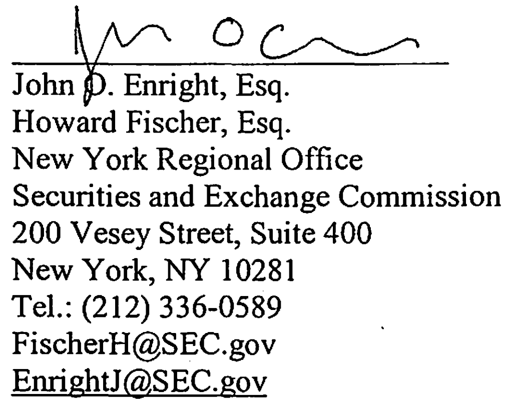
**Respondent.**

**DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AGAINST RESPONDENT TALMAN HARRIS**

The Division of Enforcement hereby moves for summary disposition pursuant to Rule 250 of the Securities and Exchange Commission's Rules of Practice [17 C.F.R. § 201.250]. The Division respectfully submits that summary disposition is appropriate and that the Court should resolve this proceeding in favor of the Division by finding that it is in the public interest to permanently bar respondent Talman Harris from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

In support of this Motion, the Division relies upon the accompanying memorandum of law and the Declaration of John O. Enright. The Division respectfully requests that the Court grant this motion.

Dated: New York, New York
June 16, 2017



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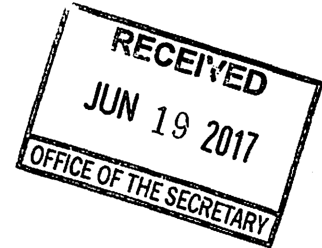


**In the Matter of**

**TALMAN HARRIS,**

**Respondent.**

**MEMORANDUM OF LAW IN SUPPORT OF THE DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION**

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The Division of Enforcement ("Division") herewith submits its Motion for Summary Disposition against Respondent Talman Harris ("Harris"), a person formerly associated with a broker-dealer, and its memorandum of law in support thereof. The motion is brought pursuant to Rule 250 of the Commission's Rules of Practice, and seeks to permanently bar Harris from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in an offering of penny stock.

## INTRODUCTION

Section 15(b)(6) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78(o)(b)(6)] provides that the Commission can bar any person who is associated or was associated with a broker or dealer, upon a showing that the person has been convicted of a felony that (i) "involves the purchase or sale of any security," (ii) "arises out of the conduct of the business of a broker, dealer [or] investment adviser," or (iii) "involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities, or substantially equivalent activity," within the meaning of Sections 3(a)(4)(A); 15(b)(4)(B)(i), (ii), (iii); and 15(b)(6)(A)(ii) of the Exchange Act. This section further provides that such a person may also be barred if that person has been "enjoined from any action, conduct, or practice specified" in this section. Indeed, as this Court noted in, among other cases, *Joseph Contorinis*, Initial Decision Rel. No. 503, 2013 WL 4478642, at * 2 (Aug. 22, 2013), *aff'd*, Exchange Act Rel. No. 72031, 2014 WL 1665995 (Apr. 25, 2014):

> The Commission has repeatedly upheld use of summary disposition in cases such as this, where the respondent has been enjoined or convicted and the sole determination concerns the appropriate sanction. *See Jeffrey L. Gibson*, Exchange Act Release No. 57266 (Feb. 4, 2008), 92 SEC Docket 2104, 2111-12 (collecting

> cases), *petition for review denied*, 561 F.3d 548 (6th Cir. 2009). Under Commission precedent, the circumstances in which summary disposition in a follow-on proceeding involving fraud is not appropriate "will be rare." *See John S. Brownson*, 55 S.E.C. 1023, 1028 n.12 (2002), *petition for review denied*, 66 F. App'x 687 (9th Cir. 2003).

*See also Paul D. Crawford*, Initial Decision Rel. No. 1001, 2016 WL 1554845, at *2 (Apr. 18, 2016); *Stuart E. Rawitt*, Initial Decision Rel. No. 782, 2015 WL 1907623, at *2 (Apr. 28, 2015) (Exchange Act 15(b)(6) authorizes the imposition of permanent bars if respondent was (1) associated with a broker-dealer; (2) was enjoined or convicted, and (3) the sanction is within the public interest); *Kenneth C. Tebbs*, Initial Decision Rel. No. 685, 2014 WL 4924898, at *3 (Oct. 2, 2014) (same)

As this Court further held in *Contorinis*, "absent extraordinary mitigating circumstances, an individual who has been criminally convicted of misconduct specified in Exchange Act Section 15(b)(4)(b) . . . cannot be permitted to remain in the securities industry." 2013 WL 4478642, at *5. To protect the investment world and its participants, Harris should be permanently barred from any possible participation therein.

## BACKGROUND AND PROCEDURAL HISTORY

### A. The Civil Action And the Resulting Injunction Against Respondent

The Commission filed an Amended Complaint in the action entitled *SEC v. Cope et al.*, 14 Civ. 7575 (S.D.N.Y.) (DLC) in the United States District Court for the Southern District of New York, on June 14, 2015 (the "Civil Action").[1] The Civil Action described a series of sophisticated fraudulent schemes involving penny stock issuers orchestrated between 2008 and

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[1] The Amended Complaint in the Civil Action is attached as Exhibit 1 to the accompanying June 16, 2017 Declaration of John O. Enright in Support of the Division's Motion for Summary Disposition ("Enright Decl.").

2014 by Izak Zirk de Maison (f/k/a Izak Zirk Engelbrecht) ("Engelbrecht") and a number of co-defendants, including Harris.[2]

In one of the schemes set out in the Civil Action, Engelbrecht would cause each issuer to issue tens of millions of shares of restricted stock to him and his nominees, which he then used for illegal distributions. Engelbrecht, along with his confederates, illegally sold the shares into the public market and bribed multiple registered representatives, including Harris, to place buy orders in their customers' accounts with the purpose of matching trades with Engelbrecht's sales. (*See* Enright Decl. Ex. 1 at ¶ 3.) Harris participated in this kind of scheme in connection with the issuer Lenco Mobile Inc. ("Lenco").

As consideration for buying Lenco's stock, a penny stock, and matching trades with Engelbrecht in his customers' accounts, Engelbrecht paid Harris between 30% and 50% of the proceeds of each matched trade. Harris did not disclose to his customers that Engelbrecht was inducing him to buy Lenco stock in their accounts for the purpose of allowing Engelbrecht to liquidate his Lenco shares. (Enright Decl. Ex. 1 at ¶ 48.) Between February 13, 2008 and November 12, 2009, Engelbrecht made at least 29 undisclosed commission payments to Harris, totaling $775,104, in exchange for Harris buying shares of Lenco (and its immediate predecessor, Sovereign Wealth Corporation) in his customers' accounts, usually in an effort to match Engelbrecht's sales. (Enright Decl. Ex. 1 at ¶ 49.) As a result of this conduct, Harris engaged in acts, practices, and courses of business that constituted violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)], and Section 17(a)(2)

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[2] Harris had been employed as a registered representative with numerous firms. Between 2000 and 2013, Harris was a registered representative associated with Investec Ernst & Company; Spencer Clarke LLC; Joseph Stevens & Company, Inc.; Ehrenkrantz King Nussbaum, Inc.; Harrison Securities Inc.; Benchmark Securities; New York Global Securities, Inc.; Legend Securities, Inc.; Basic Investors, Inc.; Martinez Ayme Securities; Seaboard Securities, Inc.; First Merger Capital, Inc.; and Radnor Research & Trading Company LLC. (Enright Decl. Ex. 1 at ¶ 16.)

and (a)(3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

After Harris failed to answer or even appear in the Civil Action, the Commission, on December 18, 2015, moved for a default judgment against him by Order to Show Cause. (*See* Enright Decl. ¶ 4 & Ex. 2.) The Commission submitted to the Court in support of its Order to Show Cause, *inter alia*, a declaration from Division lawyer John O. Enright that attached documents setting out the amounts and dates of the payments to Harris, among other things. (*See* Enright Decl. ¶ 5 & Ex. 3.) That declaration attached an expansive Declaration from Engelbrecht, who set out in some detail the role Harris played in the fraudulent scheme. (*See* Enright Decl. ¶ 6 & Ex. 4.)

On February 7, 2017, the Court entered a final judgment against Harris, enjoining him from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder; imposing a penny stock bar; ordering Harris to pay disgorgement of $775,104 and prejudgment interest of $201,984.17; and ordering Harris to pay a civil penalty of $1,000,000. (*See* Enright Decl. ¶ 7 & Ex. 5.)[3]

**B. <u>Harris's Conviction in the Parallel Criminal Action</u>**

Harris was also charged criminally in the United States District Court for the Northern District of Ohio for largely the same conduct charged in the Civil Action, in *United States v. William Scholander et al.*, 15 Cr. 335 (N.D. Ohio). (*See* Enright Decl. ¶ 11 & Ex. 9.) The Superseding Indictment in the parallel criminal case alleged largely the same misconduct alleged

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[3] The final judgment was not entered until February 2017 because the Court stayed the Commission's action on January 19, 2016 pending the resolution of the parallel criminal case against Mr. Harris and two of his co-defendants. (*See* Enright Decl. ¶ 8 & Ex. 6.) On October 26, 2016, after Harris had been convicted in the criminal action, the Court issued an order effectively lifting the stay and directing the Division to supplement its December 18, 2015 Order to Show Cause for a default judgment against Mr. Harris. (*See* Enright Decl. ¶ 9 & Ex. 7.) Accordingly, on November 7, 2016, the Commission filed a letter brief with the Court supplementing the December 18, 2015 Order to Show Cause. (*See* Enright Decl. ¶ 10 & Ex. 8.)

by the Commission in the Amended Complaint. Among other things, the Superseding Indictment alleged that Harris, while a registered representative associated with registered broker-dealers, defrauded investors by buying shares of Lenco stock in his customers' accounts in exchange for undisclosed commissions from Engelbrecht. The Superseding Indictment charged Harris with conspiracy to commit securities fraud, 18 U.S.C. § 1348, and wire fraud, 18 U.S.C. § 1343, in violation of 18 U.S.C. § 1349 (Enright Decl. Ex. 9 ¶¶ 52-56); multiple counts of wire fraud in violation of 18 U.S.C. § 1343 (*id.* ¶¶ 57-59); and obstruction of justice in violation of 18 U.S.C. § 1503 (*id.* ¶¶ 60-64).

On September 7, 2016, Harris was convicted on all counts. (*See* Enright Decl. ¶ 12 & Ex. 10.) On January 26, 2017, a judgment in the criminal case was entered against Harris. (*See* Enright Decl. ¶ 12 & Ex. 11.) He was sentenced to a prison term of 60 months followed by five years of supervised release and ordered to make restitution in the amount of $843,423.91. (*Id.*) On January 29, 2017, Harris filed an appeal from his judgment and sentence to the U.S. Court of Appeals for the Sixth Circuit. (*See* Enright Decl. ¶ 13 & Ex. 12.) Harris is currently incarcerated at the U.S. Penitentiary Canaan in Waymart, Pennsylvania. (*See* Enright Decl. ¶ 13 & Ex. 13.)

### C. The Follow-On Administrative Proceeding

On March 17, 2017, the Division instituted this follow-on proceeding pursuant to Section 15(b) of the Exchange Act through an Order Instituting Proceedings dated March 17, 2017 ("OIP"). (*See* Enright Decl. ¶ 14 & Ex. 14.)

On May 26, 2017, the Court held a telephonic pre-hearing conference at which the Division and Harris appeared by phone. The Court held, *inter alia*, that Harris was served with his OIP by mail in accordance with 17 C.F.R. § 201.141(a)(2)(i) on April 29, 2017. The Court memorialized that ruling the same day in an Order Following Prehearing Conference and to

Show Cause as to Respondent Alfaya. (*See* Enright Decl. ¶ 15 & Ex. 15.) In addition, the Court held that the Division's investigative file had been made available to Harris, and set a date of June 1, 2017 for Harris to answer. (*See id.*)

## **LEGAL ARGUMENT**

### A. **Summary Disposition Is Appropriate In This Proceeding.**

Rule 250 of the Commission's Rules of Practice provides that the Division of Enforcement may make a motion for summary disposition as to any or all allegations against a respondent. 17 C.F.R. § 201.250(a). Rule 250(b) provides that a hearing officer may grant a motion for summary disposition if there is no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law. *Id.*

Summary disposition is particularly appropriate where, as here, the pertinent facts already have been litigated and determined in a prior judicial proceeding. *See, e.g., Joseph P. Galluzzi*, Exchange Act Rel. No. 34-46405, 2002 WL 1941502 (Aug. 23, 2002) (Commission upheld ALJ's grant of Division's motion for summary disposition where facts were determined in earlier injunctive action and criminal conviction), *aff'g* Initial Decision Rel. No. 187, 2001 WL 892784 (Aug. 7, 2001); *Peter Siris,* Advisers Act Release No. 3736, 2013 WL 6528874, at *11 (Dec. 15, 2013) ("[f]ollow-on proceedings are not an appropriate forum to revisit the factual basis for, or legal challenges to, an order issued by a federal court") (internal quotation marks and citation omitted).

Summary disposition is "generally proper in 'follow-on' proceedings like this one, where the administrative proceeding is based on a criminal conviction or a civil injunction." *George Charles Cody Price*, Initial Decision Rel. 1018, 2016 WL 3124675, at *2 (June 3, 2016); *accord Duane Hamblin Slade,* Initial Decision Rel. No. 799, 2015 SEC LEXIS 2110, at *4-5 (May 26,

2015) (*citing Gary M. Kornman,* Exchange Act Rel. No. 59403, 2009 WL 367635, at *10 (Feb. 13, 2009), *petition for review denied sub nom., Kornman v. SEC*, 592 F.3d 173 (D.C. Cir. 2010), *decision set aside in part*, Rel. No. 4298, 2015 WL 9268719 (Dec. 21, 2015)).[4]

Moreover, where, as here, facts have been litigated and determined in an earlier judicial proceeding, a respondent cannot relitigate issues that were addressed in a previous proceeding against the respondent. *See Peter J. Eichler, Jr.*, Initial Decision Rel. No. 1032, 2016 WL 4035559, at *2 (July 8, 2016) ("It is well established that the Commission does not permit a respondent to relitigate issues that were addressed in a previous civil proceeding against the respondent, whether resolved by summary judgment, by consent, or after a trial.") (collecting cases).[5] Additionally, the pendency of an appeal does not preclude the Commission from action based on an injunction. *James E. Franklin*, Exchange Act Rel. No. 56649, 2007 WL 2974200, at *4 (Oct. 12, 2007); *Stephan Von Hase*, Exchange Act Release No. 1061, 2016 WL 4942318, at *2 (Sept. 16, 2016).

Due to Harris's criminal conviction, and the entry of an injunction against him in the Civil Action, there can be no genuine dispute as to any material fact preventing the entry of summary disposition here.

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[4] *See also Omar Ali Rizvi*, Initial Decision Rel. No. 479, 2013 WL 64626, at *3 (Jan. 7, 2013) (the "Commission has repeatedly upheld use of summary disposition in cases where the respondent has been enjoined and the sole determination concerns the appropriate sanction"), Notice of Finality, Rel. No. 69019, 2013 WL 772514 (Mar. 1, 2013); *Daniel E. Charboneau*, Initial Decision Rel. No. 276, 2005 WL 474236 (Feb. 28, 2005) (summary disposition granted and penny stock bar issued based on injunction), Notice of Finality, Rel. No. 50693, 2005 WL 701205 (Mar. 25, 2005); *Currency Trading Int'l Inc.*, Initial Decision Rel. No. 263, 2004 WL 2297418 (Oct. 12, 2004) (same), Notice of Finality, 2004 WL 2624637 (Nov. 18, 2004).

[5] *Accord Robert Burton*, Initial Decision Rel. No. 1014, 2016 WL 3030850 (May 27, 2016); *James E. Franklin*, Exchange Act Rel. No. 56649, 2007 WL 2974200, at *4 & n.13 (Oct. 12, 2007), *petition for review denied*, 285 Fed. App'x. 761 (D.C. Cir. 2008); *Jeffrey L. Gibson*, Exchange Act Rel. No. 57266, 2008 WL 294717, at *3 (Feb. 4, 2008) (injunction entered by consent), *petition for review denied*, 561 F.3d 548 (6th Cir. 2009).

### B. Respondent's Criminal Conviction Warrants Summary Disposition.

The Commission has repeatedly upheld the use of the summary disposition procedure in follow-on proceedings when the respondent has been criminally convicted. *See Gary M. Kornman*, Exchange Act Rel. No. 59403, 2009 WL 367635, at *12 (Feb. 13, 2009) ("We have repeatedly upheld the use of summary disposition by a law judge in cases . . . where the respondent has been enjoined or convicted of an offense listed in Exchange Act Section 15(b) and Advisers Act Section 203, the sole determination is the proper sanction, and no material fact is genuinely disputed."), *petition for review denied sub nom. Kornman v. SEC*, 592 F.3d 173 (D.C. Cir. 2010); *Martin A. Armstrong*, Initial Decision Rel. No. 372, 2009 WL 482831, at *6 (Feb. 25, 2009) (respondent barred based on his conviction of conspiracy to commit securities fraud, wire fraud and commodities fraud), *aff'd* Investment Advisers Act Rel. No. 2926, 2009 WL 2972498 (Sept. 17, 2009); *John S. Brownson*, Exchange Act Rel. No. 46161, 2002 WL 1438186, at *2-4 (July 3, 2002) (respondent barred based on his conviction for conspiracy to commit securities fraud, mail fraud and wire fraud), *petition for review denied sub nom. Brown v. SEC*, 66 Fed. App'x 687 (9th Cir. 2003).

Summary disposition is particularly appropriate in cases where the criminal conviction involves fraud. *See, e.g., Frank L. Constantino*, Initial Decision Rel. No. 414, 2011 WL 1341151, at *2 (Apr. 8, 2011). Each individual count for which Harris was convicted—securities fraud, wire fraud, mail fraud, and conspiracy—alone is a sufficient basis upon which the Commission may impose remedial sanctions in this case, because each count "involves the purchase or sale of any security" and/or "arises out of the conduct of the business of a broker [or] dealer." 15 U.S.C. § 78o(b)(A)(ii).

The pendency of an appeal is irrelevant, since once a criminal conviction is entered, a bar is appropriate notwithstanding the existence of a pending appeal. *See Elliott v. SEC*, 36 F.3d 86, 87 (11th Cir. 1994) ("Nothing in the statute's language prevents a bar [from being] entered if a criminal conviction is on appeal."); *Hunt v. Liberty Lobby, Inc.*, 707 F.2d 1493, 1497 (D.C. Cir. 1983) ("Under well-settled federal law, the pendency of an appeal does not diminish the *res judicata* effect of a judgment rendered by a federal court.").

Nor can Harris relitigate or collaterally attack his criminal conviction before this tribunal. *Gregory Bartko*, Initial Decision Rel. No. 467, 2012 WL 3578907 at *2 (Aug. 21, 2012) ("The findings and conclusions made in the underlying action are immune from attack in a follow-on administrative proceeding. The Commission does not permit a respondent to relitigate issues that were addressed in a previous proceeding against the respondent."), *aff'd*, Exchange Act Rel. No. 71666 (Mar. 7, 2014), *petition granted in part and denied in part sub nom. Bartko v. S.E.C.*, 845 F.3d 1217 (D.C. Cir. 2017) (internal citations omitted); *Jose P. Zollino*, Exchange Act Rel. No. 55107, 2007 WL 98919, at *4 (Jan. 16, 2007) (a party may not challenge a criminal conviction in subsequent administrative proceeding); *William F. Lincoln*, Exchange Act Rel. No. 39629, 1998 WL 80228, at *2 (Feb. 9. 1998) (in proceedings based on a criminal conviction, a respondent "is collaterally estopped from attacking here the merits of the criminal proceeding against him").

Accordingly, the Commission may impose remedial, disciplinary sanctions against Harris based upon his criminal conviction. *See* 15 U.S.C. § 78o(b). Thus, summary disposition is appropriate here. The only remaining issue is the appropriate sanctions.

### C. **Respondent's Injunction Warrants Summary Disposition.**

In addition, here the entry of an injunction against Harris in the Civil Action warrants the same relief under Sections 15(b)(4)(C) and 15(b)(6)(A) of the Exchange Act [15 U.S.C. §§

78o(b)(4) and 6(A)]. *Mark Feathers,* Exchange Act Release No. 73634, 2014 WL 6449870, at *1 (Nov. 18, 2014); *Siris*, 2013 WL 6528874, at *5; *see also Gary L. McDuff*, Initial Decision Rel. No. 663, 2014 WL 4384138 (Sept. 5, 2014) (Elliot, J.).

**D. A Permanent Bar Is Warranted.**

Once the fact of a predicate criminal conviction and/or civil injunction has been established, the next question is whether an administrative sanction based upon the conviction or injunction is in the public interest, which turns on the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, recognition of the wrongful conduct, and the likelihood that the respondent's occupation will present future opportunities for violations. *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981), *rehearing denied*, 451 U.S. 933 (1981); *Vladimir Boris Bugarski*, Exchange Rel. No. 668423, 2012 WL 1377357, at *4 (Apr. 20, 2012); *see also Michael Robert Balboa*, Initial Decision Rel. No. 747, 2015 WL 847168 (Feb. 27, 2015) (Elliot, J); *Hausmann-Alain Banet*, Initial Decision Rel. No. 556, 2014 WL 345338 (Jan. 30, 2014) (Elliot, J.). The Commission also considers whether the sanction will have a deterrent effect. *Balboa*, 2015 WL 847168, at *6. "[N]o one factor is dispositive." *Michael C. Pattison, CPA,* Exchange Act Rel. No. 34073, 2012 WL 4320146, at *8 (Sept. 20, 2012); *see also Douglas L. Swenson, CPA*, Initial Decision Rel. No. 795, 2015 WL 2375997, at *5 (May 19, 2015).

"[O]rdinarily, and in the absence of evidence to the contrary, it will be in the public interest to revoke the registration of, or suspend or bar from participation in the securities industry, or prohibit from participation in an offering of penny stock, a respondent who is

enjoined from violating the antifraud provisions." *Marshall E. Melton*, Advisers Act Rel. No. 2151, 2003 WL 21729839, at *9 (July 25, 2003).

Measured by the foregoing standards, the undisputed facts of this case call for the imposition of all applicable bars against Harris.

1. The Conduct At Issue Was Egregious

Severe sanctions are critical to protect the public when a respondent's conviction involves fraud. *See John J. Bravata*, Initial Decision Rel. No. 737, 2015 WL 220986, at *6 (Jan. 16, 2015) ("The public interest requires a severe sanction when a respondent's past misconduct involves fraud because opportunities for dishonesty recur constantly in the securities business.").

The degree of harm to victims may be quantified by the amount of restitution ordered by the District Court in the criminal case, as well as the amount of disgorgement ordered in the Civil Action. *Adam Harrington*, Initial Decision Rel. No. 484, 2013 WL 1655690, at *4 (Apr. 17, 2013), *review dismissed*, Exchange Act Rel. No. 70149, 2013 WL 4027264 (Aug. 8, 2013); *Frank L. Constantino*, Initial Decision Rel. No. 414, 2011 WL 1341151, at *5 (Apr. 8, 2011). Here, Harris was ordered to pay $843,423.91 in restitution in the criminal action and $977,088 in disgorgement and prejudgment interest in the Civil Action. *See Eric T. Burns*, Initial Decision Rel. No. 582, 2014 WL 1246758 (Mar. 27, 2014) (Elliot, J.); *Richard P. Callipari*, Initial Decision Rel. No. 237, 2003 WL 22250402, at *5 (Sept. 30, 2003) (causing losses of approximately $428,000 was egregious). These restitution and disgorgement figures suggest a high degree of harm to Harris's victims.

2. The Conduct Was Recurrent

Harris's illegal conduct extended over a substantial period of time, almost two years, that precedent establishes as recurrent. *See Stephen L. Kirkland*, Initial Decision Rel. No 875, 2015

SEC WL 5139109 (Sept. 2, 2015); (misconduct over two years and involving ten investors recurrent); *Gordon Brent Pierce*, Sec. Act Rel. No. 9555, 2014 WL 896757, at *23 (Mar. 7, 2014) (misconduct over eight months "recurrent and long-lasting"); *Richard J. Daniello*, Exchange Act Release No. 27049, at *4 (July 21, 1989) (four months of misappropriating employer's funds was not isolated); *Richard P. Callipari*, Initial Decision Rel. No. 237, 2003 WL 22250402, at *5 (Sept. 30, 2003) (a scheme lasting several weeks constituted recurring and egregious behavior); *Eric S. Butler*, Initial Decision Rel. No. 413, 2011 WL 174245, at *5 (Jan. 19) (a scheme lasting several years reflected recurrent conduct), *aff'd,* Exchange Act Rel. No. 3262, 2011 WL 3792730 (Aug. 26, 2011).

3. The Conduct Involved a High Degree of Scienter

Courts have recognized that a conviction involving fraud, like that at issue here, indicates a "high degree of scienter." *Adam Harrington*, Initial Decision Rel. No. 484, 2013 WL 1655690, at *4 (Apr. 7, 2013); *John J. Bravata,* Initial Decision Rel. No 737, 2015 WL 220986, at *6 (Jan 16, 2015); *Alan Brian Baiocchi*, Initial Decision Rel. No. 382, 2009 WL 2030524, at *3 (July 14, 2009); *Richard P. Callipari*, Initial Decision Rel. No. 237, 2003 WL 22250402, at *5 (Sept. 30, 2003).

4. There is No Assurance Against Future Violations

Not only has Harris not given any assurances against future violations, his record of repeated violations over a lengthy period of time suggests that, if given the opportunity, he would engage in similar conduct in the future. *See Randal Kent Hansen,* Initial Decision Rel. No. 754, 2015 WL 1222484, at *7 (Mar. 18, 2015) (citation omitted). The mere fact that Harris is currently incarcerated is not relevant, as "if he were to reenter the securities industry [after

incarceration], his occupation would present the opportunity for future violations." *Balboa*, 2015 WL 847168, at *5.

5. Harris Has Not Recognized the Wrongful Nature of His Conduct

At no point has Harris recognized the wrongful nature of his conduct. Indeed, he never made a formal appearance in the Civil action, which required the Commission to seek and obtain a default judgment against him. The "absence of recognition by [a respondent] of the wrongful nature of his conduct" favors a permanent bar. *Jonathan D. Davey, CPA*, Initial Decision Rel. No. 959, 2016 WL 537549, at *3 (Feb. 11, 2016) (granting permanent bar on motion for summary disposition in follow-on proceeding to criminal conviction); *Siming Yang*, Initial Decision Rel. No. 788, 2015 SEC LEXIS 1735, at *10 (May 6, 2015) (noting, as part of grant of summary disposition and imposing of permanent bar in follow-on proceeding to civil injunction, that, "[c]onsistent with a vigorous defense of the charges, [respondent] ha[d] not recognized the wrongful nature of his conduct"); *Delsa U. Thomas and The D. Christopher Capital Management Group, LLC*, Initial Decision Rel. No. 705, 2014 WL 5666887, at *4 (Nov. 4, 2014); *Steadman*, 603 F.2d at 1140.

6. Harris's Occupation Presents the Opportunities For Future Violations

Finally, as a general matter, because the securities industry presents many opportunities for abuse and overreaching, and because its survival depends upon the integrity of its participants, the public interest is best served by permanently barring from the industry individuals whose honesty and integrity have been seriously impugned. *See Bruce Paul*, Exchange Act Rel. No. 21789, 1985 WL 548583 (Feb. 28, 1985); *see also Ahmed M. Soliman*, Exchange Act Rel. No. 1482, 1995 WL 237220 (Apr. 17, 1995); *Richard C. Spangler*, Exchange Act Rel. No. 12104, 46 S.E.C. 238, 252 (1976). Respondent's criminal conviction reflects

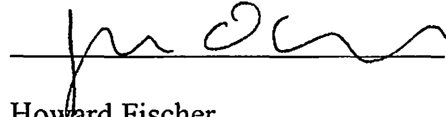
strongly against his fitness to take part in the securities industry, and a bar against him is necessary to protect the investing public.

"'Because the securities industry presents continual opportunities for dishonesty and abuse, and depends heavily on the integrity of its participants and on investors' confidence, it is essential that the highest ethical standards prevail in every facet of the securities industry.'" *George N. Krinos*, Initial Decision Rel. No. 929, 2015 WL 9297355, at *20 (Dec. 21, 2015) (quoting *Donald L. Koch*, Exchange Act Rel. No. 72179, 2014 WL 1998524, at *21 (May 16, 2014)). In these proceedings, the "focus is on the welfare of investors generally and the threat one poses to investors and markets in the future." *Tzemach David Netzer Korem*, Exchange Act Rel. No. 70044, 2013 WL 3864511, at *5 (July 26, 2013) (citation omitted); *see also Brian C. Rose*, Initial Decision Rel. No. 1118, 2017 WL 1090212, at *8 (Mar. 23, 2017) (bar is necessary even for incarcerated respondent to guard against the possibility that, "upon release he may revert to similar misconduct"); *Kenneth C. Tebbs*, 2014 WL 4924898, at *5.

## CONCLUSION

Based upon his criminal conviction and the injunction entered against him, and pursuant to the public interest, bars should be entered as against Respondent Talman Harris permanently barring him from associating with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

Dated: New York, NY
June 16, 2017



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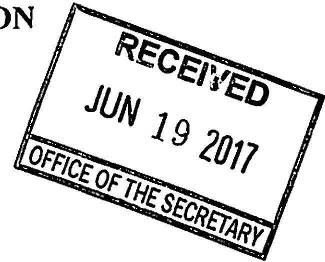
**UNITED STATES OF AMERICA**
**Before the**
**SECURITIES AND EXCHANGE COMMISSION**




**ADMINISTRATIVE PROCEEDING**
**File No. 3-17874**

**In the Matter of**

**TALMAN HARRIS,**

**Respondent.**

**DECLARATION OF JOHN O. ENRIGHT IN SUPPORT OF THE DIVISION'S MOTION FOR SUMMARY DISPOSITION**

I, John O. Enright, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am employed as Counsel with the Division of Enforcement ("Division") in the New York Regional Office of the United States Securities and Exchange Commission ("Commission"). I am an attorney assigned to prosecute this administrative proceeding. I have personal knowledge of the facts set forth herein, and if called as a witness I could and would competently testify as to the matters set forth in this Declaration.

2. I make this Declaration in order to set out the prior proceedings involving Respondent Talman Harris ("Harris"), and to introduce documents relevant to this application.

**The Civil Action and the Resulting Injunction Against Respondent**

3. The Commission filed an Amended Complaint in the action entitled *SEC v. Cope et al.*, 14 Civ. 7575 (S.D.N.Y.) (DLC) in the United States District Court for the Southern District of New York ("Court"), on June 14, 2015 (the "Civil Action"). A true and correct copy of the Amended Complaint is attached hereto as Exhibit 1.

4. After Harris failed to answer or even appear in the action, the Commission, on December 18, 2015, moved for a default judgment against, *inter alia*, Harris by filing an Order to Show Cause as to Why Default Judgments Should Not Be Entered Against Defendants Talman Harris, William Scholander, Victor Alfaya, and Kona Jones Barbera ("December 18, 2015 Order to Show Cause"). A true and correct copy of the Commission's December 18, 2015 Order to Show Cause, signed and so-ordered by the Court, is annexed hereto as Exhibit 2.

5. The Commission submitted a December 18, 2015 Declaration of John O. Enright in Support of the December 18, 2015 Order to Show Cause ("December 18, 2015 Enright Declaration"). The December 18, 2015 Enright Declaration, among other things, attached documents setting out the amounts and dates of the payments to Harris. A true and correct copy of the December 18, 2015 Declaration, without its exhibits, is annexed hereto as Exhibit 3.

6. Attached as Exhibit 4 is a true and correct copy of a December 14, 2015 Declaration of Izak Zirk de Maison (f/k/a Izak Zirk Engelbrecht) ("Englebrecht"), which the Commission submitted to the Court in support of its December 18, 2015 Order to Show Cause.

7. On February 7, 2017, a final judgment was entered against Harris in the Civil Action, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. A true and correct copy of the February 7, 2017 Final Judgment as to Defendants Talman Harris and Victor Alfaya is annexed hereto as Exhibit 5.

8. The final judgment was not entered until February 2017 because the Court stayed the Commission's action on January 19, 2016 pending the resolution of the parallel criminal case against Mr. Harris and two of his co-defendants. A true and correct copy of the Court's January 19, 2016 Order is annexed hereto as Exhibit 6.

9. On October 26, 2016, after Harris had been convicted in the criminal action, the Court issued an order effectively lifting the stay and directing the Commission to supplement the December 18, 2015 Order to Show Cause against Mr. Harris. A true and correct copy of the Court's October 26, 2016 Order is annexed hereto as Exhibit 7.

10. On November 7, 2016, the Commission filed a letter brief with the Court supplementing its December 18, 2015 Order to Show Cause. A true and correct copy of the Commission's November 7, 2016 letter brief, without attachments, is annexed hereto as Exhibit 8.

**<u>The Criminal Conviction of Talman Harris</u>**

11. Harris was charged criminally in the United States District Court for the Northern District of Ohio for conduct parallel to that charged in the Civil Action, in *United States v. William Scholander et al.*, 15 Cr. 335 (N.D. Ohio). A true and correct copy of the July 27, 2016 Superseding Indictment in *United States v. Scholander et al.* is annexed hereto as Exhibit 9.

12. On September 7, 2016, Harris was convicted on all counts. True and correct copies of the September 7, 2016 Verdict Forms evidencing Harris's convictions are annexed hereto as Exhibit 10. On January 26, 2017, a judgment in the criminal case was entered against Harris. A true and correct copy of Harris's January 26, 2017 Criminal Judgment is annexed hereto as Exhibit 11. He was sentenced to a prison term of 60 months followed by five years of supervised release and ordered to make restitution in the amount of $843,423.91. *See id.*

13. Harris filed an appeal from his judgment and sentence to the U.S. Court of Appeals for the Sixth Circuit on January 29, 2017. A true and correct copy of Harris's January 29, 2017 Notice of Appeal is annexed hereto as Exhibit 12. Harris is currently incarcerated at the U.S. Penitentiary Canaan in Waymart, Pennsylvania. A true and correct copy of a printout from

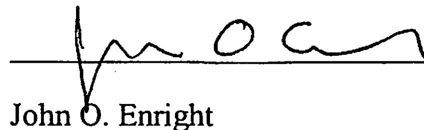
the Bureau of Prison's website evidencing Harris's incarceration at the USP Canaan is annexed hereto as Exhibit 13.

**Prior Submissions in this Follow-On Administrative Proceeding**

14. The Division instituted this follow-on proceeding through an Order Instituting Proceedings dated March 17, 2017 ("OIP") pursuant to Section 15(b) of the Exchange Act. A true and correct copy of the OIP is annexed hereto as Exhibit 14.

15. On May 26, 2017, the Court held a telephonic pre-hearing conference at which the Division and Harris appeared by phone. The Court held, *inter alia*, that Harris was served with his OIP by mail in accordance with 17 C.F.R. § 201.141(a)(2)(i) on April 29, 2017. The Court memorialized that ruling the same day in an Order Following Prehearing Conference and to Show Cause as to Respondent Alfaya ("Scheduling Order"). A true and correct copy of the Scheduling Order is annexed hereto as Exhibit 15. The Court further held that the Division's investigative file had been made available to Harris, and set a date of June 1, 2017 for Harris to answer. *Id.*

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that this Declaration was signed in New York City, New York on June 16, 2017.

By: 

John O. Enright

# EXHIBIT 1

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Attorney for the Plaintiff
SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIAFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

And

ANGELIQUE DE MAISON,

Relief Defendant.

14 Civ. 7575 (DLC)

**AMENDED COMPLAINT**

Plaintiff Securities and Exchange Commission (the "Commission"), for its Amended Complaint against defendants Jason Cope ("Cope"), Izak Zirk de Maison (f/k/a Izak Zirk Engelbrecht) ("Engelbrecht"), Gregory Goldstein ("Goldstein"), Stephen Wilshinsky ("Wilshinsky"), Talman Harris ("Harris"), William Scholander ("Scholander"), Jack Tagliaferro ("Tagliaferro"), Victor Alfaya ("Alfaya"), Justin Esposito ("Esposito"), Kona Jones Barbera ("Barbera"), Louis Mastromatteo ("Mastromatteo"), Angelique de Maison ("de Maison"), Trish Malone ("Malone"), Kieran T. Kuhn ("Kuhn"), Peter Voutsas ("Voutsas"), Ronald Loshin ("Loshin"), Gepco, Ltd. ("Gepco"), Sunatco Ltd. ("Sunatco"), Suprafin Ltd. ("Suprafin"), Worldbridge Partners ("Worldbridge"), Traverse International ("Traverse"), and Small Cap Resource Corp. ("SCR") (collectively, the "Defendants"), alleges as follows:

## SUMMARY OF ALLEGATIONS

1. This case concerns a series of sophisticated fraudulent schemes orchestrated by Engelbrecht and a series of confederates, including Cope, Goldstein, Kuhn, and other named Defendants. These schemes involved the control and manipulation of the common stock of various microcap issuers, including Lenco Mobile Inc., with the ticker symbol LNCM ("Lenco"); Kensington Leasing, Ltd., with the ticker symbol KNSL ("Kensington Leasing"); Wikifamilies Inc., with the ticker symbol WFAM ("Wikifamilies"); Casablanca Mining Ltd., with the ticker symbol CUAU ("Casablanca"); Lustros Inc. with the ticker symbol LSTS ("Lustros"); and Gepco, Ltd., with the ticker symbol GEPC ("Gepco"). Collectively, these issuers will be referred to as the "Fraudulent Issuers."

2. The schemes, which took place between approximately 2008 and 2014, followed the same general blueprint: Engelbrecht would cause each issuer to issue tens of millions of

shares of restricted stock to him and his nominees, which he then used for two types of illegal distributions.

3. In the first type of illegal distribution, Engelbrecht, along with his confederates, illegally sold the shares into the public market, often by inducing Wilshinky, Harris, Scholander, and Tagliaferro (the "Registered Representative Defendants"), as well as Goldstein, to place buy orders in their customers' accounts with the purpose of matching trades with Engelbrecht's sales.[1]

4. In the second type of illegal distribution, Engelbrecht and his confederates paid unregistered individuals undisclosed commissions to sell his shares to investors in purported private placements.

5. In both, Engelbrecht, the Registered Representative Defendants, and the unregistered individuals named herein frequently made misrepresentations and omissions to investors in connection with the sales of these shares.

6. The Defendants named herein, as well as relief Defendant de Maison, have profited from the illegal distributions of shares and stand to continue to profit from these and other unregistered distributions and any future illegal sales of shares unless enjoined from any further securities laws violations.

---

[1] A matched trade is an order to buy or sell securities that is entered with knowledge that a matching order on the opposite side of the transaction has been or will be entered for the purpose of (1) creating a false or misleading appearance of active trading in any publicly traded security or (2) creating a false or misleading appearance with respect to the market for any such security.

**VIOLATIONS**

7. By virtue of the conduct alleged herein:

a. Cope, Engelbrecht, de Maison, Mastromatteo, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(b)];

b. Cope, Engelbrecht, Goldstein, de Maison, Mastromatteo, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 17(a)(1) and (a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)];

c. Engelbrecht, Goldstein, Cope, Kuhn, Alfaya, Esposito, Barbera, Goldstein, the Registered Representative Defendants, and Loshin, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 17(a)(2) and (a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)];

d. Engelbrecht, Goldstein, Cope, Kuhn, Alfaya, Esposito, Barbera, Goldstein, and the Registered Representative Defendants, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that

constitute violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)];

e. Engelbrecht, Cope, de Maison, Loshin, Kuhn, SCR and Alfaya, Esposito, and Barbera (the latter three collectively referred to herein as the "SCR Defendants"), directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)];

f. Engelbrecht, Goldstein and de Maison, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)];

g. De Maison and Voutsas, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] thereunder; and

h. De Maison and Loshin, directly or indirectly, singly or in concert, have engaged in acts, practices, and courses of business that constitute violations of Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rule 16a-3 [17 C.F.R. § 240.16a-3] thereunder.

## NATURE OF PROCEEDINGS AND RELIEF SOUGHT

8. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)].

9. The Commission seeks a final judgment: (i) restraining and permanently enjoining Defendants from engaging in the acts, practices, transactions, and courses of business alleged herein; (ii) requiring Defendants each to disgorge the ill-gotten gains they received as a result of the violations, and to pay prejudgment interest thereon, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)]; (iii) imposing civil monetary penalties upon Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and/or Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; (iv) imposing a penny stock bar against Cope, Engelbrecht, de Maison, Malone, Mastromatteo, Kuhn, Goldstein, the Registered Representative Defendants, the SCR Defendants, and Voutsas pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)]; and (v) issuing an order barring each of Engelbrecht, de Maison, Malone, and Loshin from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78*l*] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]. Finally, the Commission seeks such other relief as the Court may deem just and appropriate.

## JURISDICTION AND VENUE

10. This Court has jurisdiction over this action under Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], and 28 U.S.C. § 1331.

11. Venue is proper in the Southern District of New York under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within the Southern District of New York and were effected, directly or indirectly, by

making use of the means and instruments of transportation or communication in interstate commerce, or the mails. For example, multiple participants in the fraudulent scheme, including Cope, Engelbrecht, Malone, de Maison, and Mastromatteo, communicated with and conducted transactions with Kensington Leasing, Wikifamilies, Casablanca, and Gepco's transfer agent, Continental Stock Transfer & Trust Company, at 17 Battery Place, New York, New York 10006, and shares transferred to Traverse and others were held at the Depository Trust Corporation at 55 Water Street, New York, New York.

## DEFENDANTS

12. **Cope**, age 41, resides in Gates Mills, Ohio. While Cope is not currently associated with any registered entity, between 1995 and June 2001 he was employed as a registered representative at multiple registered broker-dealers. Cope previously held series 7, 24, and 63 licenses. In 2001, this Court enjoined and ordered Cope, jointly and severally with other defendants, to pay total monetary relief of more than $20 million. In February 2014, this Court found Cope in contempt of that judgment and ordered him to, among other things, begin paying the Commission $10,000 per month beginning March 10, 2014, with payments increasing to $15,000 per month beginning September 10, 2014. *SEC v. Milan Capital Group, Inc.*, No. 00 Civ. 108 (S.D.N.Y. Feb. 28, 2014).

13. **Engelbrecht**, age 58, resides at the Northeast Ohio Correctional Center in Youngstown, Ohio. He previously resided in Redlands, California. Between approximately 1996 and September 18, 2014, Engelbrecht served as an officer, director, and self-described "financier" of various microcap issuers, including the Fraudulent Issuers, for which he often served as the undisclosed control person. On April 2, 2015, Engelbrecht pleaded guilty in the Northern District of Ohio to a seven-count information charging him with securities fraud,

conspiracy to commit securities fraud, and wire fraud in connection with the securities of Lenco, Kensington Leasing, Wikifamilies, Casablanca Mining, Lustros, and Gepco. He is married to de Maison.

14. **Malone**, age 40, resides in Santee, California, and has served as an officer for most of the Fraudulent Issuers. She served as Chief Financial Officer ("CFO") and director for Kensington Leasing, as Secretary for Lenco, as CFO and director for Wikifamilies, and as President, Chief Financial Officer, and Secretary for Gepco. She has also served alongside Engelbrecht as an officer of several other microcap issuers.

15. **Goldstein**, age 43, resides in Stevenson Ranch, California. Between October 1993 and December 2000, Goldstein was a registered representative associated with Lew Lieberbaum & Co., Inc.; Joseph Dillon & Company Inc.; Eisner Securities, Inc.; and Benson York Group, Inc. Between December 2000 and February 2013, Goldstein was a registered representative associated with Marquis Financial Services, Inc, a registered broker-dealer he owned from 2002 to 2013. On May 15, 2013, Goldstein was barred by FINRA from associating with any FINRA-member firm for his failure to respond to FINRA's Rule 8210 requests in connection with his employment at Marquis. On July 22, 2013, FINRA cancelled Marquis's membership for failure to pay outstanding fees. On June 19, 2013, Marquis withdrew its broker-dealer registration with the Commission.

16. **Harris**, age 38, resides, upon information and belief, in Garden City, New York. Between 2000 and 2013, Harris was a registered representative associated with Investec Ernst & Company; Spencer Clarke LLC; Joseph Stevens & Company, Inc.; Ehrenkrantz King Nussbaum, Inc.; Harrison Securities Inc.; Benchmark Securities; New York Global Securities, Inc.; Legend Securities, Inc.; Basic Investors, Inc.; Martinez Ayme Securities; Seaboard Securities, Inc.; First

Merger Capital, Inc.; and Radnor Research & Trading Company LLC. On August 16, 2013, a FINRA Hearing Panel barred Harris from associating with any FINRA-member firm. That decision was affirmed by FINRA's National Adjudicatory Council on December 29, 2014. Harris has appealed that decision to the Commission, which is pending. On March 4, 2015, the Commission denied his motion to stay imposition of the bar pending his appeal.

17. **Scholander**, age 39, resides, upon information and belief, in Brooklyn, New York. Between 2000 and 2013, Scholander was a registered representative associated with Cambridge Capital, LLC; Prestige Financial Center, Inc.; Harrison Securities, Inc.; Benchmark Securities Group, Inc.; New York Global Securities, Inc.; Legend Securities, Inc.; Basic Investors Inc.; Martinez-Ayme Securities; Seaboard Securities, Inc.; First Merger Capital, Inc.; and Radnor Research & Trading Company LLC. On August 16, 2013, a FINRA Hearing Panel barred Scholander from associating with any FINRA-member firm. That decision was affirmed by FINRA's National Adjudicatory Council on December 29, 2014. Scholander has appealed that decision to the Commission, which is pending. On March 4, 2015, the Commission denied his motion to stay imposition of the bar pending his appeal.

18. **Tagliaferro**, age 43, resides, upon information and belief, in Glen Cove, New York. Between 1998 and 2011, Tagliaferro was a registered representative associated with First Providence Financial Group, Inc.; Dalton Kent Securities Group, Inc.; Madison Capital Markets Corp.; Oscar Gruss & Son, Inc.; National Securities Corporation; Metlife Securities Inc.; Harrison Securities, Inc.; LH Ross & Company, Inc.; Brundyn Securities Inc.; J.P. Turner & Company, L.L.C.; Gunnallen Financial, Inc.; Woodstock Financial Group, Inc.; Marquis Financial Services, Inc.; and Rockwell Global Capital LLC.

19. **Wilshinsky**, age 59, resides in Woodland Hills, California. Between 1988 and 2011, Wilshinky was a registered representative associated with Prudential Securities Inc.; Sutro & Co. Inc.; Wachovia Securities, LLC; Oppenheimer & Co. Inc.; and Marquis Financial Services, Inc. On March 27, 2015, Wilshinky pleaded guilty in the Northern District of Ohio to an information charging him with one count of securities fraud in connection with the securities of Lenco and Kensington Leasing. Wilshinksy, Harris, Scholander, and Tagliegerro are referred to herein as the "Registered Representative Defendants."

20. **Kuhn**, age 33, resides in Port Washington, New York. While Kuhn is not currently associated with any registered entity, between January and August 2007 he was employed as a registered representative at two registered broker-dealers. He previously held series 7 and 63 licenses. He is the sole owner and officer of SCR.

21. **SCR** is a New York corporation with its sole office in Port Washington, New York. It is wholly owned by Kuhn, who serves as its sole officer and director. SCR claims to be an investor-relations firm that publishes a subscription-based newsletter that purportedly offers unbiased investment advice. In reality, Engelbrecht paid SCR to use the newsletter to tout the stock of companies he controls, including Casablanca, Lustros, and Gepco.

22. **Victor Alfaya**, age 37, resides, upon information and belief, in Port Washington, New York. Alfaya has never been registered with the Commission. Alfaya worked for Kuhn at SCR between 2011 and September 2014.

23. **Kona Jones Barbera**, age 35, resides in Asheville, North Carolina. Barbera has never been registered with the Commission. Barbera has been indicted for marijuana trafficking and is awaiting trial in *United States v. Hezi*, 12 Cr. 20024 (E.D. Mich.). Barbera worked for Kuhn at SCR between May 2012 and November 2013. Between approximately December 2013

and December 2014, he and Esposito created an "investor relations" firm similar to SCR called Quantum Financial Investments.

24. **Justin Esposito**, age 24, resides, upon information and belief, in Thornwood, New York. Esposito has never been registered with the Commission. Esposito worked for Kuhn at SCR between May 2012 and November 2013. Between approximately December 2013 and December 2014, he and Barbera created an "investor relations" firm similar to SCR called Quantum Financial Investments.

25. **Mastromatteo**, age 41, resides in Bay Village, Ohio. While Mastromatteo is not currently associated with any registered entity, between 2001 and 2009 he was employed as a registered representative at multiple registered broker-dealers. Mastromatteo previously held series 7 and 63 licenses. Between 2001 and September 2014, Mastromatteo was a self-employed "consultant." Between 2004 and September 2014, his sole consulting client was Cope and the various entities he controls.

26. **De Maison**, age 44, resided in Redlands, California during the events in controversy, but left the country shortly before Engelbrecht's arrest. She currently resides, upon information and belief, in Minnesota. De Maison is married to Engelbrecht. Between March 2009 and July 2014, de Maison served in senior management roles at, among others, Kensington Leasing (CEO and director), Casablanca Mining (director), Lustros (director), and Gepco (Chairwoman and director). De Maison has never held any securities licenses.

27. **Voutsas**, age 54, resides in Santa Monica, California. Voutsas was the Chief Executive Officer and Chief Investment Officer of Gepco and GemVest, Ltd.

28. **Loshin**, age 72, resides in San Anselmo, California. Loshin served as Gepco's Chief Creative Officer between October 2013 and August 2014.

29. Suprafin is a Wyoming corporation formed in 2009. It is wholly owned by Engelbrecht, who serves as its President and Director. Malone served as Suprafin's Secretary and Treasurer. Suprafin has no operations.

30. **Sunatco** is a Wyoming corporation formed in May 2013. It is wholly owned by Engelbrecht, who serves as its only officer. Sunatco has no operations.

31. **Worldbridge** is a Nevada corporation formed in September 2009. Its President and sole officer is Cope and its directors are Cope and Mastromatteo. Worldbridge has no operations.

32. **Traverse** is a Nevada corporation formed in January 2012. Its sole owner, officer, and director is Mastromatteo. Traverse has no operations.

## FACTS

### I. The Fraudulent Issuers and Related Entities

#### A. The Fraudulent Issuers

33. **Lenco Mobile Inc.** was originally incorporated as Shochet Trading.com Inc. in Delaware on July 30, 1999. The company changed its name to Shochet Holding Corp. on November 1, 1999, to Sutter Holding Co., Inc. on May 1, 2002, to CIC Holding Co., Inc. on December 6, 2006, to Global Wear Ltd. on January 10, 2008, to Sovereign Wealth Corporation on March 12, 2008, and, finally, to Lenco Mobile Inc. on February 20, 2009. Lenco purported to be in the business of mobile-phone-messaging technologies. The company filed a Chapter 11 bankruptcy petition on September 6, 2014. Malone served as Lenco's Secretary. Lenco's transfer agent was Continental Stock Transfer & Trust Company. Lenco's common stock is registered pursuant to Section 12(g) of the Exchange Act and the company is subject to Exchange Act reporting obligations pursuant to Section 13(a).

34. **Kensington Leasing, Ltd.** was incorporated in Nevada on June 27, 2008. The company registered its common stock pursuant to Section 12(g) of the Exchange Act on March 16, 2009. Kensington purported to "specialize in leasing equipment to a select clientele." On June 4, 2010, Kensington acquired the assets of Allianex, LLC, a private company. Prior to that acquisition, the company only had cash and other nominal assets, and nominal operations, making it a shell corporation under Exchange Act Rule 12b-2. The company filed Form 10 information in an 8-K dated June 10, 2010. De Maison served as CEO and as a director of Kensington Leasing, and Malone served as CFO and as a director of Kensington Leasing.

35. **Wikifamilies, Inc.** (f/k/a Kensington Leasing, Ltd.) was the successor to Kensington Leasing. On May 20, 2011, the company acquired Wikifamilies SA, a private Swiss corporation. On October 27, 2011, the company entered into a reverse merger with its wholly-owned subsidiary, Wikifamilies, Inc., a Nevada corporation. As a result of the reverse merger, the company changed its name to Wikifamilies, Inc. Malone served as CFO and a director of Wikifamilies. On August 27, 2013, the company changed its name from Wikifamilies to Gepco, Ltd.

36. **Gepco, Ltd.** (f/k/a Wikifamilies, Inc.) was the successor to Wikifamilies. In October 2013, the company completed a reverse merger with a privately-held Nevada corporation called GemVest, Ltd. ("GemVest"). The resulting company purported to "broker high end investment grade diamonds." Gepco's common stock (symbol "GEPC") was quoted on OTC Link. On September 18, 2014, the Commission suspended trading in Gepco's securities for a period of ten business days on the ground that it appeared there was a lack of accurate information concerning, and potentially manipulative transactions in, Gepco's securities.

37. **Casablanca Mining Ltd.** was originally incorporated as USD Energy Corporation (UEGY) in Nevada in 2008. On December 4, 2009, FINRA approved a Form 211 for UEGY's common stock to be quoted on OTC Link (formerly, the "Pink Sheets") operated by OTC Markets Group Inc. On February 17, 2011, UEGY effected its name change to Casablanca Mining (CUAU). Casablanca purported to operate a gold mine in Chile. The company's common stock is registered pursuant to Section 12(g) of the Exchange Act and is subject to Exchange Act reporting obligations pursuant to Section 13(a).

38. **Lustros Inc.** was originally incorporated in Utah on July 30, 1980 as Mag Enterprises, Inc. The company's name was changed to Safari Associates, Inc. on September 10, 1993 and then to Power-Save Energy Company on September 12, 2006. Lustros Inc. purports to mine copper sulfate in Chile. Lustros's common stock is registered pursuant to Section 12(g) and the company is subject to 13(a) reporting.

**B. Related Entities**

39. **Bridges Investments, Inc.** was a Nevada corporation formed in April 2005 with its business address at Engelbrecht and de Maison's former home. Bridges was de Maison's nominee. De Maison served as Bridges' President, Secretary, and as a director. Bridges had no operations.

40. **Kensington & Royce, Ltd.** is a Nevada corporation formed in 2006 with its business address at a home owned by de Maison. Royce is de Maison's nominee. De Maison serves as Royce's President. Royce has no operations.

41. **Walker River Investment Corp.** was a Wyoming corporation formed on September 28, 2011. Walker River was Engelbrecht's nominee. In reality, Engelbrecht solely

controlled Walker River, using it to trade in securities he controlled and to receive and send payments to other individuals and entities. Walker River had no operations.

42. **Wealthmakers, Ltd.** was a Wyoming corporation formed on January 23, 2007. Engelbrecht served as a Director and VP and Malone served as a Director, Secretary, and Treasurer.

## II. The Fraudulent Schemes at Issue

43. The schemes involving the Fraudulent Issuers, which transpired between approximately 2008 and 2014, followed the same general blueprint. Engelbrecht caused each issuer to issue tens of millions of shares of restricted stock to him and his nominees, which he then used for two types of illegal distributions. In the first, Engelbrecht illegally sold the shares into the public market, often by inducing Goldstein and the Registered Representative Defendants to place buy orders in their customers' accounts with the purpose of matching trades with Engelbrecht's sales. In the second, Engelbrecht paid unregistered individuals undisclosed commissions to sell his shares to investors in purported private placements. In both, Engelbrecht, Goldstein, the Registered Representative Defendants, and certain unregistered Defendants made various misrepresentations and omissions to investors in connection with the sales of these shares. Furthermore, Engelbrecht and certain other Defendants engaged in manipulative trading in order to influence the share price of the various issuers and to create the illusion of a genuine interest in these issuers' securities.

### A. Lenco Mobile Inc.

#### 1. Background

44. Lenco was incorporated in 1999. Between 1999 and 2007, the company underwent several name and business changes. Engelbrecht gained control of the company in

2007 when it was a shell company. On January 10, 2008, Engelbrecht changed the company's name from CIC Holding Co. to Global Wear Ltd.; both companies' line of business was apparel. On March 12, 2008, Engelbrecht changed the company's name again to Sovereign Wealth Corporation and announced the company's acquisition of a private company, Digital Vouchers (Pty) Ltd. The stated business of this entity was "mobile marketing."

45. On February 20, 2009, the company changed its name to Lenco Mobile Inc. While Engelbrecht never served as an officer or director of Lenco, he described himself to investors and other third parties as the person responsible for the company's financing and structuring.

46. Lenco amended its Form 10 seven times. In the seventh amended version filed on May 28, 2010, Lenco stated that, because it had been a shell company prior to its acquisition of Multimedia Solutions, "holders of restricted shares of our common stock will not be permitted to rely on Rule 144 to transfer their shares until 12 months following November 9, 2009, the date we filed our Form 10, provided that we timely file all periodic reports with the SEC during that period." Between 2008 and 2010, Lenco did not file a registration statement registering any securities offering.

2. The Undisclosed Commission Scheme

47. Between February 2008 and June 2011, Engelbrecht paid Goldstein and the Registered Representative Defendants undisclosed commissions to use the discretionary authority they had over their customers' accounts to buy Lenco stock, usually in an effort to match Engelbrecht's sale orders.

48. As consideration for buying Lenco stock and matching trades with Engelbrecht in their customers' accounts, Engelbrecht paid Goldstein and the Registered Representative

Defendants between 30% and 50% of the proceeds of each matched trade. Goldstein and the Registered Representative Defendants did not disclose to their customers that Engelbrecht was inducing them to buy Lenco stock in their accounts for the purpose of allowing Engelbrecht to liquidate his Lenco shares.

49. Engelbrecht paid Goldstein and each of the Registered Representative Defendants as follows:

- Gregory Goldstein. Between December 2008 and September 2012, Engelbrecht made at least 139 commission payments to Goldstein and his nominee entities totaling more than $2.3 million in exchange for Goldstein buying shares of Lenco (and its immediate predecessor, Sovereign Wealth Corporation) and other Engelbrecht-controlled issuers' stock in his customers' accounts, usually in an effort to match Engelbrecht's sales.

- Stephen Wilshinsky. Between April 2008 and June 2011, Engelbrecht made at least 31 commission payments to Wilshinsky and his nominee entities totaling more than $1.2 million in exchange for Wilshinky buying shares of Lenco (and its immediate predecessor, Sovereign Wealth Corporation) stock in his customers' accounts, usually in an effort to match Engelbrecht's sales.

- Talman Harris. Between February 13, 2008 and November 12, 2009, Engelbrecht made at least 29 commission payments to Harris totaling more than $775,000 in exchange for Harris buying shares of Lenco (and its immediate predecessor, Sovereign Wealth Corporation) stock in his customers' accounts, usually in an effort to match Engelbrecht's sales.

- Jack Tagliaferro. Between January 12, 2009 and July 26, 2010, Engelbrecht made 28 commission payments to Tagliaferro totaling approximately $645,000 in exchange for Tagliaferro buying shares of Lenco stock in his customers' accounts, usually in an effort to match Engelbrecht's sales.

- William Scholander. Between February 13, 2008 and November 12, 2009, Engelbrecht made at least 32 commission payments to Scholander totaling more than $225,000 in exchange for Scholander buying shares of Lenco (and its immediate predecessor, Sovereign Wealth Corporation) stock in his customers' accounts, usually in an effort to match Engelbrecht's sales.

3. The Illegal Brokering of Lenco Stock

50. Between January 2009 and December 2010, Engelbrecht, with the assistance of Loshin, solicited at least 43 investors to purchase restricted shares of Lenco from Engelbrecht's nominee Wealthmakers for total proceeds of approximately $6.2 million.

51. Engelbrecht actively sought investors for Lenco, negotiated the terms of their share purchase agreements, and advised investors on the merits of the investment. While doing so, Engelbrecht did not disclose to the investors that he was concurrently liquidating his own shares in the open market, often by inducing the Registered Representative Defendants to match his sale orders by placing buy orders in their unknowing customers' accounts.

52. The Registered Representative Defendants concealed the commission payments to their customers, the fact of which they knew or should have known would have been material to them.

53. In January and February 2010, Loshin solicited nine individuals and brokered their purchases of Lenco stock from Wealthmakers for total proceeds of approximately $1.9 million. Engelbrecht paid Loshin commissions of $60,000 in cash and a promise to sell him 83,300 shares of Lenco stock at a deep discount of $1.00 per share and 79,129 shares at $1.50 per share. (Lenco was trading between approximately $4.00 and $6.00 at the time.) Loshin did not disclose to investors that Engelbrecht was paying him commissions to broker these sales.

54. Between September 2010 and April 2011, Loshin solicited an additional nine investors and brokered their purchases of Lenco stock from Lenco's CEO, for total proceeds of approximately $1 million. Loshin did not disclose to these investors that he was paid commissions to broker these sales. Loshin was paid a commission of 138,000 shares of Lenco stock for brokering these transactions.

**B. Kensington Leasing Ltd. and Wikifamilies, Inc.**

1. Background

55. Engelbrecht incorporated Kensington Leasing Ltd. on June 27, 2008. On January 15, 2009, the company filed a Form 10 to register its securities pursuant to Section 12(g) of the Exchange Act. In that filing, the company stated that it "plans to specializc in leasing equipment to a select clientele." The filing listed de Maison as Kensington Leasing's CEO and Malone's husband as CFO; both were also listed as directors.

56. On June 10, 2010, Kensington Leasing filed a Form 8-K announcing its June 4, 2010 reverse merger into a private company, Allianex, LLC. In that 8-K, Kensington Leasing admitted that "[p]rior to the consummation of the Allianex Acquisition, we had cash and other nominal assets and nominal operations, which made us a 'shell' corporation as defined under Rule 12b-2 of the [Exchange Act]." As a result of the reverse merger, the company changed its line of business to producing and distributing "prepaid stored value cards for the purchase of technology support and security services for electronic devices."

57. On May 23, 2011, Kensington Leasing filed a Form 8-K announcing the completion of a reverse merger with a private Swiss company, Wikifamilies SA, in which the company issued 31.5 million shares of common stock to Wikifamilies' purported shareholders. Post-acquisition, the company purported to "design, develop and operate an Internet-based social media website, Wikifamilies.com, with a unique emphasis on families and new technologies." De Maison, who was Kensington Leasing's CEO, was replaced by Wikifamilies' principal. Malone, who was appointed Kensington Leasing's CFO on June 23, 2010, remained as CFO of Wikifamilies.

58. On October 27, 2011, the company changed its name to Wikifamilies, Inc., and on December 20, 2011, Wikifamilies began trading under the symbol WFAM.

59. Wikifamilies never filed a registration statement registering any securities offering.

2. Goldstein and Engelbrecht's Illegally Matched Trades

60. During March 2010, Engelbrecht and Goldstein matched trades in Kensington Leasing's stock at least 8 times to allow Engelbrecht to liquidate shares he held in Malone's name in a brokerage account. Goldstein coordinated with Engelbrecht to place buy orders in certain of Goldstein's customers' accounts for the purpose of matching Engelbrecht's sell orders.

61. These orders were all executed in full within seconds of being placed and subsequently purchased by Goldstein in his customers' accounts. The pair intentionally coordinated these trades for the purpose of creating a false or misleading appearance of active trading in Kensington Leasing's stock.

62. Between February 3 and March 29, 2012, Engelbrecht and Goldstein intentionally matched trades in Wikifamilies stock at least 17 times for the purpose of creating a false or misleading appearance of active trading in Wikifamilies stock and to allow Engelbrecht to liquidate shares he held in the name of Walker River. Goldstein coordinated with Engelbrecht to place buy orders in certain of his customers' accounts for the purpose of matching Engelbrecht's sell orders.

3. De Maison Illegally Acted as an Unregistered Broker-Dealer

63. De Maison acted as an unregistered broker-dealer in the unregistered sales of Kensington Leasing stock to multiple investors. No registration statement was in effect at the time of these sales.

64. Between October 2009 and April 2011, while Kensington Leasing was either a shell company or within one year of ceasing to be a shell, de Maison regularly solicited investors to purchase stock and promissory notes convertible into stock held by her nominee entities Bridges and Royce.

65. For each transaction, she kept all or most of the proceeds of the sale. In her solicitations, de Maison advised investors on the merits of the investment and the company generally, and she arranged for the execution of the governing agreements and the mailing of stock certificates to investors.

66. Investors were told that the proceeds of these sales would be provided to Kensington Leasing for developing its business. De Maison concealed from them the fact that the shares they purchased came from her own holdings, or those of her nominees.

C. **Casablanca Mining Ltd.**

1. Background

67. Engelbrecht incorporated Casablanca's predecessor, USD Energy, in Nevada on June 27, 2008. On January 14, 2009, the company filed a Form 10 to register its common stock pursuant to Section 12(g) of the Exchange Act. In that filing, the company stated that it was an exploration stage oil and gas company. The filing listed Malone as Casablanca's CEO and President and Malone's sister as COO.

68. On February 17, 2011, the company changed its name to Casablanca Mining Ltd. and its business to the acquisition, exploration, development, and operation of precious metal properties. At that time, Engelbrecht served as the company's President and Malone as its CFO; they both also served as directors. On June 24, 2011, de Maison was appointed a director of Casablanca.

69. Between December 2010 and April 2012, de Maison was at all times a 10% owner (or more) of Casablanca's common stock.

70. Casablanca never filed a registration statement registering any securities offering.

2. Cope, Kuhn, and SCR Broker the Sale of Casablanca Stock to Investors Without Disclosing That Engelbrecht Paid Them Commissions.

71. Between December 2010 and November 2011, Cope regularly solicited investors to purchase blocks of Casablanca stock held by various Engelbrecht nominees, including Suprafin. Cope's three largest investors bought more than 1 million shares for more than $3.1 million. While soliciting investors to buy Casablanca stock, Cope advised the investors on the merits of the investment, negotiated the amounts and terms of the investments, and served as an unregistered broker between the investors and Engelbrecht. A December 5, 2010 email from one of Cope's largest investors, his high school guidance counselor, reflects that Cope advised him on the merits of the investment: "After reviewing all info I'll depend upon your good judgment as to whether or not to invest with Zirk." The investor then went forward with the purchase of $995,000 worth of Casablanca stock and notes convertible into Casablanca stock, an amount representing a substantial portion of his net worth.

72. Cope did not disclose to any of his investors that Engelbrecht was paying him commissions of 20-30% of the proceeds of each sale.

73. Between June and November 2011, Kuhn and his employees at SCR regularly solicited investors to purchase blocks of Casablanca stock held by various Engelbrecht nominees, including Suprafin. Kuhn brokered the sale of Casablanca stock to more than 11 investors for a total investment amount of approximately $600,000.

74. While Kuhn and SCR falsely represented to investors that the sales were part of a "private placement," in reality they were conducting a general solicitation by cold calling

potential investors nationwide that had been identified in lead sheets. When Kuhn or an SCR employee convinced an investor to buy Casablanca stock, they would negotiate the amount of the purchase, send the investor the subscription agreement, and then arrange with Malone to have stock certificates representing those restricted shares sent to the investors.

75. Kuhn did not disclose to any of his investors that Engelbrecht was paying him commissions of 20-30% of the proceeds of each sale.

3. De Maison Illegally Acted as an Unregistered Broker-Dealer.

76. Between 2010 and 2012, de Maison regularly solicited investors (including investors to whom she had sold Kensington Leasing securities) to purchase the unregistered Casablanca stock and promissory notes convertible into Casablanca stock held by her nominee entities Bridges and Royce. She pitched investors on Casablanca's prospects and the merits of buying its stock. She also traveled with some of her investors and Engelbrecht to Chile to visit and inspect the purported mine there. In total, de Maison sold Casablanca securities to at least nine investors for more than $3.4 million.

77. Investors were told that the proceeds of these sales would be provided to Casablanca for developing its business. De Maison concealed from them the fact that the shares they purchased came from her own holdings, or those of her nominees.

4. Cope Matched Trades with SCR Customers That Kuhn Had Solicited to Buy Casablanca Stock on the Open Market.

78. Between June 2011 and October 2012, Cope paid Kuhn undisclosed commission payments to direct SCR customers to place buy orders of Casablanca stock in the secondary market that were intended to match sell orders placed by Cope. The pair intentionally matched trades for the purpose of creating a false or misleading appearance of active trading in Casablanca's stock and to allow Cope to liquidate his holdings.

79. Kuhn did not disclose to his customers that he was directing them to place orders for Casablanca stock so that Cope could sell into those orders and pay Kuhn a commission. Nor did Kuhn disclose to his customers that this manipulative activity was intended to create an appearance of bona fide trading activity.

80. Cope and Kuhn coordinated their trading by telephone and text message.

81. On October 27, 2011, while Kuhn and Cope were both touting Casablanca to investors and Cope was liquidating his shares by matching trades with Kuhn's customers, the pair joked about their real beliefs about investing in Casablanca:

> **Cope:** "Check out CUAU. It is a great buy."
>
> **Kuhn:** "I've been hearing a lot about them . . . aren't they on the Nasdaq?"
>
> **Cope:** "Lol. $40 target."
>
> **Kuhn:** "What a score. . . . I heard Goldman Sachs is underwriting their NYSE IPO."

82. At the time, Casablanca was trading at $5.00 per share over the counter, not on the Nasdaq, and the company never claimed or had a basis to claim that it would list on the New York Stock Exchange or have an initial public offering underwritten by Goldman Sachs.

**D. Lustros, Inc.**

1. <u>Background</u>

83. Lustros was incorporated in 1980. On September 12, 2006, after a number of name and business changes, the company changed its name to Power-Save Energy Company and its line of business to solar energy. On March 12, 2012, Power-Save filed a Form 8-K stating that the company was entering into a Share Exchange Agreement (i.e., a reverse merger) with a private Chilean company, Bluestone, S.A., and changing its line of business to mining copper

sulfate in Chile. The 8-K further announced Engelbrecht's appointment as CEO, Malone's appointment as CFO, and de Maison's appointment as a Director.

84. Lustros filed a Form S-1 on December 27, 2013 to register 26.8 million shares of common stock, but it was never declared effective.

2. Engelbrecht Paid Kuhn, and Kuhn in Turn Paid the SCR Defendants Undisclosed Commissions to Broker the Sales of Lustros Stock.

85. Between June 2012 and January 2014, Engelbrecht paid undisclosed commissions to Kuhn to solicit investors to buy Lustros stock from his nominees Suprafin and Walker River. Kuhn in turn paid undisclosed commissions to the SCR Defendants to solicit those investments.

86. Like Kuhn had done with Casablanca, Kuhn and the SCR Defendants falsely represented to investors that the sales of Lustros stock were part of a "private placement," but in reality they were again conducting a general solicitation by cold calling potential investors nationwide identified in lead sheets. When the SCR Defendants convinced an investor to buy Lustros stock, they would negotiate the amount of the purchase, send the investor the subscription agreement signed by Engelbrecht, and then arrange with Malone to have stock certificates representing those restricted shares sent to the investors. Kuhn and the SCR Defendants did not disclose to the investors they solicited that Engelbrecht was paying Kuhn or that Kuhn was paying the SCR Defendants commissions to sell the securities.

87. As part of this nationwide cold calling campaign to solicit investors to buy Lustros stock pursuant to subscription agreements with Engelbrecht nominees like Suprafin, the SCR Defendants negotiated the amounts of the purchases, sent investors the subscription agreements, and arranged for Malone to send the investors stock certificates when the transactions were completed. They also solicited investors to buy Lustros in the public market, in which case they would prescribe the price and quantity of shares the investor should purchase.

For each investor's share purchase, Kuhn would pay the SCR Defendants transaction-based commissions.

88. In sum, Kuhn, through the SCR Defendants and other SCR employees, sold approximately $2 million worth of Lustros shares to various investors nationwide. In 2012, Kuhn paid Alfaya $133,055, which included the undisclosed commissions he received for soliciting and then brokering the sales of Lustros stock to multiple investors; Barbera $220,600, which included the undisclosed commissions he received for soliciting and then brokering the sales of Lustros stock to multiple investors; and Esposito $234,625, which included the undisclosed commissions he received for soliciting and then brokering the sales of Lustros stock to multiple investors.

3. Kuhn Consistently Sold His Own Lustros Stock While Touting Lustros and Selling Lustros Stock to SCR's Customers.

89. Between July 2012 and February 2014, while selling Lustros stock to investors and promoting the company generally, Kuhn simultaneously sold more than 4 million shares of his own Lustros stock for his and Engelbrecht's benefit, earning proceeds of more than $2 million.

90. As described above, Kuhn and his employees were soliciting investors during this time to take part in the purported private placement of Lustros stock. Kuhn and his employees at SCR would contact the potential investors and offer to sell them a subscription to an emailed newsletter that purported to offer unbiased investment picks, but in reality only promoted Lustros and other Engelbrecht-controlled issuers. When individuals bought a subscription, Kuhn and his employees would then solicit their purchases of Lustros stock.

91. The emailed newsletter that Kuhn authored and sent to subscribers included, among other things, information extolling Lustros, press releases concerning Lustros, an

interview of Engelbrecht, and an April 2012 PowerPoint presentation concerning Lustros. The PowerPoint presentation stated, among other things, that Lustros would earn $7.56 million in revenue and $3.36 million in net income from a subsidiary in 2012 and $108 million in revenue and $42.7 million in net income in 2017.

92. The baseless projections for 2012 were not realized. Instead, in 2012 Lustros earned $54,902 in revenue from all of its operations, realizing a net operating loss of more than $3.1 million.

93. Neither the newsletters that SCR sent to its customers nor the subscription agreements governing the sale of Lustros stock included any disclaimer that Kuhn was being compensated by Engelbrecht in cash and stock to tout Lustros, or that Kuhn was actively selling that stock for his and Engelbrecht's benefit.

94. Some emailed newsletters attached a link to a long disclaimer on Kuhn's website that included the following statements about SCR's general practices:

- "SCR may receive its compensation in free trading shares" from an issuer; and
- SCR "may receive the Shares [of an issuer] as compensation for disseminating the Information and thereafter sells those Shares at any time for monetary gain, including at the same time the Information is being disseminated or shortly thereafter."

95. These statements within the disclaimer did not tell investors the actual truth—that Kuhn had actually received cash and almost 4 million shares of Lustros stock from Engelbrecht as compensation, and that he was in fact actively selling the shares while promoting the stock to investors. Engelbrecht benefitted from Kuhn's stock sales because Kuhn funneled a part of the proceeds back to Engelbrecht. And Engelbrecht benefitted from Kuhn's promotional work because it caused investors to buy Lustros stock in the purported private placement and the open market, thus generating trading volume to attract additional investors.

**E. Gepco, Inc.**

1. Background

96. As described above, Engelbrecht controlled the company known as Gepco since its incorporation in 2008. Between 2008 and early-2013, Engelbrecht caused Gepco to enter into a number of reverse mergers, changing Gepco's line of business from "leasing equipment to select clientele," to "the production, marketing and distribution of a retail line of prepaid stored value cards for the purchase of technology support and security services for electronic devices," to the "design, develop[ment] and operat[ion of] an Internet-based social media website, Wikifamilies.com." In mid-2013, after failing to merge the company (then, Wikifamilies) into a private mixed martial arts company, Engelbrecht decided to create his own private company—a purported gemological business—and merge the public shell company into it.

97. On August 27, 2013, Engelbrecht caused Malone to change the company's name from Wikifamilies, Inc. to Gepco, Ltd. Approximately five weeks later, on October 2, 2013, Engelbrecht caused Malone to incorporate GemVest Ltd., the purported gemological business, in Nevada, naming herself, along with de Maison, Loshin, Voutsas, and another individual as directors.

98. On October 15, 2013, Gepco announced that it had entered into a Stock Purchase Agreement with GemVest. The reverse merger was completed on December 6, 2013 and disclosed in a Form 8-K filed on December 12, 2013. As a result of the reverse merger, de Maison was named Executive Chairwoman of Gepco and GemVest; Voutsas was named Chief Executive Officer and Chief Investment Officer of Gepco and GemVest; and Malone was named President, Chief Financial Officer, and Secretary of Gepco and Chief Financial Officer, Chief Operating Officer, and Secretary of GemVest.

99. As a result of the reverse merger, Gepco issued 150 million shares of common stock to GemVest's purported shareholders. Of those 150 million shares, 88.5 million shares were issued to de Maison and an entity she controlled, and 24 million shares were issued to the "Gil-Galad Foundation" and the "Unicorn Funds Foundation," two fictitious businesses that purport to share the same business address as Gepco's office, where only Malone and another employee of Engelbrecht's worked.

100. Despite the fact that Gepco never named Engelbrecht as an officer or director of Gepco—either in its filings with the Commission, in press releases, or on its website—he always controlled the company. Engelbrecht's control of Gepco is evidenced by, among other things, the following facts: he caused the company's name to be changed from Wikifamilies to Gepco; he purchased the gemvest.com website; he oversaw the creation of the company's business plan; he installed Malone as CFO and Secretary; he hired Kuhn and SCR to promote Gepco's stock and sell convertible promissory notes issued by Suprafin and Sunatco; and he arranged for de Maison's personal jewelry to be sold by Gepco.

2. Engelbrecht and Malone Caused Gepco to Issue Engelbrecht Tens of Millions of Shares of Gepco's Common Stock.

101. After the reverse merger with GemVest, Engelbrecht caused Gepco, through Malone, to issue and transfer more than 38 million shares of restricted common stock to himself; his associates, including Cope and Mastromatteo; and others.

102. In April and August 2013, when Gepco was a shell company and its stock was not actively traded, Engelbrecht caused Gepco, through Malone, to issue two convertible promissory notes to him. The first note, issued to Suprafin, a nominee of Engelbrecht's, was in a principal amount of $141,460. It allowed Suprafin to convert any or all of the note's principal into Gepco's common stock at a conversion rate of $.005 per share. The second note, issued to

Sunatco, another nominee of Engelbrecht's, was in a principal amount of up to $100,000. It allowed Suprafin to convert any or all of the note's principal into Gepco's common stock at a conversion rate of $.010 per share.

103. On May 24, 2013, Suprafin in turn issued a convertible promissory note to one of Cope's nominees, Worldbridge, in the amount of $25,000 (the "Worldbridge Note"). The Worldbridge Note allowed Cope to convert any or all of its principal into Gepco common stock at the same conversion rate as in the Suprafin note—$.005 per share.

104. That same day, Cope caused Worldbridge to assign its interest in $15,000 of the Worldbridge Note's principal to Mastromatteo's nominee, Traverse.

105. On January 10, 2014, Mastromatteo wrote on behalf of Traverse to Suprafin, electing to convert the $15,000 of principal in its note into Gepco common stock. Malone then wrote on Gepco's behalf to Gepco's transfer agent, Continental Stock Transfer & Trust Company, directing it to issue 3 million shares of Gepco common stock to Traverse.

106. Three days later, Gepco's transfer agent issued a stock certificate representing those 3 million shares to Traverse. The following day, January 14, 2014, Mastromatteo, writing on Traverse's behalf, asked Gepco's transfer agent to cancel the 3 million restricted shares and deliver to it a new stock certificate without a restrictive legend.

107. Traverse's request was accompanied by an opinion letter written by Engelbrecht's long-time counsel ("Lawyer A"). In his letter, Lawyer A opined that the transfer agent could deliver unrestricted shares because, although not registered, the issuance of shares fell under one of the exemptions to the Securities Act's registration requirement. Malone, acting at Engelbrecht's direction, asked Gepco's transfer agent to rely on Lawyer A's letter. Gepco's

transfer agent then issued a certificate representing 3 million unrestricted shares of Gepco common stock to Traverse.

108. Mastromatteo over time then deposited the three million shares issued to Traverse in three brokerage accounts. Between January 9 and July 28, 2014—a seven-month period of time overlapping with Engelbrecht's and de Maison's manipulative trading in Gepco's stock—Mastromatteo dumped more than 2.5 million of Traverse's shares into the public market at prices between $0.09 to $0.29 per share. Because the shares were obtained at $0.005 per share, Traverse's sales earned a realized rate of return of almost 3,000%.

109. As Mastromatteo sold the stock, he funneled the proceeds of the sales to Cope. For example, on March 7, 2014, Traverse received a wire of $27,500 from a trust company holding the proceeds of some sales of the Gepco stock. On March 10, 2014 Traverse wrote a check in the amount of $25,000 to Cope's wife, which was deposited into a joint account in the name of Cope and his wife at JPMorgan Chase ("JPMC").

110. On March 24, 2014, Traverse received another wire of $52,000 of proceeds of some sales of the Gepco stock. That same day, he wrote a check in the amount of $50,000 to Cope's wife, which was again deposited into the joint account at JPMC. Cope's seven payments to the Commission since March 2014, pursuant to this Court's contempt Order referenced above, were made by checks drawn on the JPMC account and by cashier's checks issued by JPMC.

111. Mastromatteo's ability to sell the stock issued to Traverse was dependent on Cope and Worldbridge buying the Worldbridge Note from Suprafin and then assigning $15,000 worth of the Worldbridge Note's principal to Traverse. But for Cope and Worldbridge's involvement, Traverse would not have received the Gepco stock and therefore would not have been able to sell

it into the public market. Cope and Worldbridge played their part because Cope knew that Mastromatteo would funnel most of the proceeds of the sales back to him.

112. In a similar series of transactions, Cope caused Worldbridge to obtain 2 million shares of Gepco's common stock. On October 15, 2013 (the same day that Gepco's reverse merger with GemVest was announced in a press release), Cope wrote on behalf of Worldbridge to Suprafin, electing to convert the $10,000 of principal in the Worldbridge Note into Gepco common stock. In response, Malone wrote on Gepco's behalf to Gepco's transfer agent, directing it to issue 2 million shares of Gepco common stock to a Bahamian broker-dealer for Worldbridge's benefit.

113. The following day, Malone, writing on Gepco's behalf, instructed Gepco's transfer agent to issue a stock certificate representing the 2 million shares in Worldbridge's name to a Bahamian broker-dealer, which the transfer agent did on October 23, 2013. On November 19, 2013, the Bahamian broker-dealer, writing on Worldbridge's behalf, asked Gepco's transfer agent to cancel the 2 million restricted shares and deliver to it a new stock certificate without a restrictive legend.

114. Worldbridge's request, like Traverse's, was accompanied by an opinion letter written by Lawyer A that was effectively identical to the letter Lawyer A wrote for Traverse. Malone, acting at Engelbrecht's direction, asked Gepco's transfer agent to rely on Lawyer A's letter. Gepco's transfer agent then issued a certificate representing 2 million unrestricted shares of Gepco common stock to Traverse.

115. Cope tried but was unable to transfer the 2 million shares to a domestic broker-dealer for resale.

3. Engelbrecht, Kuhn, and SCR Illegally Sold Convertible Promissory Notes Issued by Engelbrecht's Nominee, Sunatco.

116. Between at least May 8, 2013 and September 2014, Engelbrecht paid Kuhn to use SCR to sell convertible promissory notes issued by Sunatco to investors—largely elderly and/or unsophisticated investors identified in a nationwide cold-calling campaign conducted by SCR. The notes were convertible into Gepco common stock.

117. The terms of the notes allowed the investors to convert all or part of their outstanding principal into Gepco's common stock at a 40% discount to the current trading price. Investors paid for the notes by wiring funds directly to a bank account in Sunatco's name at a U.S. bank.

118. Engelbrecht paid Kuhn commissions for the notes that SCR sold to investors. The amount of the commission was a percentage of the amount of the debt issued in the note. Kuhn in turn paid his employees at SCR a commission for each note they sold. The amount of the employees' commissions was also a percentage of the amount of the debt issued in the note.

119. Kuhn and his employees at SCR did not disclose these commissions to investors to whom they sold the notes.

120. When an investor elected to convert his or her note into Gepco's common stock, Engelbrecht generated the shares to be delivered in one of two ways. He either converted a portion of one of the notes that Gepco issued to Sunatco and Suprafin in mid-2013 into Gepco stock and then transferred the shares directly to the investor, or he sent an existing stock certificate in Sunatco's or Suprafin's name to Gepco's transfer agent and asked that it deliver a stock certificate to the investor and deliver the remaining shares in a new certificate back to Sunatco or Suprafin.

121. Between May 2013 and September 2014, Engelbrecht earned hundreds of thousands of dollars in ill-gotten gains from Sunatco's sales of the convertible promissory notes—sales brokered by SCR and Kuhn—to investors.

4. Engelbrecht and de Maison Manipulated the Market for Gepco's Shares.

122. Between October 2013 and April 2014, while extracting more than 38 million shares from Gepco, while selling the Sunatco notes to investors, and while Mastromatteo was dumping Traverse's shares into the market, Engelbrecht and de Maison manipulated the market for Gepco's common stock. The purpose of their manipulative trading was twofold: (i) to increase Gepco's share price so that associates like Traverse and Mastromatteo could sell stock at inflated prices, and (ii) to create an appearance of genuine investor demand in Gepco's common stock.

123. First, Engelbrecht and de Maison increased Gepco's trading volume by serially purchasing large blocks of Gepco stock, particularly on or around the dates of major announcements, to create an illusion of genuine investor demand and thereby induce others to purchase the stock. Engelbrecht deceptively traded not in an account of his own, but in a brokerage account held in Loshin's name. (Loshin thus beneficially owned the Gepco stock traded by Engelbrecht in this account.) De Maison separately traded in two accounts held at the same broker-dealer.

124. For example, on October 14, 2013, the eve of the announcement of Gepco's reverse merger, de Maison's purchases accounted for more than one-third of all purchases of Gepco's stock that day. Thereafter, between October 23, 2013 and March 20, 2014, Engelbrecht's and de Maison's buying accounted for more than one-quarter of all daily

purchases on ten separate trading days, and more than 40% of all daily purchases on five of those days.

125. As Gepco officers, de Maison and Loshin, Gepco's Chief Creative Officer, were required to file with the Commission a Form 4 disclosing any changes in their ownership of Gepco stock. Loshin filed a Form 4 for all of Engelbrecht's trades in his account on January 21 and 23, 2014, and for some of Engelbrecht's trades in his account on January 22, but he failed to file a Form 4 for 115,000 additional shares Engelbrecht bought in his account on January 22 and for multiple days' worth of trades by Engelbrecht after January 23. De Maison filed Form 4s disclosing her trading on December 11, 2013 and between January 8 and 22, 2014, but she failed to file a Form 4 for any of her purchases in October 2013, February 2014, and March 2014.

126. In addition to the large volume of buying, between October 24, 2013 and March 12, 2014 de Maison placed either the last trade of the day or the second-to-last trade of the day on eleven separate trading days in an ostensible effort to increase Gepco's share price. Throughout this same time period, de Maison also consistently placed economically irrational trades. For example, on seventeen separate occasions she placed limit orders[2] to buy Gepco stock at a price higher than the best existing ask price. For example, on one occasion, when the best ask price for Gepco's common stock was $.13, de Maison placed a limit order to buy 500 shares of Gepco's stock at a price of $.14 or better. In other words, when another investor was offering to sell Gepco's stock for $.13 per share, de Maison offered to buy the stock for $.14 per share.

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[2] A limit order is an order to buy or sell a specific number of shares at a specified price or better.

127. Throughout this same time period, Engelbrecht, de Maison, and other associates also entered matched trades on at least thirteen separate occasions in an effort to create trading volume and thus the appearance of genuine investor demand. For example, on February 3, 2014, de Maison placed a limit order at 3:51:13 p.m. to buy 4,000 shares of Gepco's common stock at a price of $.13 or better. That order matched an order to sell 4,000 shares at $.13 placed by an Engelbrecht associate. The trade was executed at 3:51:13 p.m.—i.e., the same second that de Maison placed her buy order.

128. Engelbrecht's and de Maison's manipulative trading worked, and thereby allowed Traverse to sell more than 2.5 million shares at artificially inflated prices. Over this time period, the price of Gepco's common stock rose from $.07 on October 14, 2013, the day before the announcement of the reverse merger, to a high of $.292 on March 13, 2014. As a result of this more than fourfold increase, Gepco had a market capitalization on March 13, 2014 of $67,484,120, a paper value belied by the company's performance and financial condition: For the period of October 15, 2013 through March 31, 2014, Gepco reported a cumulative net loss of $89,401, total stockholders' deficit of $198,299, and a cash balance of $10,385.

129. Engelbrecht's emails and text messages to Kuhn and others demonstrate that Engelbrecht's trading was intended to generate an appearance of trading volume and to drive up Gepco's share price. For example, on October 23, 2013, at the outset of his manipulative trading, Engelbrecht wrote to Kuhn and Loshin, and expressed his desire to control Gepco's stock, saying "I don[']t want to put Gepco stock outside of our group and face the same relentless selling as with [another microcap issuer controlled by Engelbrecht]." On March 24, 2014, Engelbrecht wrote to Kuhn and others to express the need for them to find buyers: "We need to talk urgently when I land. This [Gepco] is a great opportunity and we are dropping the

ball. The volume is Zero apart from bid hitting. I bought 40,000 on Friday which was the only buying. I need help and partners. If the deal is not for you, please tell me."

5. De Maison and Voutsas Participate in the Scheme by Making Materially Misleading Statements Concerning Gepco to the Public.

130. On January 23, 2014, Gepco announced in a press release the purchase of a 10.76 carat diamond—one of only two diamond purchases or sales announced by Gepco by that date. The press release was initially drafted by Malone, who forwarded it to Engelbrecht and de Maison on January 22 for their comments and for de Maison to provide a quote. The final version released the following day stated that GemVest had purchased the stone "for half of the current Rapaport [a diamond price benchmark publication] wholesale price" and that it anticipated being "able to at least triple our investment upon its sale." The release also quoted Voutsas and de Maison extolling the purchase.

131. De Maison was quoted as saying, "[i]t is very reassuring that our first purchase is such a substantial stone. The Rapaport price is over $500,000 and we paid half of that price. We are very confident that Peter [Voutsas] will obtain the best price for us that will still represent fair value for the new owner. We are very determined to continue what we are starting here and have great confidence in the business model."

132. Voutsas was quoted as saying, "[t]his is a spectacular stone" and that "[b]y being able to purchase this stone for half of the current Rapaport wholesale price, I anticipate that we will be able to at least triple our investment upon its sale."

133. Both de Maison and Voutsas omitted from their statements a number of material facts necessary to make their representations not misleading. The first was that the diamond that Gepco purported to purchase was actually de Maison's own ring. They further failed to disclose that de Maison had already pledged the stone to an investor in another Engelbrecht company to

secure a $250,000 loan; that when she was unable to repay that debt, Loshin stepped in and repaid the $250,000 and received the stone in return; and that Loshin then sold the stone to Gepco in exchange for a $250,000 promissory note that Gepco issued to him.

134. Engelbrecht believed that the press release would cause the price of Gepco's stock to increase. And he was right: on January 23, 2014, Gepco's stock price closed at $.165, almost 19% higher than the previous day's closing price. Indeed, Engelbrecht had Kuhn use the fact of the announcement as a selling point to induce investors to buy Gepco's stock. On January 21, Engelbrecht texted Kuhn about an investor, telling him to "[s]peculate about the first big diamond deal. Very vaguely." Kuhn responded by saying in pertinent part, "Will do."

6. Engelbrecht Caused Gepco's Stock to Be Actively Promoted During the Unregistered Distributions, the Manipulative Trading, and Traverse's Dumping of Shares.

135. While Engelbrecht and others conducted the unregistered distributions and manipulated the market for Gepco's stock, and while Traverse dumped more than 2.5 million of its shares, Engelbrecht used Kuhn and his firm, SCR, among others, to actively promote Gepco's stock to potential investors.

136. For example, in December 2013 and January 2014, Kuhn sent an email to SCR subscribers stating, among other things, that "GemVest . . . actively sources large inventories of the highest grade polished gems and diamonds for resale"; that "GemVest purchases much of its diamonds at the source and has relationships worldwide to buy finished distress sale products up to 60% below rap report pricing"; and that "GemVest obtains customers in different geographical areas." None of these representations was true.

137. In addition, Kuhn caused SCR to disseminate a purported research report dated January 18, 2014 that cited a $15 million capital raise by Gepco and stated that the author saw "little limit to the amount of capital that can be raised to support the growth of this business."

Indeed, the report projected expected revenues of $45 million in 2014, $58 million in 2015, and $76 million in 2016, with corresponding share price increases to $.93 in Year 1, $1.29 in Year 2, $1.78 in Year 3, $2.46 in Year 4, and $3.40 in Year 5. No support was provided for these baseless projections.

138. On May 23, 2014 Kuhn sent an email to SCR subscribers touting the diamond business and Gepco, falsely claiming "$605,000 in diamond sales generated in first 14 days of sales activity."

## FIRST CLAIM FOR RELIEF

### Regarding Lenco

### Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder (Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro, and Scholander)

139. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

140. Defendants Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro and Scholander, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

141. By reason of the foregoing, Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro and Scholander directly or indirectly, have violated, and unless enjoined will again

violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

## SECOND CLAIM FOR RELIEF

**Regarding Lenco**

**Violations of Sections 17(a)(2) and (3) of the Securities Act**

**(Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro, Scholander, and Loshin)**

142. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

143. Defendants Loshin, Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro and Scholander directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

144. By reason of the foregoing, Loshin, Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro and Scholander, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

**THIRD CLAIM FOR RELIEF**

**Regarding Lenco**

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

**(Engelbrecht, Loshin)**

145. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

146. Defendants Engelbrecht and Loshin, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

147. Defendants Engelbrecht and Loshin have violated, and unless restrained and enjoined will in the future violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**FOURTH CLAIM FOR RELIEF**

**Regarding Lenco**

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

**(Engelbrecht)**

148. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

149. The shares of Lenco that Engelbrecht sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

150. At all relevant times, the Lenco shares that Engelbrecht sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

151. Engelbrecht therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

152. By reason of the activities described herein, Engelbrecht, singly or in concert, directly or indirectly, has violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**FIFTH CLAIM FOR RELIEF**

**Regarding Kensington Leasing and Casablanca**

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

**(De Maison)**

153. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

154. Defendant de Maison, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

155. Defendant de Maison has violated, and unless restrained and enjoined will in the future violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**SIXTH CLAIM FOR RELIEF**

**Regarding Kensington Leasing and Casablanca**

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

**(De Maison)**

156. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

157. The shares of Kensington Leasing and Casablanca that de Maison sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

158. At all relevant times, the Kensington Leasing and Casablanca shares that de Maison sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

159. De Maison, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

160. By reason of the activities described herein, de Maison, singly or in concert, directly or indirectly, has violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## SEVENTH CLAIM FOR RELIEF

**Regarding Wikifamilies**

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) Thereunder**

**(Engelbrecht and Goldstein)**

161. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

162. Engelbrecht and Goldstein, in connection with the purchase or sale of securities, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, with scienter, have employed devices, schemes, and artifices to defraud, and have engaged in transactions, acts, practices, and courses of business which operated as a fraud or deceit.

163. By reason of the foregoing, Engelbrecht and Goldstein directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

## EIGHTH CLAIM FOR RELIEF

**Regarding Wikifamilies**

**Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act**

**(Engelbrecht and Goldstein)**

164. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

165. Engelbrecht and Goldstein, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and

communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) employed devices, schemes or artifices to defraud; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

166. By reason of the foregoing, Engelbrecht and Goldstein, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

## NINTH CLAIM FOR RELIEF

### Regarding Wikifamilies

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

### (Engelbrecht and Malone)

167. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

168. The shares of Wikifamilies that Engelbrecht and Malone sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

169. At all relevant times, the Wikifamilies shares that Engelbrecht and Malone sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

170. Engelbrecht and Malone, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was

in effect as to such offers and sales of such securities and no exemption from registration was available.

171. By reason of the activities described herein, Engelbrecht and Malone, singly or in concert, directly or indirectly, has violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## TENTH CLAIM FOR RELIEF

### Regarding Kensington Leasing and Wikifamilies

### Violations of Section 9(a) of the Exchange Act

### (Engelbrecht and Goldstein)

172. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

173. Engelbrecht and Goldstein, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in Kensington Leasing and Wikifamilies, or a false and misleading appearance with respect to the market for Kensington Leasing and Wikifamilies, engaged in the following unlawful activity:

a. Entered an order or orders for the purchase of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of the securities, had been or would be entered by or for the same or different parties; or

b. Entered an order or orders for the sale of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and

at substantially the same price, for the purchasc of the securities, had been or would be entered by or for the same or different parties.

174. Engelbrecht and Goldstein, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, effected, alone or with one or more persons, a series of transactions in Kensington Leasing and Wikifamilies securities creating actual or apparent trading in those securities, or raising or depressing the price of those securities, for the purpose of inducing the purchase or sale of those securities by others.

175. By virtue of the foregoing, Engelbrecht and Goldstein have violated, and unless enjoined will continue to violate, Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)].

**ELEVENTH CLAIM FOR RELIEF**

**Regarding Casablanca**

**Violations of Sections 17(a)(2) and (3) of the Securities Act**

**(Cope and Kuhn)**

176. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

177. Defendants Cope and Kuhn directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (b) engaged in transactions,

practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

178. By reason of the foregoing, Cope and Kuhn, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

## TWELFTH CLAIM FOR RELIEF

### Regarding Casablanca

### Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder (Cope and Kuhn)

179. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

180. Defendants Cope and Kuhn, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

181. By reason of the foregoing, Cope and Kuhn directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

**THIRTEENTH CLAIM FOR RELIEF**

**Regarding Casablanca**

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

**(Cope, Kuhn and SCR)**

182. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

183. Defendants Cope, Kuhn and SCR, while engaged in the business of effecting transactions in securities for the account of others, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

184. Defendants Cope, Kuhn and SCR have violated, and unless restrained and enjoined will in the future violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**FOURTEENTH CLAIM FOR RELIEF**

**Regarding Casablanca**

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) Thereunder**

**(Cope)**

185. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

186. Cope, in connection with the purchase or sale of securities, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, with scienter, has employed devices,

schemes, and artifices to defraud, and has engaged in transactions, acts, practices, and courses of business which operated as a fraud or deceit.

187. By reason of the foregoing, Cope, directly or indirectly, has violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

**FIFTEENTH CLAIM FOR RELIEF**

**Regarding Casablanca**

**Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act**

**(Cope)**

188. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

189. Cope, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) employed devices, schemes or artifices to defraud; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

190. By reason of the foregoing, Cope, singly or in concert, directly or indirectly, has violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

## SIXTEENTH CLAIM FOR RELIEF

**Regarding Casablanca**

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

**(Cope, Kuhn, SCR and de Maison )**

191. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

192. The shares of Casablanca that Cope, Kuhn, SCR and de Maison sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

193. At all relevant times, the Casablanca shares that Cope, Kuhn, SCR and de Maison sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

194. Cope, Kuhn, SCR and de Maison, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

195. By reason of the activities described herein, Cope, Kuhn, SCR and de Maison, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## SEVENTEENTH CLAIM FOR RELIEF

**Regarding Casablanca**

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

**(Cope)**

196. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

197. Cope, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in Casablanca, or a false and misleading appearance with respect to the market for Casablanca, engaged in the following unlawful activity:

a. Entered an order or orders for the purchase of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of the securities, had been or would be entered by or for the same or different parties; or

b. Entered an order or orders for the sale of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of the securities, had been or would be entered by or for the same or different parties.

198. Cope, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, effected, alone or with one or more persons, a series of transactions in Casablanca securities creating actual or apparent trading in those

securities, or raising or depressing the price of those securities, for the purpose of inducing the purchase or sale of those securities by others.

199. By virtue of the foregoing, Casablanca has violated, and unless enjoined will continue to violate, Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)].

## EIGHTEENTH CLAIM FOR RELIEF

### Regarding Lustros

### Violations of Sections 17(a)(2) and (3) of the Securities Act

### (SCR Defendants)

200. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

201. The SCR Defendants, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) obtained money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

202. By reason of the foregoing, the SCR Defendants, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

## NINETEENTH CLAIM FOR RELIEF

**Regarding Lustros**

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

**(SCR Defendants)**

203. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

204. The SCR Defendants, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

205. By reason of the foregoing, the SCR Defendants directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

## TWENTIETH CLAIM FOR RELIEF

**Regarding Lustros**

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

**(SCR Defendants)**

206. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

207. The SCR Defendants, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of

interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

208. The SCR Defendants have violated, and unless restrained and enjoined will in the future violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**TWENTY-FIRST CLAIM FOR RELIEF**

**Regarding Lustros**

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

**(Kuhn)**

209. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

210. Defendant Kuhn, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

211. By reason of the foregoing, Defendant Kuhn, directly or indirectly, has violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

**TWENTY-SECOND CLAIM FOR RELIEF**

**Regarding Lustros**

**Violations of Sections 17(a)(1) of the Securities Act**

**(Kuhn)**

212. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

213. Kuhn, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth, employed devices, schemes or artifices to defraud.

214. By reason of the foregoing, Kuhn, singly or in concert, directly or indirectly, has violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)].

**TWENTY-THIRD CLAIM FOR RELIEF**

**Regarding Lustros**

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

**(Engelbrecht, Malone, Kuhn and SCR)**

215. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

216. The shares of Lustros that Engelbrecht, Malone, Kuhn and SCR sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

217. At all relcvant times, the Lustros shares that Engelbrecht, Malone, Kuhn and SCR sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

218. Engelbrecht, Malone, Kuhn and SCR, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

219. By reason of the activities described herein, Engelbrecht, Malone, Kuhn and SCR, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## TWENTY-FOURTH CLAIM FOR RELIEF

**Regarding Gepco**

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

**(Cope, Engelbrecht, Mastromatteo, Malone, Gepco, Sunatco, Suprafin, Worldbridge, and Traverse)**

220. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

221. The shares of Gepco that Cope, Engelbrecht, Mastromatteo, Malone, Gepco, Sunatco, Suprafin, Worldbridge, and Traverse sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

222. At all relevant times, the Gepco shares that Cope, Engelbrecht, Mastromatteo, Malone, Gepco, Sunatco, Suprafin, Worldbridge, and Traverse sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

223. Cope, Engelbrecht, Mastromatteo, Malone, Gepco, Sunatco, Suprafin, Worldbridge, and Traverse, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

224. By reason of the activities described herein, Cope, Engelbrecht, Mastromatteo, Malone, Gepco, Sunatco, Suprafin, Worldbridge, and Traverse, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## TWENTY-FIFTH CLAIM FOR RELIEF

### Regarding Gepco

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

### (Engelbrecht, de Maison, Sunatco, Kuhn, SCR)

225. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

226. The convertible promissory notes that Sunatco sold constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(1) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

227. At all relevant times, the convertible promissory notes that Sunatco sold were not registered in accordance with the provisions of the Securities Act and no exemption from registration was applicable.

228. Engelbrecht, Sunatco, Kuhn, and SCR, therefore, singly or in concert, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and to sell securities when no registration statement had been filed or was in effect as to such offers and sales of such securities and no exemption from registration was available.

229. By reason of the activities described herein, Engelbrecht, Sunatco, Kuhn, and SCR, singly or in concert, directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

## TWENTY-SIXTH CLAIM FOR RELIEF

**Regarding Gepco**

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) Thereunder**

**(Cope, Engelbrecht, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR)**

230. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

231. Cope, Engelbrecht, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, in connection with the purchase or sale of securities, directly or indirectly, singly or in concert, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, with

scienter, have employed devices, schemes, and artifices to defraud, and have engaged in transactions, acts, practices, and courses of business which operated as a fraud or deceit.

232. By reason of the foregoing, Cope, Engelbrecht, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

## TWENTY-SEVENTH CLAIM FOR RELIEF

**Regarding Gepco**

**Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act**

**(Cope, Engelbrecht, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR)**

233. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

234. Cope, Engelbrecht, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, directly or indirectly, singly or in concert, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and of the mails, knowingly or with reckless disregard for the truth: (a) employed devices, schemes or artifices to defraud; and (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of securities.

235. By reason of the foregoing, Engelbrecht, Cope, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, singly or in concert,

directly or indirectly, have violated, and unless enjoined and restrained will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)].

## TWENTY-EIGHTH CLAIM FOR RELIEF

**Regarding Gepco**

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

**(Engelbrecht and de Maison)**

236. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

237. Engelbrecht and de Maison, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in Gepco, or a false and misleading appearance with respect to the market for Gepco, engaged in the following unlawful activity:

a. Entered an order or orders for the purchase of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of the securities, had been or would be entered by or for the same or different parties; or

b. Entered an order or orders for the sale of the securities with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of the securities, had been or would be entered by or for the same or different parties.

238. Engelbrecht and de Maison, directly or indirectly, with scienter, by use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange, effected, alone or with one or more persons, a series of transactions in Gepco securities creating actual or apparent trading in those securities, or raising or depressing the price of those securities, for the purpose of inducing the purchase or sale of those securities by others.

239. By virtue of the foregoing, Engelbrecht and de Maison have violated, and unless enjoined will continue to violate, Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)].

**TWENTY-NINTH CLAIM FOR RELIEF**

**Regarding Gepco**

**Violations of Section 16(a) of the Exchange Act and Rule 16a-3 Thereunder**

**(de Maison and Loshin)**

240. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

241. Section 16(a) of the Exchange Act [15 U.S.C. § 78p] and Rule 16a-3 thereunder [17 C.F.R. § 240.16a-3] require any person that directly or indirectly beneficially owns more than 10% of a company's class of stock registered under Section 12 of the Exchange Act, or who is a director or an officer of the issuer of such security, to notify the Commission within 10 days of the acquisition.

242. Additionally, Section 16(a) of the Exchange Act requires that if there has been a change of such ownership during a month, the reporting persons shall file with the Commission a statement indicating their ownership at the end of the calendar month and the changes in that ownership that occurred during the month. Exchange Act Rule 16a-3 requires that initial

statements of beneficial ownership be filed on Form 3, and that statements of changes in beneficial ownership be filed on Form 4.

243. By virtue of the conduct described above, de Maison and Loshin failed to file with the Commission Forms 4 for statements of changes in beneficial ownership of their Gepco stock.

244. As part and in furtherance of their violative conduct, de Maison and Loshin failed to timely file Forms 4 when they had a duty to do so under Section 16(a) of the Exchange Act.

245. By reason of the foregoing, de Maison and Loshin have violated, and unless permanently enjoined, will again violate, Section 16(a) of the Exchange Act [15 U.S.C. § 78p(a)] and Rule 16a-3 [17 C.F.R. § 140.16a-3] thereunder.

## THIRTIETH CLAIM FOR RELIEF

### Regarding Gepco

### Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder

### (de Maison and Voutsas)

246. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

247. Defendants de Maison and Voutsas, directly or indirectly, with scienter, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5(b).

248. By reason of the foregoing, de Maison and Voutsas, directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

## THIRTY-FIRST CLAIM FOR RELIEF

**Regarding Gepco**

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

**(SCR and Kuhn)**

249. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

250. Defendants SCR and Kuhn, while engaged in the business of effecting transactions in securities for the account of others made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, a security without being registered in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

251. Defendants SCR and Kuhn have violated, and unless restrained and enjoined will in the future violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

## THIRTY-SECOND CLAIM FOR RELIEF

**Unjust Enrichment**

**(de Maison)**

252. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 138, as if fully set forth herein.

253. Relief Defendant de Maison obtained proceeds of the fraudulent scheme alleged above under circumstances in which it is not just, equitable, or conscionable for the Relief

Defendant to retain these ill-gotten gains. Relief Defendant has no legitimate claim to these funds. Relief Defendant has therefore been unjustly enriched.

254. By reason of the foregoing, Relief Defendant de Maison should disgorge her ill-gotten gains, plus prejudgment interest thereon

**PRAYER FOR RELIEF**

**WHEREFORE,** the Commission respectfully requests that this Court issue a Final Judgment:

**I.**

Permanently restraining and enjoining:

(a) Defendants Engelbrecht, Cope, de Maison, Mastromatteo, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77q(a) and 77q(b)], pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)];

(b) Defendants Engelbrecht, Cope, Goldstein, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR, and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5], pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)];

(c) Defendants Engelbrecht, Cope, Goldstein, Mastromatteo, de Maison, Malone, Kuhn, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Sections 17(a)(1) and 17(a)(3) of the Securities Act [ 15 U.S.C. § 77q(a)(1) and (a)(3)] pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)];

(d) Defendants Engelbrecht, Goldstein, Loshin, Wilshinsky, Harris, Tagliaferro and Scholander, Cope, Kuhn, Alfaya, Esposito, and Barbera, and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Sections 17(a)(2) and (a)(3) of the Securities Act [ 15 U.S.C. § 77q(a)(2) and (a)(3)] pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)];

(e) Defendants Engelbrecht, Goldstein and de Maison and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Section 9(a) of the Exchange Act [15 U.S.C. § 78i(a)] pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)];

(f) Defendants de Maison and Loshin and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating

Section 16(a) of the Exchange Act [15 U.S.C. § 78p] and Rule 16a-3 thereunder [17 C.F.R. § 240.16a-3] pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)];

(g) Defendants Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro, Scholander, Cope, Kuhn, Alfaya, Esposito, Barbera, de Maison and Voutsas and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)], pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)]; and

(h) Defendants Engelbrecht, Loshin, de Maison, Cope, Alfaya, Esposito, Barbera, SCR and Kuhn and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)].

**II.**

Ordering Engelbrecht, Cope, Mastromatteo, Suprafin, Sunatco, Worldbridge, and Traverse to provide a sworn accounting, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)], to determine the profit reaped from the conduct described above, the location of their assets, and their ability to pay disgorgement and civil monetary penalties.

III.

Ordering Engelbrecht, Cope, Mastromatteo, Malone, de Maison, Goldstein, Wilshinsky, Harris, Tagliaferro, Scholander, Cope, Kuhn, Alfaya, Esposito, Barbera, Kuhn, Voutsas, Loshin, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR to disgorge any and all ill-gotten gains they received as a result of the violations of the federal securities laws, plus prejudgment interest thereon, pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

IV.

Ordering Engelbrecht, Goldstein, Wilshinsky, Harris, Tagliaferro, Scholander, Cope, Kuhn, Alfaya, Esposito, Barbera, Mastromatteo, Malone, de Maison, Kuhn, Voutsas, Loshin, Gepco, Sunatco, Suprafin, Worldbridge, Traverse, and SCR to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and/or Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] for violations of the federal securities laws.

V.

Ordering Engelbrecht, de Maison, Goldstein, Wilshinsky, Harris, Tagliaferro, Scholander, Malone, Cope, Mastromatteo, Kuhn, Alfaya, Esposito, Barbera, Loshin, and Voutsas to be barred from participation in any offering of a penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and/or Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

VI.

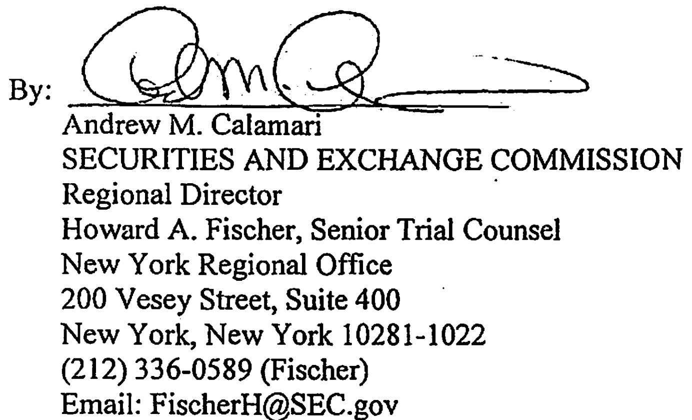
Ordering Malone, de Maison, Loshin, and Engelbrecht to be barred from serving as an officer or director of a public company, pursuant to Section 20(e) of the Securities Act [15

U.S.C. § 77t(e)] Section 21(d)(2) of the Exchange Act [15 U.S.C.§ 78u(d)(2)] for the violations alleged herein.

VI.

Granting such other and further relief as the Court may deem just and proper.

Dated: New York, New York
June 12, 2015

By: 

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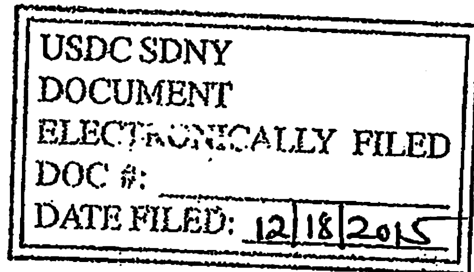
John O. Enright (EnrightJ@SEC.gov)

# EXHIBIT 2

 Cote, J

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

| | |
|---|---|
| SECURITIES AND EXCHANGE COMMISSION,<br><br>Plaintiff,<br><br>-against-<br><br>JASON COPE, IZAK ZIRK DE MAISON (F/K/A IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIEFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,<br><br>Defendants,<br><br>And<br><br>ANGELIQUE DE MAISON,<br><br>Relief Defendant. | 14 Civ. 7575 (DLC)<br><br>ORDER TO SHOW CAUSE |




**ORDER TO SHOW CAUSE AS TO WHY DEFAULT JUDGMENTS SHOULD NOT BE ENTERED AGAINST DEFENDANTS TALMAN HARRIS, WILLIAM SCHOLANDER, VICTOR ALFAYA, AND KONA JONES BARBERA**

Pursuant to Fed. R. Civ. P. 55(b)(2), Local Rule Civil Rule 55.2(b), and this Court's Individual Rules of Practice in Civil Cases, Rule 3.H and Attachment A, and upon the Declaration of John O. Enright, dated December 18, 2015 and the exhibits attached thereto, the accompanying Memorandum of Law in support of Plaintiff's application, and all prior proceedings and pleadings herein, it is hereby:

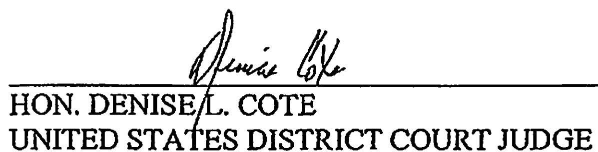
**ORDERED** that, pursuant to this Court's Order of November 3, 2015 (Docket Entry 181), Defendants Talman Harris ("Harris"), William Scholander ("Scholander"), Victor Alfaya ("Alfaya"), and Kona Jones Barbera ("Barbera") (collectively, the "Defaulting Defendants"), shall appear to show CAUSE, if any exists, on January 15, 2016 at 3 p.m. in Courtroom 15B of the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007, as to why default judgments should not be entered in favor of Plaintiff and against the Defaulting Defendants; and

**IT IS FURTHER ORDERED** that the Defaulting Defendants' opposition papers, if any, in response to this Order to Show Cause are due by 1/8/16; and

**IT IS FURTHER ORDERED** that service of this Order to Show Cause is to be made overnight UPS delivery and via email on all the Defaulting Defendants listed above, if such is practicable, and otherwise by mail.

**SO ORDERED.**

Dated: December 18, 2015



HON. DENISE L. COTE
UNITED STATES DISTRICT COURT JUDGE

Dated: New York, New York
December 18, 2015

# EXHIBIT 3

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIEFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

And

ANGELIQUE DE MAISON,

Relief Defendant.

14 Civ. 7575 (DLC)

**DECLARATION OF JOHN O. ENRIGHT IN SUPPORT OF PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S APPLICATION FOR AN ORDER TO SHOW CAUSE AS TO WHY DEFAULT JUDGMENTS SHOULD NOT BE ENTERED AGAINST DEFENDANTS TALMAN HARRIS, WILLIAM SCHOLANDER, VICTOR ALFAYA, AND KONA JONES BARBERA**

I, John O. Enright, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am employed as Counsel in the Division of Enforcement of the Securities and Exchange Commission ("Commission"), the Plaintiff in this action. I am a member of the bar of this Court.

2. I submit this declaration in support of the Commission's Application for an Order to Show Cause as to Why Default Judgments Should Not be Entered Against Defendants Talman Harris ("Harris"), William Scholander ("Scholander"), Victor Alfaya ("Alfaya"), and Kona Jones Barbera ("Barbera") (together, the "Defaulting Defendants") pursuant to Federal Rule of Civil Procedure 55(b)(2), Local Rule 55.2(b), and the Court's Individual Rules of Practice in Civil Cases. I am fully familiar with the facts and circumstances herein. The headings below correspond to the information required by the Court in its Default Judgment Procedure, which is set forth as Attachment A to the Court's Individual Rules of Practice in Civil Cases.

**The Basis for Entering Default Judgments and the Procedural History Beyond Service of the Summons and Complaint**

3. On June 15, 2015, the Commission filed the Amended Complaint against, *inter alia*, Harris, Scholander, Alfaya, and Barbera. A true and correct copy of the Commission's Amended Complaint is attached hereto as Exhibit 1.

4. After filing the Amended Complaint, the Clerk issued summonses to these Defaulting Defendants. A true and correct copy of the summons to Harris is attached hereto as Exhibit 2. A true and correct copy of the summons to Scholander is attached hereto as Exhibit 3. A true and correct copy of the summons to Alfaya is attached hereto as Exhibit 4. A true and correct copy of the summons to Barbera is attached hereto as Exhibit 5.

5. On September 10, 2015, the Commission served the Summons and Amended Complaint on Harris. On October 2, 2015, the Commission filed an affidavit from its process server attesting to the fact that it had served Harris. A true and correct copy of the affidavit of service of the Summons and Amended Complaint on Harris is attached hereto as Exhibit 6.

6. On August 3, 2015, the Commission served the Summons and Amended Complaint on Scholander. On October 2, 2015, the Commission filed an affidavit from its

process server attesting to the fact that it had served Scholander. A true and correct copy of the affidavit of service of the Summons and Amended Complaint on Scholander is attached hereto as Exhibit 7.

7. On August 28, 2015, the Commission served the Summons and Amended Complaint on Alfaya. On October 1, 2015, the Commission filed an affidavit from its process server attesting to the fact that it had served Alfaya. A true and correct copy of the affidavit of service of the Summons and Amended Complaint on Alfaya is attached hereto as Exhibit 8.

8. On September 19, 2015, the Commission served the Summons and Amended Complaint on Barbera. On October 1, 2015, the Commission filed an affidavit from its process server attesting to the fact that it had served Barbera. A true and correct copy of the affidavit of service of the Summons and Amended Complaint on Barbera is attached hereto as Exhibit 9.

9. Harris has neither served nor filed an answer or other responsive pleading in this case, or otherwise responded to the Amended Complaint in any way, and his time to do so has passed under Federal Rule of Civil Procedure 12(a)(l)(A)(i). Accordingly, on December 14, 2015, the Clerk of the Court issued a Certificate of Default as to Harris (Docket # 190). Attached as Exhibit 10 is a true and correct copy of the Certificate of Default as to Harris.

10. Scholander has neither served nor filed an answer or other responsive pleading in this case, or otherwise responded to the Amended Complaint in any way, and his time to do so has passed under Federal Rule of Civil Procedure 12(a)(l)(A)(i). Accordingly, on December 14, 2015, the Clerk of the Court issued a Certificate of Default as to Scholander (Docket # 194). Attached as Exhibit 11 is a true and correct copy of the Certificate of Default as to Scholander.

11. Alfaya has neither served nor filed an answer or other responsive pleading in this case, or otherwise responded to the Amended Complaint in any way, and his time to do so has

passed under Federal Rule of Civil Procedure 12(a)(l)(A)(i). Accordingly, on December 14, 2015, the Clerk of the Court issued a Certificate of Default as to Alfaya (Docket # 193). Attached as Exhibit 12 is a true and correct copy of the Certificate of Default as to Alfaya.

12. Barbera has neither served nor filed an answer or other responsive pleading in this case, or otherwise responded to the Amended Complaint in any way, and his time to do so has passed under Federal Rule of Civil Procedure 12(a)(l)(A)(i). Accordingly, on December 14, 2015, the Clerk of the Court issued a Certificate of Default as to Barbera (Docket # 192). Attached as Exhibit 13 is a true and correct copy of the Certificate of Default as to Barbera.

13. The Commission has made numerous attempts to contact each of the Defaulting Defendants, either directly or through counsel, regarding this proceeding. The Commission has advised them that since they have not answered or otherwise defended this action, they are at risk of being defaulted. Those efforts have proven unavailing. In addition, none of the Defaulting Defendants is an infant, in the military, or incompetent.

**The Proposed Relief Sought by the Commission and the Basis for Each Element of Relief**

14. Along with this declaration, the Commission has filed a Memorandum of Law in Support of its Application for an Order to Show Cause as to Why Default Judgments Should Not be Entered Against Defendants Talman Harris, William Scholander, Victor Alfaya, and Kona Jones Barbera ("Memorandum of Law"), and the December 14, 2015 Declaration of Izak Zirk de Maison (f/k/a Izak Zirk Engelbrecht) ("Engelbrecht Decl."), a true and correct copy of which is annexed hereto as Exhibit A.

15. The Memorandum of Law sets forth the Commission's arguments as to why the Court should enter default judgments against the Defaulting Defendants. The Memorandum of Law also discusses how the Complaint establishes that the Defaulting Defendants are liable

under the federal securities laws for each of the counts in the Amended Complaint. The Commission submits that the reasons set forth in the Memorandum of Law demonstrate that the Order to Show Cause should be issued and that default judgments should be entered against the Defaulting Defendants.

16. The Engelbrecht Declaration describes two of the sophisticated fraudulent schemes that Engelbrecht orchestrated and that are subjects of the Amended Complaint. The first scheme described in the Engelbrecht Declaration concerned the securities of Lenco Mobile Inc. ("Lenco Mobile"). *See* Ex. A ¶¶ 2-8. In that scheme, Engelbrecht illegally sold shares of Lenco Mobile into the public market by inducing others to place buy orders in their customers' accounts with the purpose of matching trades with Engelbrecht's sales. Harris and Scholander participated in that scheme. *See id.* The second scheme described in the Engelbrecht Declaration concerned the securities of Lustros Inc. ("Lustros"). *See id.* ¶¶ 9-14. In that scheme, Engelbrecht and his confederates paid unregistered individuals undisclosed commissions for causing investors to buy shares of Lustros in purported private placements and in the open market. Alfaya and Barbera participated in that scheme. *See id.*

17. The Commission seeks the following relief in its proposed default judgments against the Defaulting Defendants: (1) permanent injunctions against future violations of the securities laws; (2) disgorgement of their ill-gotten gains, plus prejudgment interest on those amounts; (3) civil penalties; and (4) penny stock bars. These forms of relief are discussed in detail below.

***Permanent Injunctions***

18. The Complaint seeks injunctive relief, permanently enjoining the Defaulting Defendants from further violations of the federal securities laws that they violated. The

Memorandum of Law sets forth the Commission's arguments as to why permanent injunctions against the Defendants are appropriate here.

19. The Defaulting Defendants' conduct in this case was willful, deceptive, and not an isolated occurrence. Harris and Scholander conducted the Lenco Mobile scheme with Engelbrecht (as described above in paragraph 16) for more than three years, from approximately February 2008 until approximately June 2011. *See* Ex. A ¶¶ 2-5. Moreover, they concealed the scheme from their customers because they knew their customers would never have agreed to the share purchases if the customers knew about the commissions Engelbrecht was paying them. *See id.* ¶ 5. Finally, they sought to conceal the scheme by directing Engelbrecht to make the commission payments to third parties so as not to create a paper trail that regulators and legal authorities could use to implicate them in the scheme. *See id.* ¶¶ 6-7. Alfaya and Barbera conducted the Lustros scheme with Engelbrecht (as described above in paragraph 16) for one and half years, from approximately June 2012 until approximately January 2014. *See id.* ¶¶ 9-10. They too concealed the scheme from the investors they solicited because they knew the investors would never have agreed to the share purchases if the investors knew about the commissions Engelbrecht was paying them through Kuhn. *See id.* ¶¶ 11-13.

***Disgorgement***

20. The Complaint seeks disgorgement of the Defaulting Defendants' ill-gotten gains along with prejudgment interest. The Memorandum of Law sets forth the Commission's arguments as to why disgorgement is appropriate in this case and the proposed amounts of disgorgement.

21. The Commission submits in the Memorandum of Law that Harris should disgorge the $775,104 of ill-gotten gains representing the sums that Engelbrecht paid him in exchange for

his buying shares of Lenco in the accounts of his customers over which he exercised discretionary authority. Attached hereto as Exhibit 14 is a true and correct copy of a spreadsheet prepared for Engelbrecht that provides an accounting (the "Undisclosed Engelbrecht Commissions Spreadsheet") of, among others, 29 undisclosed commission payments totaling $775,104 that he made to Harris between February 13, 2008 and November 12, 2009. Attached hereto as Exhibit 15 are true and correct copies of wire confirmations and bank statements evidencing 27 of the commission payments.[1]

22. The Commission submits in the Memorandum of Law that Scholander should disgorge the $225,880 of ill-gotten gains representing the sums that Engelbrecht paid him in exchange for his buying shares of Lenco in the accounts of his customers over which he exercised discretionary authority. The Undisclosed Engelbrecht Commissions Spreadsheet provides an accounting of, among others, 19 undisclosed commission payments totaling $225,880 that Engelbrecht made to Scholander between February 13, 2008 and November 12, 2009. *See* Ex. 14. Attached hereto as Exhibit 16 are true and correct copies of wire confirmations, bank statements, and internal accounting documents evidencing 18 of the commission payments.[2]

23. The Commission submits in the Memorandum of Law that Alfaya should disgorge the $136,540 of ill-gotten gains representing the undisclosed commissions that Kieran

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[1] As is set forth in the Undisclosed Engelbrecht Commissions Spreadsheet, one of the 29 payments to Harris was a cash payment of $3,500 made on February 29, 2008. The Commission has been unable to obtain any other documentary evidence of that cash payment, but it is reflected in the Undisclosed Engelbrecht Commissions Spreadsheet. *See* Ex. 14. In addition, one of the 29 payments to Harris was a wire for $4,000 sent on January 13, 2009. The Commission has been unable to obtain a wire confirmation for that transaction, but it is reflected in the Undisclosed Engelbrecht Commissions Spreadsheet. *See id.*

[2] As is set forth in the Undisclosed Engelbrecht Commissions Spreadsheet, one of the 29 payments to Scholander was a cash payment of $3,500 made on February 29, 2008. *See* Ex. 14. The Commission has been unable to obtain any other documentary evidence of that cash payment, but it is reflected in the Undisclosed Engelbrecht Commissions Spreadsheet. *See id.*

Kuhn paid him in exchange for brokering shares of Lustros to unsuspecting investors. Attached hereto as Exhibit 17 are true and correct copies of 46 checks totaling the $136,540 in undisclosed commissions that Kuhn paid to Alfaya (through Small Cap Resource Corp.) between May 18, 2012 and March 15, 2013. In addition, in January 2013 Kuhn had an employee prepare two spreadsheets for him that provide an accounting of the undisclosed commissions paid to Alfaya and others in 2012 (the "Undisclosed Kuhn Commissions Spreadsheets"). Although the Undisclosed Kuhn Commissions Spreadsheets do not reflect the specific dates of payment to Alfaya in 2012, they do reflect the amounts of payments, many of which are reflected in the 46 checks attached hereto as Exhibit 17. Attached hereto as Exhibit 18 are true and correct copies of the Undisclosed Kuhn Commissions Spreadsheets.

24. The Commission submits in the Memorandum of Law that Barbera should disgorge the $252,520 of ill-gotten gains representing the undisclosed commissions that Kuhn paid him in exchange for brokering shares of Lustros to unsuspecting investors. Attached hereto as Exhibit 19 are true and correct copies of 32 checks totaling the $252,520 in undisclosed commissions that Kuhn paid to Barbera's nominee, Neoterra Enterprises (in his own name and through Small Cap Resource Corp.),[3] between May 18, 2012 and January 18, 2013. The Undisclosed Kuhn Commissions Spreadsheets also reflect many of the payments Kuhn made to Barbera in 2012. Although the Undisclosed Kuhn Commissions Spreadsheets do not reflect the specific dates of payment to Barbera in 2012, they do reflect the amounts of payments, many of which are reflected in the 32 checks attached hereto as Exhibit 19.

25. Attached to this declaration as Exhibit 20 is documentation of the prejudgment interest calculation for each amount described above for which the Commission is seeking

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[3] The Undisclosed Kuhn Commissions Spreadsheets refer to "Kona Barbera/Neoterra Enterprises" as one payee. *See* Ex. 18.

disgorgement. The Commission's calculation computes prejudgment interest from the date of last payment to each of the Defaulting Defendants. The Commission uses the rate of interest that the Internal Revenue Service uses to calculate underpayment penalties, which is currently defined as the Federal short term rate plus three percentage points. These streams and the related prejudgment interest amounts as calculated using the Division of Enforcement's Prejudgment Interest Calculator assuming a payoff date of December 18, 2015 are summarized below:

| Defaulting Defendant | Disgorgement Amount | Prejudgment Interest | Period Prejudgment Interest Accrued |
|---|---|---|---|
| Harris | $775,104.00 | $166,955.41 | 2/13/08-11/12/09 |
| Scholander | $225,880.00 | $48,653.97 | 2/13/08-11/12/09 |
| Alfaya | $136,540.00 | $11,336.81 | 5/18/2012-3/15/2013 |
| Barbera | $252,520.00 | $22,292.79 | 5/18/2012-1/18/2013 |

26. In sum, the Commission seeks disgorgement from:

- Harris in the amount of $942,059.41 (the undisclosed commissions of $775,104.00 plus prejudgment interest in the amount of $166,955.41);
- Scholander in the amount of $274,533.97 (the undisclosed commissions of $225,880.00 plus prejudgment interest in the amount of $48,653.97);
- Alfaya in the amount of $147,876.81 (the undisclosed commissions of $136,540.00 plus prejudgment interest in the amount of $11,336.81); and
- Barbera in the amount of $274,812.79 (the undisclosed commissions of $252,520.00 plus prejudgment interest in the amount of $22,292.79).

*Civil Money Penalties*

27. The Complaint seeks civil money penalties against the Defaulting Defendants. The Memorandum of Law sets forth the Commission's arguments as to why third-tier civil penalties are appropriate here.

*Penny Stock Bars*

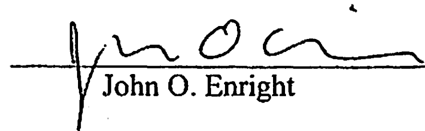
28. The Complaint seeks penny stock bars against Defendants. The Memorandum of Law sets forth the Commission's arguments as to why penny stock bars are appropriate here.

**Legal Authority for Why an Inquest Into Damages Would Be Unnecessary**

29. Based on the arguments made in the Memorandum of Law, the Commission respectfully submits that record before the Court makes an evidentiary hearing on the relief sought by the Commission unnecessary.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 18, 2015
New York, New York



John O. Enright

# EXHIBIT 4

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

14 Civ. 7575 (DLC)

-against-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIEFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

And

ANGELIQUE DE MAISON,

Relief Defendant.

DECLARATION OF IZAK ZIRK DE MAISON

I, Izak Zirk de Maison, pursuant to 28 U.S.C. § 1746, affirm, under penalty of perjury, as follows:

1. I am over 18 years old and am currently incarcerated in CCA Northeast Ohio Correctional Facility, in Youngstown, Ohio. I make this Declaration on the basis of my personal

knowledge due to my role in the acts and incidents set out in the Amended Complaint in the above-captioned matter.

**The Lenco Scheme**

2. Between approximately February 2008 and June, 2011, I organized a scheme to sell shares in an issuer called Lenco Mobile Inc. ("Lenco") to members of the investing public.

3. As part of that scheme, I enlisted several brokers, and paid kick-backs for them to buy shares of Lenco in the accounts of those customers over which they exercised discretionary authority. In almost all instances, these shares were from my accounts.

4. Thus, as part of my agreement with them, I paid defendants William Scholander ("Scholander") and Talman Harris ("Harris") "commissions" of between 30% and 50% of the proceeds of these sales. These payments were made to induce them to buy Lenco stock in the accounts of their customers. The arrangement also served to provide Scholander and Harris with the means to buy additional shares in the open market into order to move the share price of Lenco by providing the illusion of an active market in its shares. This agreement was memorialized in phone calls with Scholander and Harris.

5. It was my understanding that these investors in Lenco did not know (and were not supposed to know) that these brokers were receiving payments in exchange for directing these purchases. It was understood between Scholander, Harris and me that the arrangement had to be concealed from investors, for if they knew of the kick-back arrangements they would never agree to buy shares.

6. Scholander directed me to make the payments to Herman Palmero, who I understood was his stepfather. He said that the payments should be made to Mr. Palmero so as to avoid creating a paper trail that would enable regulators and legal authorities to track his wrongful acts.

7. Harris directed that I make payments owed him to Sarah Urbanski, who I understood was his fiancée, for the same reason.

8. At one point, I also purchased high-end luxury automobiles for both Scholander Harris to compensate them for their role in the scheme. I also paid their office rent on a few instances.

**The Lustros Scheme**

9. Between June 2012 and January 2014, I paid kickbacks to Kieran Kuhn ("Kuhn"), who owned a company called Small Cap Resources ("SCR"). The purpose of these payments was to induce Kuhn and the staff of SCR to represent to investors that they were taking part in private placements of the stock of Lustros, Inc. ("Lustros"), along with other issuers.

10. When investors were convinced to invest, Kuhn and the people who worked for SCR – including defendants Victor Alfaya ("Alfaya"), Justin Esposito ("Esposito") and Kona Jones Barbera ("Barbera") – would send the investor a subscription agreement signed by me, and then the investors would get certificates representing the shares. In reality, these shares were either purchased directly from me or from one of my nominees, including Suprafin, Ltd. and Sunatco Ltd.

11. I understood that these investors in Lustros did not know (and were not supposed to know) that these brokers were receiving payments in exchange for directing these purchases. We all understood that if investors knew of the arrangement they would not want to buy the shares. I had discussions with this topic directly with Kuhn.

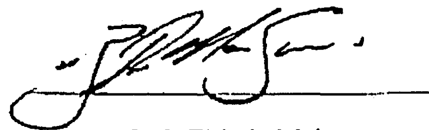
12. Everyone understood that the commission arrangement was never to be disclosed to investors. Alfaya was Kuhn's right-hand man at SCR. I had numerous discussions with him on this and other subjects.

13. I also had discussions with Barbera regarding the fact that the arrangement was not disclosed to investors who purchased the shares at issue.

14. As part of this arrangement, Kuhn received as a commission 40% to 50% of the sale proceeds. I understood from discussions with Kuhn that he paid his employees – including Alfaya, Esposito, and Barbera – between 5% and 20% of the sales proceeds.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 14, 2015
Youngstown, Ohio.



Izak Zirk de Maison

# EXHIBIT 5

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIEFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

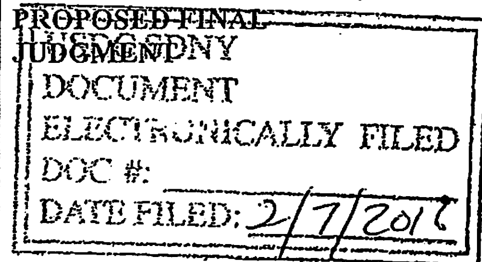
Defendants,

And

ANGELIQUE DE MAISON,

Relief Defendant.

14 Civ. 7575 (DLC)




## ~~[PROPOSED]~~ FINAL JUDGMENT AS TO DEFENDANTS TALMAN HARRIS AND VICTOR ALFAYA

Upon the papers submitted in support of the Plaintiff Securities and Exchange Commission's request for an Order to Show Cause as to why default judgments should not be entered against Talman Harris ("Harris") and Victor Alfaya ("Alfaya"), (collectively, the "Defaulting Defendants"), the docketed entries and all submissions in this matter, and the findings of the Court:

I.

**IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** that Defaulting Defendants and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that Defaulting Defendants and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that Alfaya, and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security, without being properly registered as a broker or dealer in accordance with subsection 15(b) of the Exchange Act.

IV.

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that that Defaulting Defendants are permanently barred from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is

any equity security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act [17 C.F.R. 240.3a51-1].

V.

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that Defaulting Defendant are liable for disgorgement representing their ill-gotten gains as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon, and a civil penalty, as follows:

(a) Defendant Harris, disgorgement of $775,104 and prejudgment interest of $201,984.17, plus a civil penalty of $1,000,000.00; and

(b) Defendant Alfaya, disgorgement of $136,540 and prejudgment interest of $16,835, plus a civil penalty of $500,000.00.

The Defaulting Defendants shall satisfy the foregoing payment obligations by making payment to the Securities and Exchange Commission within 14 days after entry of this Final Judgment.

Defaulting Defendants may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices /ofm.htm. Defaulting Defendants may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-v-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A) IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIAFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERNAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

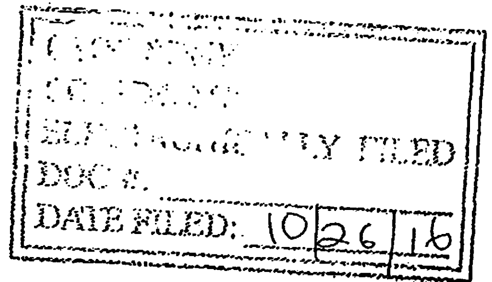
And

ANGELIQUE DE MAISON,

Relief Defendant.

14cv7575 (DLC)

ORDER




DENISE COTE, District Judge:

On October 3, 2016, the Securities and Exchange Commission ("SEC") was ordered to file an order to show cause for entry of a default judgment ("OTSC") against any defendant against whom claims remain pending and who is in default. There are two such defendants: Talman Harris ("Harris") and Victor Alfaya ("Alfaya"). For the following reasons, the SEC's application for the OTSC against Harris and Alfaya remains due on October

31, 2016, but the time for each of these defendants to respond is stayed until seven days after they are sentenced on the related criminal charges of which they have recently been found guilty. The background to this Order follows.

The SEC commenced this action on September 18, 2014. Harris and Alfaya were added as defendants on June 15, 2015. On December 18, 2015, an OTSC was issued against Harris, Alfaya and one other defendant for their failure to respond to the complaint.

At a January 15, 2016 conference, the SEC confirmed that there were ongoing criminal proceedings against Harris and Alfaya in Ohio. Relying on the six-factor balancing test in Louis Vuitton Malletier S.A. v. LY USA, Inc., 676 F.3d 83, 97 (2d Cir. 2012),[1] the Court stayed action on the SEC's application for entry of a default judgment. Among other things, criminal defendants retain their Fifth Amendment right against self-

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[1] In evaluating whether the "interests of justice" favor entering a stay in a civil action pending the resolution of criminal prosecutions, courts must balance the following factors: "1) the extent to which the issues in the criminal case overlap with those presented in the civil case; 2) the status of the case, including whether the defendants have been indicted; 3) the private interests of the plaintiffs in proceeding expeditiously weighed against the prejudice to plaintiffs caused by the delay; 4) the private interests of and burden on the defendants; 5) the interests of the courts; and 6) the public interest." Louis Vuitton, 676 F.3d at 99 (citation omitted).

incrimination until sentenced on any criminal charges on which they have been found guilty. See, e.g., Mitchell v. United States, 526 U.S. 314, 328-29 (1999). The SEC was required to provide status letters regarding the criminal prosecution.

The SEC has informed the Court that the two defendants are due to be sentenced in mid-December. Alfaya has entered a plea of guilty and is scheduled to be sentenced on December 14, 2016. Harris was found guilty at trial of one count of conspiracy to commit securities fraud or wire fraud in violation of 18 U.S.C. § 1349; three counts of wire fraud in violation of 18 U.S.C. § 1343; and one count of obstruction of justice in violation of 18 U.S.C. § 1503. See United States v. Harris et al., 15cr335 (N.D. Ohio Sept. 7, 2016). Harris is scheduled to be sentenced on December 15, 2016.

On October 3, the Court issued an order stating that any order to show cause for entry of a default against any defendant who is currently in default and with whom a settlement had not been executed is due by October 31. On October 17, the Court received a letter from Harris requesting a stay of the issuance of a default judgment against him until his post-trial motions have been decided by the Ohio district court. On October 24, 2016, the SEC filed a responsive letter requesting that the Court enter a default against Harris.

Accordingly, it is hereby

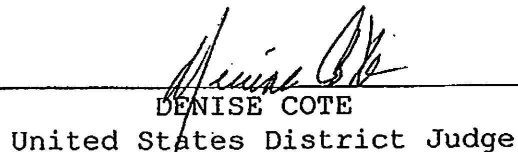
ORDERED that the SEC shall file and serve any supplement to its OTSC application for either Harris or Alfaya by October 31, 2016.

IT IS FURTHER ORDERED that the SEC shall serve this Order promptly on Harris and Alfaya.

IT IS FURTHER ORDERED that Harris shall file any response by December 22, 2016, or if the sentencing date of December 15 is adjourned, by seven days after the sentence is imposed upon him in open court.

IT IS FURTHER ORDERED that Alfaya shall file any response by December 21, 2016, or if the sentencing date of December 14 is adjourned, by seven days after the sentence is imposed upon him in open court.

Dated: New York, New York
October 26, 2016



DENISE COTE
United States District Judge

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
NEW YORK REGIONAL OFFICE
BROOKFIELD PLACE, 200 VESEY STREET, SUITE 400
NEW YORK, NEW YORK 10281-1022

WRITER & DIRECT DIAL

HOWARD A. FISCHER
(212) 336-0589

October 31, 2016

**BY ECF**

The Honorable Denise L. Cote
United States District Court, S.D.N.Y.
500 Pearl Street, Room 1610
New York, New York 10007

Re: SEC v. Cope et al., 14 CV 7575 (DLC)

Dear Judge Cote:

We write in furtherance of the application of the Securities and Exchange Commission ("SEC") for default judgments against defendants Talman Harris ("Harris") and Victor Alfaya ("Alfaya"). While the SEC relies primarily on its prior submissions on this application, including its December 18, 2015 Memorandum of Law in Support of Default Judgments (Docket Entry 203), as well as the December 18, 2015 Declaration of John O. Enright and the exhibits annexed thereto ("Enright Decl.") (Docket Entry 204) (collectively, the "SEC Default Application"), the SEC further supplements those materials with these additional submissions:

- the Superseding Indictment of Harris, dated July 27, 2016 (Exhibit A);
- the Verdict Form evidencing Harris's criminal conviction (Exhibit B);
- the Indictment of Alfaya (among others), dated September 9, 2015 (Exhibit C);
- the transcript of Alfaya's Plea Allocution (Exhibit D); and
- updated prejudgment interest calculations for Harris and Alfaya (Exhibits E and F).[1]

The SEC respectfully requests that the Court enter the Proposed Final Judgment annexed hereto as Exhibit G, which modifies the Proposed Final Judgment previously submitted as Docket Entry 213.1, to reflect the updated interest calculations, and the fact that defendants William Scholander ("Scholander") and Kona Jones Barbera ("Barbera") have since agreed to settlements with the SEC.

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[1] These interest calculations run through December 21, 2016, the date set by the Court for submission of responses by Harris and Alfaya to this application. *See* Court Order of October 26, 2016, Docket Entry 239.

**Procedural History**

On December 18, 2015, the SEC moved by Order to Show Cause as to Why Default Judgments should not be ordered as to Harris and Alfaya, along with defendants Scholander and Barbera. Docket Entries 202-204, 213.1. Subsequent to that filing, defendants Harris and Scholander requested stays (Docket entries 216 and 217, respectively) based on the pendency of their parallel criminal cases. As Harris noted in his request, the "majority of the allegations in the SEC matter in New York are pretty much the same as the criminal matter in Ohio." Docket Entry 216.

Shortly thereafter, Alfaya sought to submit a late answer. Docket Entry 219. By Order dated January 19, 2016, the Court stayed the action pending the criminal prosecutions of Harris, Scholander and Alfaya. Docket Entry 220.

As the SEC informed the Court on July 1, 2016, Defendants Scholander and Alfaya pleaded guilty to conspiracy to commit securities fraud and wire fraud. Docket Entry 226. Furthermore, Scholander agreed to settle with the SEC. Docket Entries 233 and 233-1. Barbera also settled with the SEC, after having pleaded guilty in the criminal case of U.S. v. Barbera, 15-Cr.-287 (N.D. Ohio). *See* Docket Entries 214 and 215. Finally, Harris was convicted on September 7, 2016. Exhibit B hereto.

By Order dated October 3, 2016, the Court directed the SEC to move "for entry of a default against any defendant who is currently in default and with whom a settlement has not been executed by October 31, 2016." Docket Entry 236. Shortly thereafter, Harris requested a stay of the issuance of any default judgment against him, based on his various collateral attacks on his criminal conviction in the matter of *U.S. v. Talman Harris*, 15-Cr.-335 (N.D.Ohio).[2] Docket Entry 237. The SEC opposed that request. Docket Entry 238. Thereafter, the Court entered a further Order regarding the schedule for this application on October 26, 2016. Docket Entry 239.

**DEFAULT JUDGMENTS SHOULD BE ENTERED AGAINST HARRIS AND ALFAYA**

**A. Harris's Default, and Alfaya's Attempted Late Submission of An Answer, Justify Default Judgments Against Both of Them.**

For the reasons set forth in the SEC's Default Application, the Court should enter default judgments against Harris and Alfaya. *See, e.g.*, Docket Entry 203.

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[2] On September 7, 2016, Mr. Harris was convicted on all five counts of the Superseding Indictment dated July 27, 2016 before the Honorable Benita Y. Pearson. *See United States v. Harris et al.*, 15 Crim. 335 (N.D. Ohio Sept. 7 2016). Harris was found guilty by a jury of one count of conspiracy to commit securities fraud or wire fraud in violation of 18 U.S.C. § 1349; three counts of wire fraud in violation of 18 U.S.C. § 1343; and one count of obstruction of justice in violation of 18 U.S.C. § 1503. Exhibit B. Mr. Harris is currently scheduled to be sentenced on December 15, 2016.

Harris has never opposed the SEC's application; rather, he has argued that it should await the resolution of his criminal case. Now that his criminal case has culminated in his conviction, there is no further bar to the entry of judgment. To the contrary: the resolution of the criminal action with Harris's conviction provides even more justification to do so, as is set forth in more detail below.

Nor does Alfaya's previous request to file an Answer (Docket Entries 218 and 219) justify any delay. This application was submitted well after Alfaya was served with the Amended Complaint and answers thereto were due. *See* Docket Entries 154 and 193.

Case law sets out several factors in determining whether a late answer should be accepted: (1) whether the failure to answer was willful, and the conduct of the defendant egregious, including whether the failure to answer was a result of a good faith mistake; (2) whether there is a meritorious defense; (3) prejudice to plaintiff from late filing; and (4) whether default would bring harsh or unfair results. *See, e.g., Pension Ben. Guar. Corp. v. Canadian Imperial Bank of Commerce*, 1989 WL 50171 (S.D.N.Y. 1989); *SEC v. McNulty*, 137 F.3d 732, 738 (2d Cir. 1998); *Enron Oil Corp. v. Diakuhara,* 10 F.3d 90, 96 (2d Cir. 1993)).

Each factor counsels against accepting Alfaya's late answer. Here, the failure to answer was willful. Alfaya had notice, and nonetheless waited a substantial time to answer, well after the deadline. And he has provided no reason for his failure to do so – the only possible explanation is the fact that he was about to suffer a default judgment. Alfaya simply chose not to participate until the case proceeded to the point of default.

Nor has he presented a meritorious defense – or even attempted to do so. *Pension Ben. Guar. Corp.,* 1989 WL 50171 at * 4 (party must "claim the existence and present a factual basis for a meritorious defense") (citation omitted); *Enron Oil Corp.*, 10 F.3d at 98 (a meritorious defense is one that "if proven at trial constitutes a complete defense."). To the contrary, in his criminal case Alfaya has pleaded guilty to the same conduct that was at the core of the SEC's civil action against him, demonstrating that there could be no meritorious defense to this action. The SEC alleged that Alfaya violated Sections 17(a)(2) and (3) of the Securities Act of 1933 [15 U.S.C. §§ 77q(a)(2) and (3)]; Section 10(b) of the Exchange Act of 1934 ("Exchange Act") and Rule 10b-5(b) thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b)]; and Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]. Alfaya's violations were based on him having made false representations to investors in connection with sales of Lustros, Inc. shares, in exchange for kickbacks for doing so. Docket Entry 204-2, ¶¶ 7(c), (d), (e), 22, 85-88; *see also* Docket Entry 203 at 4-8.

The conduct for which Alfaya was charged in his criminal case included not just the misconduct charged by the SEC relating to Lustros, Inc. (Exhibit C ¶¶ 6, 35, 93-100), it also included conduct relating to additional issuers. *Id.* ¶¶ 87-92. Ultimately, Alfaya pleaded guilty to the charges of conspiracy to commit securities fraud, among other charges based on the same conduct. Exhibit D 12-14, 30-42.

Moreover, Alfaya has conceded much of the basis of the SEC's allegations, because in his proposed Answer he admits that he worked for SCR, an unlicensed broker-dealer that distributed shares of penny stock that were the centerpiece of a multimillion dollar fraud, admits that he was not registered, and admits that he received compensation from SCR. Docket Entry 219 ¶¶ 22, 88.[3] Consequently, based on Alfaya's plea in the parallel criminal action to which he pleaded guilty, and his proposed Answer, there is no meritorious defense which Alfaya could possible interpose.

Additionally, the SEC would be prejudiced, as would the public interest in a timely resolution of enforcement actions – not to mention defrauded investors' interests in potentially obtaining relief for their losses. *Davis v. Musler*, 713 F.2d 907, 916 (2d Cir. 1983) (delay is prejudicial if it results in a loss of evidence, discovery problems, or the opportunity for fraud and collusion).

Finally, there can be no unfairness in preventing Alfaya from further delaying justice, when he has submitted no justification for the delay, and he has already agreed to plead guilty to a criminal complaint regarding the same conduct.

**B. <u>Alfaya's Plea, and Harris's Conviction, Have Preclusive Effect in This Action</u>**

Furthermore, even absent Alfaya's and Harris's defaults and failure to answer in a timely manner, the conclusion of each of their criminal proceedings provides yet another basis for the entry of judgment against them, based on the doctrine of collateral estoppel.

Collateral estoppel is appropriate when (1) the issues in both proceedings are identical; (2) the issue in the prior proceeding was actually litigated and actually decided; (3) there was a full and fair opportunity for litigation in the prior proceeding; and (4) the issue previously litigated was necessary to the judgment. *Gelb v. Royal Globe Ins. Co.*, 798 F.2d 38, 44 (2d Cir. 1986). "It is well-settled that a criminal conviction, whether by a jury verdict or guilty plea, constitutes estoppel in favor of the United States in a subsequent civil proceeding as to those matters determined by the judgment in the criminal case." *United States v. Podell*, 572 F.2d 31, 35 (2d Cir. 1978). Where, as here, a motion for judgment can be predicated on a defendant's prior criminal conviction, the facts underlying the conviction may be given preclusive effect. *SEC v. Freeman*, 290 F. Supp. 2d 401, 404-405 (S.D.N.Y. 2003).

For collateral estoppel to apply in a parallel civil action, the civil claim does not need to arise under the same statutory provisions under which the defendant was criminally convicted. *SEC v. Amerindo Inv. Advisors, Inc.*, 2013 WL 1385013, at *3 (S.D.N.Y. Mar. 11, 2013). Rather, it is enough if "the factual allegations underlying the ... convictions are sufficient to establish that [the defendant] also violated the provisions [of law] at issue." *Id.* If the facts underlying the prior

[3] Furthermore, the main architect of the scheme, Zirk Engelbrecht ("Engelbrecht"), has submitted a declaration under penalty of perjury attesting to Alfaya's role in fraudulent acts, and including that Alfaya was the "right-hand man" for Kieran Kuhn, one of the main fraudsters. *See* Docket Entry 204.1 ¶¶ 10, 12, 14.

criminal conviction are the same as the essential facts underlying the subsequent civil case, the doctrine of collateral estoppel will apply even if the factual allegations are not identical. *See, e.g., SEC v. Dimensional Entertainment Corp.*, 493 F. Supp. 1270, 1277 (S.D.N.Y. 1980); *SEC v. Namer*, 2004 WL 2199471, at *6 (S.D.N.Y. Sept. 30, 2004).

1. Harris's Conviction Has Preclusive Effect

Harris has already conceded that, in his own words, the "majority of the allegations in the SEC matter in New York are pretty much the same as the criminal matter in Ohio." (Docket Entry 216). A comparison of the claims asserted in each action shows this to be the case.

Harris was convicted based on facts that establish the requisite elements necessary to find him liable for the securities law violations alleged against him in the Complaint. In the case at bar, the SEC alleged that Harris was paid undisclosed commissions to exercise his discretionary authority over his customers' accounts to buy stock in Lenco Mobile Inc. ("Lenco"), usually to match sell orders from Engelbrecht. Docket Entry 203 at 5-7 (and internal citations thereto).

Harris was criminally charged and found guilty on five charges relating to the same conduct with Lenco (Exhibit A ¶¶ 16, 44-46, 52-56) as well with respect to other issuers, including Kensington Leasing, Ltd, Casablanca Mining, Ltd. and Lustros. *Id.* ¶¶ 17-20, 47-51. Harris was found guilty on all five charges, including conspiracy to commit securities fraud, three counts of wire fraud, and a count of obstruction of justice. Exhibit B. ¶

Consequently, the issues in the criminal proceedings were identical to those asserted by the SEC (indeed, the criminal claims were more expansive than those charged by the SEC), they were actually litigated and decided in the prior criminal action, there was a full and fair opportunity for litigation these issues, and the criminal issues were necessary to the judgment in the criminal proceeding. Harris's criminal conviction thus collaterally estops him from contesting the judgment in this action.

Nor can Harris find solace in his collateral attacks on the conviction. Courts in this Circuit and elsewhere have held that a defendant should not be able to avoid the preclusive effect of a criminal judgment while appeals are pending, because doing so could "halt the process of justice" for years. *SEC v. Blackwell*, 477 F.Supp.2d 891, 901 (S.D. Ohio 2007). See *also U.S. v. Int'l Brotherhood of Teamsters*, 905 F.2d 610, 621 (2d Cir. 1990); *Webb v. Voirol*, 773 F.2d 208, 211 (8th Cir. 1985); *SEC v. Amerindo Inv. Advisors, Inc.*, 2013 WL 1385013, at *11 (S.D.N.Y. Mar. 11, 2013); *SEC v. Namer*, 2004 WL 2199471, at *8 (S.D.N.Y. Sept. 30, 2004).

2. Alfaya's Plea Has Preclusive Effect

Alfaya plead guilty to charges that establish the requisite elements necessary to find him liable for the securities law violations alleged against him in the Complaint. As set out above in detail with respect to the argument that Alfaya has no meritorious defense, there is no dispute that the issues in Alfaya's criminal proceeding, to which he pleaded guilty, were identical to the ones at

issue in this proceeding, they were actually litigated and decided in the criminal case, Alfaya had a full and fair opportunity to litigate them, and they were necessary to the judgment. Alfaya is thus collaterally estopped from contesting the judgment in this case.

**C. The Court Should Issue the Judgment Attached Hereto as Exhibit G**

The SEC submits that the Court should enter the Proposed Judgment attached hereto as Exhibit G. This Proposed Judgment previously submitted (Docket Entry 213.1) has been amended in two ways.

***First***, given that Scholander has since settled, the Proposed Judgment only includes Harris and Alfaya. ***Second***, the prior judgment included prejudgment interest calculations for all parties running up to and including November 30, 2015. The prejudgment interest runs attached hereto for Harris (Exhibit E) and Alfaya (Exhibit F) are updated to run through November 30, 2016, the last monthly calculation date before the date set by the Court for submission of responses by Harris and Alfaya to this application.

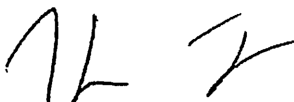
Consequently, the monetary relief sought for Harris is $775,104.00 for disgorgement, $201,984.17 in prejudgment interest, and the imposition of third-tier civil penalties. Exhibit E. In this case, as the SEC has previously argued, the Court has discretion to enter $4,350,000 in civil penalties against Harris. *See* Docket Entries 204 ¶¶ 21, 25, 26, 27; 204.14; and 204.15. *See also* Docket Entry 203 at 18-19 (regarding disgorgement); 19-22 (regarding penalties).

The monetary relief sought for Alfaya is $$136,540 for disgorgement, $16,835 in prejudgment interest, and the imposition of third-tier civil penalties. Exhibit F. In this case, as the SEC has previously argued, the Court has discretion to enter $6,900,00 in civil penalties against Harris. *See* Docket Entries 204 ¶¶ 23, 25, 26, 27; 204.17; and 204.18. *See also* Docket Entry 203 at 18-19 (regarding disgorgement); 19-22 (regarding penalties).

**<u>Conclusion</u>**

Based upon the previous submissions in this action, as supplemented by the Exhibits annexed hereto, the SEC respectfully submits that the Court enter the proposed Judgment attached hereto as Exhibit G.

Respectfully submitted,



Howard A. Fischer
Senior Trial Counsel

cc: Defendants Alfaya and Harris (via email)

# EXHIBIT 9

FILED

2016 JUL 27 AM 11:50

CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF OHIO
CLEVELAND

IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | <u>SUPERSEDING INDICTMENT</u> |
| Plaintiff, | ) | |
| v. | ) | CASE NO.: <u>1:15CR00335</u><br>Title 18, United States Code,<br>Sections 1343, 1349, and 1503 |
| TALMAN HARRIS, | ) | |
| Defendant. | ) | JUDGE BENITA PEARSON |

The Grand Jury charges:

## I. <u>GENERAL ALLEGATIONS</u>

At all times relevant to this Superseding Indictment, except where otherwise noted:

### A. <u>Defendant, Relevant Persons and Entities, and Bank Accounts</u>

1. Defendant TALMAN HARRIS was a resident of New York, New York. Defendant was a registered broker, Financial Industry Regulatory Authority ("FINRA") Central Registration Depository Number 3209947.

2. William Scholander, a co-conspirator, was a resident of New York, New York. Scholander was a registered broker, FINRA Central Registration Depository Number 2938044.

3. Defendant and William Scholander were registered brokers with the following securities firms all located in New York, New York: New York Global Securities, Inc.; Legend

Securities, Inc.; Basic Investors, Inc.; Martinez-Ayme Securities, Inc.; Seaboard Securities, Inc.; Cambridge Alliance Capital, LLC; First Merger Capital, Inc.; and Radnor Research & Trading Company, LLC.

4. Zirk de Maison, aka Zirk Engelbrecht, a co-conspirator, was a resident of Redlands, California and Seattle, Washington.

5. Jason Cope, a co-conspirator, was a resident of Gates Mills, Ohio, and a former broker who later purported to consult almost exclusively for Zirk de Maison.

6. Gregory Goldstein, a co-conspirator, was a resident of Stevenson Ranch, California, and registered as a broker with FINRA.

7. Stephen Wilshinsky, a co-conspirator, was a resident of Woodland Hills, California, and registered as a broker with FINRA.

8. Bridges Investments, Inc. ("Bridges") was a Nevada corporation with its principal place of business at 9 Via Del Garda, Henderson, Nevada 89011.

9. Suprafin, Ltd. ("Suprafin") was a Wyoming corporation with its principal place of business at 1621 Central Avenue, Suite 3380, Cheyenne, Wyoming 82001.

10. Sunatco, Ltd. ("Sunatco") was a Wyoming corporation with its principal place of business at 1621 Central Avenue, Cheyenne, Wyoming 82001.

11. Since at least on or about January 1, 2007, bank account number x1581 at City National Bank was opened in the name of Kensington & Royce, Ltd.

12. On or about January 16, 2008, bank account number x7565 at City National Bank was opened in the name of SB3, LLC.

13. On or about July 23, 2008, bank account number ending in x8413 at City National Bank was opened in the name of Wealthmakers, Ltd. A superseding signature card for this

account listed Trisha M. as secretary and Charlotte H. as the non-signatory president of the company.

14. On or about December 7, 2009, Zirk de Maison opened, and caused to be opened, bank account number ending in x9320 at Wachovia Bank, later acquired by Wells Fargo Bank ("Wells Fargo"), in the name of Suprafin.

15. On or about June 28, 2012, Zirk de Maison opened, and caused to be opened, bank account number ending in x8503 at U.S. Bank in the name of Suprafin.

B. The Relevant Publicly Traded Companies

16. Lenco Mobile, Inc. ("Lenco") was incorporated in the State of Delaware in 1999 under the name Schochet Holdings Corporation. On or about February 20, 2009, after operating under a series of different names, including Sovereign Wealth, the company changed its name to Lenco. It had offices in Santa Barbara, California. When the company was named Sovereign Wealth, the common stock traded under the symbol "SOVW," and its purported business purpose was the same as when it used the name Lenco; that is, the management of technology solutions for brand owners and mobile telephone network operators. Lenco's stock traded under the symbol "LNCM."

17. Kensington Leasing, Ltd. ("Kensington") was incorporated in the State of Nevada on or about June 27, 2008, with offices in Redlands, California. Kensington purported to specialize in leasing equipment to legal, medical, and real estate professionals. Kensington's common stock traded under the symbol "KNSL."

18. Casablanca Mining, Ltd. ("Casablanca") was incorporated in the State of Nevada on or about June 27, 2008, under the original name of USD Energy Corporation ("USD"). On or about February 17, 2011, the company changed its name to Casablanca. Casablanca had offices

in Santee, California. When Casablanca was named USD, the common stock traded under the symbol "UEGY," and its purported business purpose was exploration stage oil and gas production. After changing its name to Casablanca, the purported business purpose switched to the acquisition, exploration, development, and operation of precious metal properties in Chile. Casablanca's stock traded under the symbol "CUAU."

19. Lustros, Inc. ("Lustros") was incorporated in the State of Utah on or about July 30, 1980, under the name MAG Enterprises, Inc. On or about April 12, 2012, after also using the company names Safari Associates, Inc. and Power-Save Energy Company, the business changed its name to Lustros. Lustros had offices in Redlands, California. Under the name Lustros, the purported business purpose was the production of food grade copper sulfate. Lustros' stock traded under the symbol "LSTS."

20. Stock for Lenco, Kensington, Casablanca, and Lustros (collectively, the "Manipulated Public Companies") was quoted on OTC Markets, Inc. ("OTC Markets"), an inter-dealer quotation service that provided quotations, prices, and financial information for certain over-the-counter securities and issuers. Companies trading on OTC Markets tended to be small, and the stock in those companies tended to be closely held (that was, owned by a small number of individuals) and thinly traded (that was, traded far less frequently than stocks in larger companies on larger exchanges).

21. Stock of the Manipulated Public Companies consisted of security of an issuer with a class of securities registered under section 12 of the Securities Exchange Act of 1934.

C. <u>The SEC and Securities Regulations</u>

22. The United States Securities and Exchange Commission (the "SEC") was an independent agency of the United States which was charged by law with protecting investors by

regulating and monitoring, among other things, the purchase and sale of publicly traded securities, including securities traded on the United States-based stock exchanges. Stock for the Manipulated Public Companies was registered with the SEC.

23. Federal securities laws and regulations prohibited fraud in connection with the purchase and sale of securities, including the use of false and misleading statements and the failure to disclose material information to: (a) the SEC in publicly available filings; (b) brokerage firms and transfer agents involved in the purchase and sale of stock in companies subject to SEC regulation; and (c) the public. Federal securities laws and regulations also prohibited the manipulation of stock through, among other things, sales made at the times and at prices set by those trading the stock rather than by market forces.

24. Title 15, United States Code, Section 78j(b), made it unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange, to use or employ, in connection with the purchase or sale of any security registered on a national securities exchange, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the SEC may prescribe as necessary or appropriate in the public interest or for the protection of investors, including: (a) employing devices, scheme, and artifices to defraud; (b) making untrue statements of fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated as a fraud upon investors, in connection with the purchase and sale of the securities.

25. Failure to disclose to investors commission payments from third parties, including payments from issuers, was considered an omission of a material fact as part of a securities transaction.

26. The Financial Industry Regulatory Authority ("FINRA") was an independent regulator for securities firms doing business in the United States. FINRA oversaw brokerage firms and wrote and enforced rules governing their conduct.

27. A securities depository and clearing agency settled trades in securities. One of the services provided by such agencies was the "Deposit and Withdrawal at Custodian" program ("DWAC"), which facilitated the electronic transfer of securities between brokers and accelerated the speed at which shares could be transferred between buyers and sellers.

D. Relevant Regulatory Principles and Definitions

28. "Microcap" or "penny" stocks referred to stocks of publicly traded U.S. companies which had a low market capitalization. Microcap stocks were subject to price manipulation because they were thinly traded and subject to less regulatory scrutiny than stocks that were traded on notable exchanges such as the New York Stock Exchange ("NYSE"). NYSE had specific standards that were monitored and enforced for a company to have its stock traded on this exchange. Additionally, large blocks of microcap stock were often controlled by small groups of individuals, which enabled those in the group to control and orchestrate manipulative trading in those stocks.

29. "Wash trades" were purchases and sales of securities that matched each other in price, volume, and time of execution, and involved no change in beneficial ownership. For example, a wash trade took place when Investor A bought 100 shares at $5.00 per share of a

company through Broker A while simultaneously selling 100 shares at $5.00 per share of the company through Broker B.

30. "Matched trades" were similar to wash trades, but involved a related third person or party who placed one side of the trade. For example, a matched trade took place when Investor A bought 100 shares at $5.00 per share of a company through a broker, while Investor B, who coordinated with Investor A, simultaneously sold 100 shares at $5.00 per share of the company through a broker.

31. "Marking the close trades" involved attempting to influence the closing price of a security by executing purchase or sale orders at or near the close of normal trading hours. Such activity could artificially inflate or depress the closing price for the security.

32. Wash trades, matched trades, and marking the close trades were used to create the appearance that the stock price and trade volume increased as a result of genuine market demand for the securities.

## II. FACTUAL ALLEGATIONS

33. From on or about September 28, 2006, through on or about September 18, 2014, Defendant TALMAN HARRIS, Zirk de Maison, William Scholander, Jason Cope, Gregory Goldstein, Stephen Wilshinsky, together with others known and unknown to the Grand Jury, agreed to defraud investors and potential investors in the Manipulated Public Companies by, among other means: (a) issuing millions of shares in the Manipulated Public Companies to themselves at little or no cost and then artificially controlling the price and volume of traded shares; (b) failing to disclose to, and concealing from, investors the commissions paid to the co-conspirators for directing client funds to purchase the co-conspirators' shares in the Manipulated

Public Companies; and (c) fraudulently concealing the co-conspirators' ownership interests in the Manipulated Public Companies.

E. Co-Conspirators' Roles

34. Zirk de Maison controlled a substantial number of outstanding shares in the Manipulated Public Companies from the outset through his personal companies, co-conspirators, and associates over which he had influence and control. The co-conspirators conspired to have restrictions removed from the outstanding shares, making the shares trade freely on the open markets. The co-conspirators conspired to inflate the value of the shares through manipulative trading techniques. Once the stock price was inflated, the co-conspirators identified and solicited investors to purchase their shares in the Manipulated Public Companies in the open market and through private placement transactions in exchange for commission payments that were concealed from the investors.

35. The co-conspirators consisted of registered brokers who liquidated free trading shares of stock in the Manipulated Public Companies. The co-conspirators paid, and the registered brokers received, undisclosed commissions for purchasing the co-conspirators' shares of the Manipulated Public Companies.

36. Defendant was registered as a broker with FINRA. Defendant worked for approximately seven different New York-based securities firms from in or around 2007 to in or around 2014. Defendant received undisclosed commissions from his co-conspirators in exchange for using client funds to purchase his co-conspirators' shares in the Manipulated Public Companies.

37. William Scholander, a co-conspirator, was registered as a broker with FINRA. William Scholander worked for approximately seven different New York-based securities firms

from in or around 2007 to in or around 2014. William Scholander received undisclosed commissions from his co-conspirators in exchange for using client funds to purchase his co-conspirators' shares in the Manipulated Public Companies.

38. Gregory Goldstein, a co-conspirator, was registered as a broker with FINRA. From in or around July 2001, to in or around February 2013, Gregory Goldstein was employed as a broker by Marquis Financial Services of Indiana, Inc., a broker-dealer registered with the SEC and FINRA, at its office in Tarzana, California. Gregory Goldstein received undisclosed commissions from his co-conspirators in exchange for using client funds to purchase his co-conspirators' shares in the Manipulated Public Companies.

39. Stephen Wilshinsky, a co-conspirator, was registered as a broker with FINRA. Stephen Wilshinsky worked as a registered broker with Oppenheimer & Co. ("Oppenheimer") from in or around November 2004, to in or around March 2009, and with Marquis, from in or around April 2009, to in or around June 2011. Stephen Wilshinsky received undisclosed commissions from his co-conspirators in exchange for using client funds to purchase his co-conspirators' shares in the Manipulated Public Companies.

40. The co-conspirators also included consultants who had access to wealthy potential investors who they developed as contacts and clients over time. The co-conspirators paid undisclosed commissions of cash, stock, and other forms of value to the consultants in exchange for the consultants persuading their clients to purchase their shares in the Manipulated Public Companies.

41. Jason Cope, a co-conspirator, solicited potential investors to purchase stock in the Manipulated Public Companies without disclosing that he received commissions from his co-

conspirators, that it was his co-conspirators' shares his clients were purchasing, and that his clients' investments were used to enrich the co-conspirators.

42. Co-conspirators also conspired with stock promoters in so-called "boiler rooms" to cold call and solicit potential investors to purchase shares of the Manipulated Public Companies. The co-conspirators dictated what stocks the promoters pushed. The cold calls to potential investors typically coincided with favorable press releases or other information that the co-conspirators caused to be released. The boiler room promoters touted the Manipulated Public Companies using high pressure sales tactics and misrepresentations about the value of the Manipulated Public Companies and their stock. The boiler room promoters did not disclose that the co-conspirators paid them commissions on the sale of their stock to the investors, either on the open market or through private placements.

43. The co-conspirators used attorneys to provide legal opinions under Title 17, Code of Federal Regulations, Section 230.144, among others, often referred to as Rule 144. The Rule 144 legal opinions contained misrepresentations about the relationship between the customer and the issuer, the customer and an affiliate of the issuer, the consideration paid (if any), and other misrepresentations. The co-conspirators provided the false Rule 144 legal opinions to brokerage houses and transfer agents to satisfy legal requirements about depositing the stock and lifting restrictions. The co-conspirators also used attorneys to respond falsely to FINRA inquiries and conceal the true nature of the undisclosed commission payments.

F. Controlling Stock in the Manipulated Public Companies

44. Zirk de Maison obtained control of shares in Lenco and its predecessors using a variety of associates and other companies. After gaining control of Lenco's unrestricted common stock, Zirk de Maison, together with others, devised and intended to devise a scheme

whereby they fraudulently inflated Lenco's share price and trading volume and then orchestrated the sale and purchase of the unrestricted Lenco stock at a profit when the share price reached desirable levels.

45. It was a part of the conspiracy to raise the stock price through manipulative stock trading techniques to a level beneficial to the co-conspirators. Brokers purchased public shares using accounts belonging to clients, some of whom were unaware that they held the stock. Defendant and others used their positions as registered brokers to purchase co-conspirators' shares in Lenco through their client accounts.

46. The value of Lenco's stock had little or no relation to its then current and future earnings potential or business operations. The Lenco market manipulation scheme involved creating a price for a security that was not reflective of true market value, allowing the co-conspirators holding large blocks of the inflated stock to sell shares they obtained for little or no money at the inflated price. The purchasing party was left with a near-worthless security when the price dropped to accurately reflect the companies' true value, or lack thereof, in the market.

47. The co-conspirators engaged in similar manipulative trading techniques and fraudulent practices in connection with the sale of shares in other Manipulated Public Companies, including Kensington, Casablanca, Lustros, and others.

48. The co-conspirators sold their shares in the Manipulated Public Companies to investors without disclosing the payment of commissions. Zirk de Maison and others typically paid, and caused the payment to, the co-conspirators in amounts of between thirty and fifty percent of the total sales price of the stock that was sold with Zirk de Maison receiving the remainder of the investors' money. In doing so, Defendant and others enriched themselves and

used, among other stock manipulative techniques, matched trades, to execute transactions and fraudulently inflate the price of the Manipulated Public Companies' stock.

49. Zirk de Maison also provided shares in the Manipulated Public Companies as commission payments for participation in the conspiracy. The co-conspirators sold the shares and kept the proceeds as additional profit for participation in the conspiracy.

50. Commissions were not limited to cash payments and the issuance of shares to co-conspirators. Specifically, Zirk de Maison purchased jewelry and luxury automobiles and paid office rent and other expenses for the co-conspirators.

51. The co-conspirators caused approximately $54,000,000 to be invested in the purchase of stock in the Manipulated Public Companies. Most of this money was not used to fund the actual business operations of each company, but instead was diverted to enrich the co-conspirators. In all, the co-conspirators gained between hundreds of thousands to tens of millions of dollars, depending on their role, as part of their participation in the conspiracy.

## III. STATUTORY VIOLATIONS

### COUNT 1
(Conspiracy to Commit Securities Fraud, 18 U.S.C. § 1348;
and Wire Fraud, 18 U.S.C. § 1343; in violation of 18 U.S.C. § 1349)

The Grand Jury further charges:

52. The allegations contained in paragraphs 1 through 51 are re-alleged and incorporated as though fully set forth herein.

53. From on or about September 28, 2006, through on or about September 18, 2014, the exact dates being unknown to the Grand Jury, within the Northern District of Ohio, Eastern Division, and elsewhere, Defendant TALMAN HARRIS, and Zirk de Maison, Jason Cope, Gregory Goldstein, William Scholander, and Stephen Wilshinsky (not charged herein), together

with others known and unknown to the Grand Jury, did knowingly and intentionally combine, conspire, confederate, and agree with others both known and unknown to the Grand Jury, to commit federal criminal offenses, to wit:

a. To defraud any person in connection with any security of an issuer with a class of securities registered under section 12 of the Securities Exchange Act of 1934 and that is required to file reports under section 15(d) of the Securities Exchange Act of 1934; and to obtain, by means of false and fraudulent pretenses, representations, and promises, any money and property in connection with the purchase and sale of any security of an issuer described herein, in violation of Title 18, United States Code, Section 1348 (Securities Fraud); and

b. To devise and intend to devise a scheme and artifice to defraud the investors, and to obtain money by means of false and fraudulent pretenses, representations, and promises, and for the purpose of executing such scheme and artifice, to transmit and cause the transmission by means of wire communications in interstate commerce any writing, sign, signal, and picture, in violation of Title 18, United States Code, Section 1343 (Wire Fraud).

OBJECTS OF THE CONSPIRACY

54. The objects of the conspiracy were to: (1) defraud the investors; (2) obtain investor monies and receive undisclosed commissions; (3) inflate the value of the Manipulated Public Companies; (4) conceal participation in the conspiracy; (5) obstruct the prosecution of the co-conspirators; and (5) enrich the co-conspirators.

MANNER AND MEANS OF THE CONSPIRACY

55. To attain the objects of the conspiracy, Defendant and his co-conspirators employed the following manner and means:

a. It was a part of the conspiracy that the co-conspirators created public "shell" companies, executed mergers of nascent businesses with the shells to create publicly traded companies, and then paid undisclosed commissions to brokers, consultants, and boiler room promoters, in exchange for soliciting, and using the funds of investors to purchase the co-conspirators' shares of the resulting stock.

b. It was a part of the conspiracy that the co-conspirators used manipulative stock trading techniques, such as wash trades, matched trades, and marking the close trades, to fraudulently inflate the price of the Manipulated Public Companies.

c. It was a part of the conspiracy that the co-conspirators agreed to purchase the co-conspirators' shares in the Manipulated Public Companies.

d. It was a part of the conspiracy that the co-conspirators ensured that any time they wanted to sell free trading shares on the open market, there would be available buyers.

e. It was a part of the conspiracy that the co-conspirators paid and received undisclosed commissions in exchange for selling the co-conspirators' shares via private placements, purchasing the co-conspirators' shares using client accounts on the open market, and inducing investors to purchase them through cold calls.

f. It was a part of the conspiracy that the co-conspirators did not disclose to investors the commission payments paid by the co-conspirators and entities they controlled.

g. It was a part of the conspiracy that Zirk de Maison conspired with registered brokers, such as Defendant, to liquidate free trading shares of stock in the Manipulated Public Companies and paid the registered brokers commissions for purchasing Zirk de Maison's shares.

h. It was a part of the conspiracy that Zirk de Maison conspired with consultants, such as Jason Cope, to access wealthy potential investors and paid undisclosed commissions of cash and stock to the consultants when they persuaded their clients to purchase his shares in the Manipulated Public Companies.

i. It was a part of the conspiracy that the co-conspirators used private placements, stock promoters, and non-arms-length trading with related parties to create the illusion of volume, to inflate the stock price, and to divest their own shares.

j. It was a part of the conspiracy that the co-conspirators conspired with boiler room promoters to cold call and solicit potential investors to purchase shares in the Manipulated Public Companies.

k. It was a part of the conspiracy that the co-conspirators used attorneys to draft Rule 144 legal opinions containing misrepresentations to satisfy legal requirements regarding depositing the stock and lifting restrictions.

l. It was a part of the conspiracy that to conceal the payment of undisclosed commissions, the co-conspirators commonly directed Zirk de Maison and others to transfer such money to entities and third parties to avoid the appearance of a direct payment from Zirk de Maison to that co-conspirator.

m. It was a part of the conspiracy that to further conceal the undisclosed commission payments, Zirk de Maison made, and caused to be made, payments to co-conspirators and others from a variety of companies he controlled, including Bridges, Suprafin, Sunatco, and others, instead of using the Manipulated Public Companies' and Zirk de Maison's personal bank accounts.

n. It was a part of the conspiracy that to conceal the payment of undisclosed commissions, the co-conspirators used attorneys to assist in providing false explanations to regulatory authorities regarding the nature and source of deposits into the co-conspirators' bank accounts.

o. It was a part of the conspiracy that the co-conspirators devised a false explanation, to be used with law enforcement, regulatory bodies, and others, that the payment of commissions from the co-conspirators was from the sale of watches and artwork, rather than the sale of securities.

p. It was a part of the conspiracy that the co-conspirators communicated with each other via interstate wires, including through e-mail transmissions, to further the conspiracy and record commission payments that were made and owed.

q. It was a part of the conspiracy that the co-conspirators transmitted, and caused the transmission of, interstate wires in the form of undisclosed commission payments to the co-conspirators for participating in the conspiracy.

r. It was a part of the conspiracy that co-conspirators received shares, both restricted and free-trading, of various stock from the co-conspirators to compensate the co-conspirators for participating in the conspiracy.

s. It was a part of the conspiracy that the co-conspirators discussed including the stock of other companies in their conspiracy, in addition to the stock of the Manipulated Public Companies.

ACTS IN FURTHERANCE OF THE CONSPIRACY

56. In furtherance of the conspiracy and to effect its unlawful objects, Defendant and his co-conspirators committed, and caused to be committed, the following acts in furtherance of the conspiracy in the Northern District of Ohio, and elsewhere:

a. On or about September 4, 2007, Defendant sent an e-mail to Zirk de Maison and Jason Cope with the subject line "basic investors," stating, "I have been in the state of hibernation for quite some time now... I am much more healthy and happy, but not wealthy. There are plenty of watches and private paintings for sale for my own collections... We now clear through Penson Financial. And the new company is BasicInvestors.net. This is my new email address... Should you see it fit, please give me a ring."

b. On or about October 12, 2007, Defendant sent a letter to FINRA Special Investigator Genn T. in response to a FINRA inquiry stating, "As far as the Aston Organization, Kensington Royce and Structured Management, these wires were send to by my watch and jewelry contact, Mrs. Angelique De Maison, who is a retired Private watch precious stones and jewelry collector. These wires which spans several months was for the sale of my perosnal private Breguet Watch (cc 2435). These are all from her companies. I have known her for 2 two years."

c. On or about December 11, 2007, Defendant caused approximately $63,116 worth of Power-Save Energy Company (predecessor to Lustros) stock to be purchased in Ron L.'s client account at Basic Investors for which Defendant was a registered representative.

d. On or about December 13, 2007, Zirk de Maison caused funds in the amount of approximately $10,100 to be wire transferred from a Royce account ending in x1581

held in Redlands, California, at City National Bank, to an account in the name of Sara U., for the benefit of Defendant, in New York, New York, at Citibank.

e. On or about May 10, 2008, Zirk de Maison sent an email to Jason Cope with the subject line "FW: SLTS DTC Sheet," stating "Can you please confirm that this is Talman and Billy f***ing me or does a legitimate shareholder have stock at penson."

f. On or about August 20, 2008, Zirk de Maison sent an email to Defendant and others with the subject line "Mobicom Press Release," and Defendant replied to Zirk de Maison, "I just sent out over 75 emails on this. This is great. Calling you in few minutes."

g. On or about September 2, 2008, Defendant and Scholander caused approximately $103,009 worth of Power-Save Energy Company (predecessor to Lustros) stock to be purchased in Hans W.'s client account at Basic Investors for which Defendant was a registered representative.

h. On or about September 2, 2008, Zirk de Maison caused funds in the amount of approximately $20,700 to be wire transferred from an SB3 account ending in x7565 held in San Diego, California, at City National Bank, to an account in the name of Sara U., for the benefit of Defendant, in New York, New York, at Citibank.

i. On or about September 2, 2008, Zirk de Maison caused funds in the amount of approximately $20,700 to be wire transferred from an SB3 account ending in x7565 held in San Diego, California, at City National Bank, to an account controlled by Herman P., for the benefit of William Scholander, in New York, New York, at Citibank.

j. On or about October 3, 2008, Zirk de Maison caused to be sent an e-mail to Defendant and William Scholander with the subject line "FW: DTC Sheets," stating, "Here are the DTC shetts [sic] for last week. You are selling shares again. 1000 last week and 3100

this week. That is 4100 at $5 which is $20500.00 and at 40% you owe me $8040.00. I owe you 4250 between you both so you owe me a net number of $3790.00. I am not going to start the same old screaming process. I simply am going to demand the money I gave you back. . . . I hope we can handle this as swiftly as I handled the payment to you."

k. On or about December 11, 2008, Zirk de Maison caused an email to be sent from Ken E. with the subject line "Re: any news," where he states "[w]e are waiting for Talman Harris to give us sales on USD."

l. On or about December 30, 2008, Zirk de Maison sent an email to Defendant with the subject line "FW: Kensington NY registration," stating "Talman . . . I really need the subscriptions for these deals. If you cannot help I understand but I need help NOW."

m. On or about December 30, 2008, Defendant sent an email to Zirk de Maison with the subject line "Re: FW: Kensington NY registration," stating, "I am sending you out a FEDEx. You will receive on Friday. I am on black man time with this. I am sorry. K to Z is good to go. I am on his again. Did you look [at] the DEER."

n. On or about December 31, 2008, Zirk de Maison caused Trish M. to send an e-mail with the subject line "$ Running Tally," stating "Here's where the money went . . . [transfer] to Bridges last week to cover Billy and Talman wires."

o. On or about January 13, 2009, Zirk de Maison forwarded an email to Defendant with the subject line "FW: one page sub agreements for USD and Kensington," attaching subscription agreement documents.

p. On or about January 13, 2009, Defendant caused Trish M. to send him an email with the subject line "Fw: sub agreement and PPM for Talman," where Trish M. attached

Kensington subscription documents stating, "[h]ere's the agreement and the PPM per your request."

q. On or about January 14, 2009, Zirk de Maison forwarded an email to Defendant and Gregory Goldstein with the subject line "FW: subscription agreement for Nutrabiopharma," attaching subscription agreement documents.

r. On or about February 9, 2009, Zirk de Maison forwarded an email to Defendant, Gregory Goldstein, Jason Cope, and others with a subject line containing a hyperlink regarding Lenco, with the forward stating "[c]lick on the link in the subject line."

s. On or about February 24, 2009, Defendant caused approximately $38,850 worth of Sovereign Wealth (predecessor to Lenco) stock to be purchased in the client accounts of Kenneth T. and Daniel F. at Martinez-Ayme Securities, Inc. for which Defendant was a registered representative.

t. On or about February 25, 2009, Zirk de Maison caused funds in the amount of approximately $14,194 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account in the name of Pauline B. and Michelle H., for the benefit of Defendant, in New York, New York, at Bank of America.

u. On or about February 25, 2009, Zirk de Maison caused funds in the amount of approximately $4,500 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account controlled by Herman P., for the benefit of William Scholander, in New York, at Citibank.

v. On or about March 4, 2009, Defendant sent a letter to FINRA Principal Examiner Lawrence D. in response to a FINRA inquiry stating, "I do not know of any

involvement between Zirk Engelbrecht and any of the above wires. I received these payments for the sale of my watch, to Miss. Maison in installments."

w. On or about May 23, 2009, Zirk de Maison sent an email to Gregory Goldstein and others with the subject line "Steve W and the Mother Fu**ers from NY," stating, "The Scum from New York got 50% commission and I paid another 5% and then they sold back 25,000 shares back the next f***ing week. .. The scum from New York has now on 2 occasions bought stock, got commission and fu**ed us in less than 7 days."

x. On or about July 13, 2009, Defendant caused approximately $39,650 worth of Lenco stock to be purchased in the client accounts of Thomas H., Scott R., and Denis W. at Seaboard Securities, Inc. for which Defendant was a registered representative.

y. On or about July 13, 2009, Zirk de Maison caused funds in the amount of approximately $15,500 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account in the name of Orville M., for the benefit of Defendant, in Lakeland, Florida, held at TD Bank.

z. On or about August 13, 2009, Defendant caused approximately $304,000 worth of Lenco stock to be purchased in Kenneth T.'s client account at Seaboard Securities, Inc. for which Defendant was a registered representative.

aa. On or about August 13, 2009, Defendant sent an email to Trish M. with the subject line "Fw: Two car deal via wire. . . Talman Harris," wherein Defendant provided the wiring instructions to Trish M. for the business Ferrari of Long Island.

bb. On or about August 14, 2009, Defendant caused approximately $105,078 worth of Lenco stock to be purchased in the client accounts of Kenneth T. and Daniel F. at Seaboard Securities, Inc. for which Defendant was a registered representative.

cc. On or August 14, 2009 Zirk de Maison caused funds in the amount of approximately $150,000 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account controlled by the business Ferrari of Long Island, for the benefit of Defendant.

dd. Between on or about August 17, 2009, and August 18, 2009, Zirk de Maison caused funds in the amount of approximately $65,000 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account controlled by the business Ferrari of Long Island, for the benefit of William Scholander.

ee. On or about August 19, 2009, Defendant caused approximately $75,335 worth of Lenco stock to be purchased in the client accounts of Thomas H., John M., Scott R., and Denis W. at Seaboard Securities, Inc. for which Defendant was a registered representative.

ff. On or about August 21, 2009, Zirk de Maison caused funds in the amount of approximately $30,750 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account in the name of Orville M., for the benefit of Defendant, in Lakeland, Florida, held at TD Bank.

gg. On or about August 24, 2009, Zirk de Maison caused funds in the amount of approximately $6,150 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account controlled by Herman P., for the benefit of William Scholander, in New York, at Citibank.

hh. On or about August 28, 2009, Defendant caused approximately $100,750 worth of Lenco stock to be purchased in the client accounts of Daniel F. and Thomas F. at Seaboard Securities, Inc. for which Defendant was a registered representative.

ii. On or about August 31, 2009, Zirk de Maison caused funds in the amount of approximately $49,000 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account in the name of Pauline B., for the benefit of Defendant, held in Hempstead, New York, at Bank of America.

jj. On or about November 11, 2009, Defendant and Scholander caused approximately $410,697 worth of Lenco stock to be purchased in the client accounts of Daniel F., Thomas F., Martin R., William B., Hans W., Thomas H., John M., and Scott R., at Seaboard Securities, Inc. for which Defendant was a registered representative.

kk. On or about November 12, 2009, Zirk de Maison caused funds in the amount of approximately $170,000 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account in the name of Orville M., for the benefit of Defendant, held in Lakeland, Florida, at TD Bank.

ll. On or about November 12, 2009, Zirk de Maison caused funds in the amount of approximately $30,000 to be wire transferred from a Bridges Investment account ending in x9297 held in Redlands, California, at JPMC, to an account controlled by Herman P., for the benefit of William Scholander, in New York, at Citibank.

mm. On or about November 17, 2009, Zirk de Maison sent an email to Michael L. and Trish M. with the subject line "Money matters," stating "When these things calm down I also need the following to put a clear picture in place . . . 4) Amounts directly paid from Red to Greg, Steve W, Timary, Talman and Billy. . . ."

nn. On or about November 24, 2009, Zirk de Maison caused funds in the amount of approximately $10,000 to be wire transferred from a Wealthmakers corporate bank account ending in x8413 held in San Diego, California, at City National Bank, to a Structured

Management, Inc. ("SMI") account controlled by Jason Cope and held in Westlake, Ohio, at U.S. Bank.

oo. On or about January 7, 2010, Zirk de Maison caused funds in the amount of approximately $12,000 to be wire transferred from a Suprafin bank account ending in x9320 at Wachovia held in Santee, California, to an account in the name of SMI for the benefit of Jason Cope and held in Westlake, Ohio, at U.S. Bank.

pp. On or about June 4, 2010, William Scholander sent an e-mail to Zirk de Maison with the subject line "Please Review," attaching an e-mail involving Dan F., a client at First Merger Capital, with a discussion about the business model of Lenco quickly becoming obsolete and not a good investment.

qq. On or about June 4, 2010, Zirk de Maison caused approximately $50,000 to be wire transferred from a Kensington corporate bank account ending in x4134 held in Santee, California, at Wachovia Bank, to a Worldbridge account controlled by Jason Cope and held in Westlake, Ohio, at U.S. Bank.

rr. On or about June 10, 2010, Zirk de Maison forwarded an email to Defendant and William Scholander with the subject line "Fwd: RE: Dan email re MMS," stating "Good morning Gentlemen, Here is the document from Michael for Dan and yourselves regarding the comments that Dan got regarding Lenco."

ss. On or about June 19, 2010, Defendant sent an email to Zirk de Maison with the line "Fw: a clean tech project coming," which forwarded an email from Benjamin W. that stated "The attached 2 page documents is for our coming project, due for US listing by the end of June/early July. There will be a $5 million equity raise. Total interest so far has exceeded $20 million. It is a very nice company in China's CleanTech sector."

tt. On or about June 20, 2010, Defendant sent an email to Zirk de Maison with the subject line "Re: Fw: a clean tech project coming," stating "I will have [the CleanTech subscription documents and prospectus] in my hands next week. They just up the placement to 9 million from 6 million."

uu. On or about July 6, 2010, Defendant sent an email to Angelique D. with the subject line "CLEANTECH," stating "Dear Mr. Pierro, As the Placement Agent for CleanTech, I am pleased to share with you the details on the Private Placement per ouor [sic] conversation. Best, Talman A. Harris."

vv. On or about September 13, 2010, Zirk de Maison caused Trish M. to send an email with the subject line "[c]ommissions [p]aid," with an attached spreadsheet that detailed the undisclosed commission payments made to Defendant and his co-conspirators.

ww. On or about September 13, 2010, Zirk de Maison caused Bethany T. to send an email with the subject line, "[c]ommissions paid," which listed the commissions paid to the co-conspirators, including Defendant and others, providing "Talman $874,054.00."

xx. Between on or about October 1, 2010 and October 4, 2010, Defendant caused approximately $62,645 worth of Lenco stock to be purchased in the client accounts of Scott R., Martin R., and Seamus F., at First Merger Capital for which Defendant was a registered representative.

yy. On or about October 4, 2010, Zirk de Maison caused approximately $23,400 to be wire transferred from a Suprafin bank account ending in x9320 at Wachovia held in Santee, California, to an account in the name of Sara H. for the benefit of Defendant and held in New York, New York, at Citibank.

zz. On or about October 29, 2010, Defendant caused approximately $48,615 worth of Lenco stock to be purchased in the client accounts of Paul W., Thomas H., Scott R., and Michael K., at First Merger Capital for which Defendant was a registered representative.

aaa. On or about November 2, 2010, Zirk de Maison caused approximately $22,000 to be wire transferred from a Suprafin account ending in x9320 held in Santee, California, at Wachovia, to an account in the name of Sara H., for the benefit of Defendant, held in New York, New York, at Citibank.

bbb. On or about November 19, 2010, Zirk de Maison caused an email to be sent to Defendant and others regarding Lenco's recent business activity.

ccc. On or about December 11, 2010, Zirk de Maison caused an email to be sent from Michael L. with the subject line "RE: DTC Sheet," stating "I just had a look at the DTC sheets. Greg has sold 47,500 shares this week. The volume is coming from inside. As hard as we work to try and build the market he is selling. I have called Talman to ask him what he has sold in the last few days. Will let you know when I hear from him."

ddd. On or about December 12, 2010, Zirk de Maison sent an email to Michael L. with the subject line "Re: DTC Sheet," stating "[a]s for the shares there is something you have to mentally implement or it will make you as crazy as it made Tommy. 'You can only control buying and NOT selling.' We are public and if people own shares they will sell them sooner or later. Greg is NOT the seller at Legent Talman is, and he will never admit it. He has not admitted selling shares in the 10 years I have known him. And he always ends up with no stock."

eee. On or about July 15, 2011, Defendant sent an email to Zirk de Maison and William Scholander with the subject line "New Office Location," stating "[w]e are pleased to announce the completion of the New Office Cambridge Alliance Capital LLC."

fff. On or about July 16, 2011, Zirk de Maison sent an email to Defendant and others stating that the Casablanca website was going live.

ggg. On or about December 22 and December 23, 2011, Zirk de Maison caused approximately $250,000 (in two separate wires of $60,000 and $190,000 respectively) to be wire transferred from a Suprafin account ending in x9320 held in Santee, California, at Wells Fargo, to an account in the name of Worldbridge Partners, Inc. held in Westlake, Ohio, at US Bank, for the benefit of Jason Cope.

hhh. On or about April 14, 2012, Zirk de Maison sent an email to Defendant and others regarding Lustros documents and operations.

iii. On or about August 10, 2012, Zirk de Maison sent an email to Defendant and others regarding a change in his cell phone number and that he was back in California on a full time basis.

jjj. On or about November 21, 2012, Zirk de Maison caused approximately $8,000 to be wire transferred from a Suprafin account ending in x8503 held in Santee, California, at U.S. Bank, to an account in the name of William Scholander, held in New York, New York, at Capital One Bank.

All in violation of Title 18, United States Code, Section 1349.

COUNTS 2–4
(Wire Fraud, 18 U.S.C. § 1343)

The Grand Jury further charges:

57. The factual allegations contained in paragraphs 1 through 51, and the factual allegations contained in paragraphs 55 and 56, are re-alleged and incorporated as though fully set forth herein.

58. From on or about September 28, 2006, through on or about September 18, 2014, in the Northern District of Ohio, Eastern Division, and elsewhere, Defendant TALMAN HARRIS, and others known and unknown to the Grand Jury, knowingly devised, and intended to devise, a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises.

59. On or about the dates listed below, in the Northern District of Ohio, Eastern Division, and elsewhere, Defendant, for the purpose of executing and attempting to execute the foregoing scheme and artifice, transmitted and caused to be transmitted, writings, signs, signals, pictures, and sounds by means of wire and radio communication, in interstate commerce, to wit; electronic communications that Defendant and others caused to be sent to, and received from Zirk de Maison in California, to Gates Mills, Ohio, and elsewhere, as described below:

| COUNT | APPROXIMATE DATE | SENT FROM | RECEIVED IN |
|---|---|---|---|
| 2 | 11/19/2010 | California | Ohio, New York |
| 3 | 07/16/2011 | California | Ohio, New York |
| 4 | 04/14/2012 | California | Ohio, New York |

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT 5
(Obstruction of Justice, 18 U.S.C. § 1503)

60. The factual allegations contained in paragraphs 1 through 52, and the factual allegations contained in paragraphs 56 and 57, are re-alleged and incorporated as though fully set forth herein.

61. On or about September 9, 2015, a federal grand jury in the Northern District of Ohio returned an indictment in the matter United States v. William Scholander, et al, No. 1:15-cr-00335-BYP (the "Proceeding"), charging Defendant TALMAN HARRIS and others with violations of federal law.

62. In or around December 2015, Defendant contacted Witness-1 and instructed and persuaded him, that if he was contacted by federal law enforcement authorities in connection with the Proceeding, to maintain that any payments and other transfers of value from Zirk de Maison to Defendant and others were consideration for the sale of artwork and watches, and not commission payments for the sale of securities, which Witness-1 and Defendant both well knew, was false.

63. Between in or around January 2016 and February 2016, Defendant contacted Witness-1 and again instructed and persuaded him, that if he was contacted by federal law enforcement authorities in connection with the Proceeding, to maintain the false explanation described above regarding the nature and source of the commission payments from Zirk de Maison to Defendant and others.

64. Between in or around September 9, 2015, and in or around February 2016, in the Northern District of Ohio, and elsewhere, Defendant TALMAN HARRIS and others known to the Grand Jury did corruptly influence, obstruct and impede, and endeavor to influence, obstruct and impede the due administration of justice in United States v. William Scholander, et

al, No. 1:15-cr-00335-BYP, in the U.S. District Court for the Northern District of Ohio, by instructing, persuading, and endeavoring to influence Witness-1 to provide false information and testimony regarding commission payments paid to Defendant and others.

All in violation of Title 18, United States Code, Sections 1503 and 2.

Original document - - Signatures on file with the Clerk of Courts, pursuant to the E-Government Act of 2002

# EXHIBIT 10

FILED

2016 SEP -7 PM 1:08

PEARSON, J.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | CASE NO. 1:15-CR-335-2 |
| Plaintiff, | ) | |
| v. | ) | JUDGE BENITA Y. PEARSON |
| TALMAN HARRIS, | ) | |
| Defendant. | ) | COUNT 1 VERDICT FORM |

We, the jury, unanimously find Defendant Talman Harris, (circle one) guilty/not guilty of Conspiracy to Commit Securities Fraud or Wire Fraud, in violation of Title 18, United States Code, Section 1349, as charged in Count 1 of the Superseding Indictment.

Each of us said jurors concurring in said verdict signs his/her name hereto on this 7 day of September, 2016. (MUST BE UNANIMOUS)

FILED

PEARSON, J.

2016 SEP -7 PM 1:06

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | CASE NO. 1:15-CR-335-2 |
| Plaintiff, | ) | |
| v. | ) | JUDGE BENITA Y. PEARSON |
| TALMAN HARRIS, | ) | |
| Defendant. | ) | **COUNT 2 VERDICT FORM** |

We, the jury, unanimously find Defendant Talman Harris, (circle one) guilty/not guilty of Wire Fraud, in violation of Title 18, United States Code, Section 1343, as charged in Count 2 of the Superseding Indictment.

Each of us said jurors concurring in said verdict signs his/her name hereto on this 7 day of September, 2016. (MUST BE UNANIMOUS)

FILED

PEARSON, J.

2016 SEP -7 PM 1:05

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | CASE NO. 1:15-CR-335-2 |
| Plaintiff, | ) | |
| v. | ) | JUDGE BENITA Y. PEARSON |
| TALMAN HARRIS, | ) | |
| Defendant. | ) | **COUNT 3 VERDICT FORM** |

We, the jury, unanimously find Defendant Talman Harris, (circle one) guilty/not guilty of Wire Fraud, in violation of Title 18, United States Code, Section 1343, as charged in Count 3 of the Superseding Indictment.

Each of us said jurors concurring in said verdict signs his/her name hereto on this 7 day of September, 2016. (MUST BE UNANIMOUS)

FILED

2016 SEP -7 PM 1:05

PEARSON, J.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | |
| | ) | CASE NO. 1:15-CR-335-2 |
| Plaintiff, | ) | |
| | ) | |
| v. | ) | JUDGE BENITA Y. PEARSON |
| | ) | |
| TALMAN HARRIS, | ) | |
| | ) | |
| Defendant. | ) | **COUNT 4 VERDICT FORM** |

We, the jury, unanimously find Defendant Talman Harris, (circle one) guilty/not guilty of Wire Fraud, in violation of Title 18, United States Code, Section 1343, as charged in Count 4 of the Superseding Indictment.

Each of us said jurors concurring in said verdict signs his/her name hereto on this 7 day of September, 2016. (MUST BE UNANIMOUS)

FILED

2016 SEP -7 PM 1:06

PEARSON, J.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA, | ) | CASE NO. 1:15-CR-335-2 |
| Plaintiff, | ) | |
| v. | ) | JUDGE BENITA Y. PEARSON |
| TALMAN HARRIS, | ) | |
| Defendant. | ) | **COUNT 5 VERDICT FORM** |

We, the jury, unanimously find Defendant Talman Harris, (circle one) guilty/not guilty of Obstruction of Justice, in violation of Title 18, United States Code, Section 1503, as charged in Count 5 of the Superseding Indictment.

Each of us said jurors concurring in said verdict signs his/her name hereto on this 7 day of September, 2016. (MUST BE UNANIMOUS)

# EXHIBIT 11

# UNITED STATES DISTRICT COURT
## NORTHERN DISTRICT OF OHIO

| | | |
|---|---|---|
| UNITED STATES OF AMERICA | § | **JUDGMENT IN A CRIMINAL CASE** |
| | § | |
| v. | § | |
| | § | Case Number: **1:15-CR-00335-2** |
| **TALMAN HARRIS** | § | USM Number: **72796-054** |
| | § | **Denis P. Kelleher, Esq.** |
| | § | Defendant's Attorney |

**THE DEFENDANT:**

| | | |
|---|---|---|
| ☐ | pleaded guilty to count(s) | |
| ☐ | pleaded guilty to count(s) before a U.S. Magistrate Judge, which was accepted by the court. | |
| ☐ | pleaded nolo contendere to count(s) which was accepted by the court | |
| ☒ | was found guilty on count(s) after a plea of not guilty | **1, 2, 3, 4 and 5 of the Superseding Indictment.** |

The defendant is adjudicated guilty of these offenses:

| **Title & Section / Nature of Offense** | **Offense Ended** | **Count** |
|---|---|---|
| 18 U.S.C. § 1349 Conspiracy To Commit Securities and Wire Fraud; 18 U.S.C. § 1348 Securities Fraud; 18 U.S.C. § 1343 Wire Fraud. | 09/18/2014 | 1 |
| 18 U.S.C. § 1343 Wire Fraud | 09/18/2014 | 2 |
| 18 U.S.C. § 1343 Wire Fraud | 09/18/2014 | 3 |
| 18 U.S.C. § 1343 Wire Fraud | 09/18/2014 | 4 |
| 18 U.S.C. §§ 1503 and 2 Obstruction Of Justice | 02/29/2016 | 5 |

The defendant is sentenced as provided in pages 2 through 8 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

☐ The defendant has been found not guilty on count(s)

☐ Count(s) ☐ is ☐ are dismissed on the motion of the United States

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States attorney of material changes in economic circumstances.

January 26, 2017
Date of Imposition of Judgment

*/s/ Benita Y. Pearson*
Signature of Judge

Benita Y. Pearson, United States District Judge
Name and Title of Judge

February 1, 2017
Date

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

# IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of:

**60 months as each of Counts 1, 2, 3 and 4 of the Superseding Indictment, each such term to be served concurrently, and 3 months as to Count 5 of the Superseding Indictment, such term to be served consecutive to the 60 month terms imposed at Counts 1, 2, 3 and 4 of the Superseding Indictment.**

☒ The court makes the following recommendations to the Bureau of Prisons:

**Defendant be designated to FCI Danbury, Danbury, CT or to a minimum security facility within 100 miles of Monroe, CT so that his family can visit.**

☒ The defendant is remanded to the custody of the United States Marshal.

☐ The defendant shall surrender to the United States Marshal for this district:

☐ at ☐ a.m. ☐ p.m. on

☐ as notified by the United States Marshal.

☐ The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

☐ before 2 p.m. on
☐ as notified by the United States Marshal.
☐ as notified by the Probation or Pretrial Services Office.

# RETURN

I have executed this judgment as follows:

Defendant delivered on ________________________ to

at ______________________________, with a certified copy of this judgment.

UNITED STATES MARSHAL

By
DEPUTY UNITED STATES MARSHAL

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

## SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of:

**5 years as to Count 1 of the Superseding Indictment and 3 years as to each of Counts 2, 3, 4 and 5 of the Superseding Indictment, each such term to be served concurrently.**

## MANDATORY CONDITIONS

1. You must not commit another federal, state or local crime.
2. You must not unlawfully possess a controlled substance.
3. You must refrain from any unlawful use of a controlled substance. You must submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.
   ☐ The above drug testing condition is suspended, based on the court's determination that you pose a low risk of future substance abuse. *(check if applicable)*
4. ☒ You must cooperate in the collection of DNA as directed by the probation officer. *(check if applicable)*
5. ☐ You must comply with the requirements of the Sex Offender Registration and Notification Act (42 U.S.C. § 16901, et seq.) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in which you reside, work,are a student, or were convicted of a qualifying offense. *(check if applicable)*
6. ☐ You must participate in an approved program for domestic violence. *(check if applicable)*

You must comply with the standard conditions that have been adopted by this court as well as with any other conditions on the attached page.

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

## STANDARD CONDITIONS OF SUPERVISION

As part of your supervised release, you must comply with the following standard conditions of supervision. These conditions are imposed because they establish the basic expectations for your behavior while on supervision and identify the minimum tools needed by probation officers to keep informed, report to the court about, and bring about improvements in your conduct and condition.

1. You must report to the probation office in the federal judicial district where you are authorized to reside within 72 hours of your release from imprisonment, unless the probation officer instructs you to report to a different probation office or within a different time frame.
2. After initially reporting to the probation office, you will receive instructions from the court or the probation officer about how and when you must report to the probation officer, and you must report to the probation officer as instructed.
3. You must not knowingly leave the federal judicial district where you are authorized to reside without first getting permission from the court or the probation officer.
4. You must answer truthfully the questions asked by your probation officer.
5. You must live at a place approved by the probation officer. If you plan to change where you live or anything about your living arrangements (such as the people you live with), you must notify the probation officer at least 10 days before the change. If notifying the probation officer in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
6. You must allow the probation officer to visit you at any time at your home or elsewhere, and you must permit the probation officer to take any items prohibited by the conditions of your supervision that he or she observes in plain view.
7. You must work full time (at least 30 hours per week) at a lawful type of employment, unless the probation officer excuses you from doing so. If you do not have full-time employment you must try to find full-time employment, unless the probation officer excuses you from doing so. If you plan to change where you work or anything about your work (such as your position or your job responsibilities), you must notify the probation officer at least 10 days before the change. If notifying the probation officer at least 10 days in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
8. You must not communicate or interact with someone you know is engaged in criminal activity. If you know someone has been convicted of a felony, you must not knowingly communicate or interact with that person without first getting the permission of the probation officer.
9. If you are arrested or questioned by a law enforcement officer, you must notify the probation officer within 72 hours.
10. You must not own, possess, or have access to a firearm, ammunition, destructive device, or dangerous weapon (i.e., anything that was designed, or was modified for, the specific purpose of causing bodily injury or death to another person such as nunchakus or tasers).
11. You must not act or make any agreement with a law enforcement agency to act as a confidential human source or informant without first getting the permission of the court.
12. If the probation officer determines that you pose a risk to another person (including an organization), the probation officer may require you to notify the person about the risk and you must comply with that instruction. The probation officer may contact the person and confirm that you have notified the person about the risk.
13. You must follow the instructions of the probation officer related to the conditions of supervision.

## U.S. Probation Office Use Only

A U.S. probation officer has instructed me on the conditions specified by the court and has provided me with a written copy of this judgment containing these conditions. I understand additional information regarding these conditions is available at the www.uscourts.gov.

Defendant's Signature ______________________________ Date __________________

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

# SPECIAL CONDITIONS OF SUPERVISION

**Mandatory/Standard Conditions:**
While on supervision, the defendant shall not commit another federal, state, or local crime, shall not illegally possess a controlled substance, shall comply with the standard conditions that have been adopted by this Court, and shall comply with the following additional conditions:

**Mandatory Drug Testing:**
The defendant shall refrain from any unlawful use of a controlled substance and submit to one drug test within 15 days of the commencement of supervision and to at least two periodic drug tests thereafter, as determined by the U.S. Pretrial Services & Probation Officer.

**Firearms and Dangerous Weapons:**
The defendant shall not possess a firearm, destructive device or any dangerous weapon.

**Financial Disclosure:**
The defendant shall provide the U.S. Pretrial Services & Probation Officer with access to any requested financial information.

**Financial Restrictions:**
The defendant shall not incur new credit charges or open additional lines of credit without the approval of the U.S. Pretrial Services & Probation Officer.

**Mental Health Treatment:**
The defendant shall undergo a mental health evaluation and/or participate in a mental health treatment program as directed by the supervising officer.

**DNA Collection:**
The defendant shall cooperate in the collection of DNA as directed by the U.S. Pretrial Services & Probation Officer.

**Financial Windfall Condition:**
The defendant shall apply all monies received from income tax refunds, lottery winnings, judgments, and/or any other anticipated or unexpected financial gains to the outstanding court-ordered financial obligation.

**Search and Seizure:**
The defendant shall submit his/her person, residence, place of business, computer, or vehicle to a warrantless search, conducted and controlled by the probation officer at a reasonable time and in a reasonable manner, based upon reasonable suspicion of contraband or evidence of a violation of a condition of release; failure to submit to a search may be grounds for revocation; the defendant shall inform any other residents that the premises may be subject to a search pursuant
to this condition.

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

# CRIMINAL MONETARY PENALTIES

The defendant must pay the total criminal monetary penalties under the schedule of payments on Sheet 6.

| | Assessment | JVTA Assesment* | Fine | Restitution |
|---|---|---|---|---|
| **TOTALS** | $500.00 | | $.00 | $843,423.91 |

☐ The determination of restitution is deferred until An *Amended Judgment in a Criminal Case (AO245C)* will be entered after such determination.

☒ The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

Defendant shall pay restitution of $843,423.91 through the Clerk of the U.S. District Court to the following victims. Restitution is due and payable immediately, and shall be joint and several with the indicated co-Defendants.

The defendant shall pay 25% of defendant's gross income per month, through the Federal Bureau of Prisons' Inmate Financial Responsibility Program. If a restitution balance remains upon release from imprisonment, payment is to commence no later than 60 days following release from imprisonment to a term of supervised release in equal monthly payments, or at least a minimum of 10% of defendant's gross monthly income during the term of supervised release and thereafter as prescribed by law.

Notwithstanding establishment of a payment schedule, nothing shall prohibit the United States from executing or levying upon property of the defendant discovered before and after the date of this Judgment.

The Court waives the interest requirement in this case.

**Restituion Summary:**

**Harris Total** **$843,423.91**

1. J/S with Harris, De Maison, Scholander $843,423.91

---

For Reference:

J/S: Jointly and Severally

Stephen J. Wilshinsky, 1:15-CR-75
Izak Zirk De Maison, 1:15-CR-117
Kona Jones Barbera, 1:15-CR-287
Kieran T. Kuhn: 1:15-CR-288
Gregory Goldstein, 1:15-CR-328
Jason M. Cope, 1:15-CR-329
William Scholander, 1:15-CR-335-1
Talman Harris, 1:15-CR-335-2
Jack Tagliaferro, 1:15-CR-335-3
Victor Alfaya, 1:15-CR-335-4
Justin Esposito, 1:15-CR-335-5

---

**1. J/S with Harris, De Maison, Scholander $843,423.91:**

| | |
|---|---|
| Bry, William | $ 17,443.75 |
| Finn, Daniel | $ 91,201 |

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

| | |
|---|---|
| Goodman, Alan J. | $ 7,234.75 |
| Megan, David | $ 507,443.00 |
| Ramage, Scott R | $ 145,451.20 |
| Tenney, Kenneth | $ 74,650.21 |

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

☐ Restitution amount ordered pursuant to plea agreement $

☐ The defendant must pay interest on restitution and a fine of more than $2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).

☒ The court determined that the defendant does not have the ability to pay interest and it is ordered that:

☒ the interest requirement is waived for the ☐ fine ☒ restitution

☐ the interest requirement for the ☐ fine ☐ restitution is modified as follows:

* Justice for Victims of Trafficking Act of 2015, Pub. L. No. 114-22
** Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

DEFENDANT: TALMAN HARRIS
CASE NUMBER: 1:15-CR-00335-2

## SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

**A** ☐ Lump sum payments of $ ____________ due immediately, balance due

☐ not later than , or

☐ in accordance ☐ C, ☐ D, ☐ E, or ☐ F below; or

**B** ☐ Payment to begin immediately (may be combined with ☐ C, ☐ D, or ☐ F below); or

**C** ☐ Payment in equal ________ *(e.g., weekly, monthly, quarterly)* installments of $ ________ over a period of ________ *(e.g., months or years)*, to commence ________ *(e.g., 30 or 60 days)* after the date of this judgment; or

**D** ☐ Payment in equal 20 *(e.g., weekly, monthly, quarterly)* installments of $ ________ over a period of ________ *(e.g., months or years)*, to commence ________ *(e.g., 30 or 60 days)* after release from imprisonment to a term of supervision; or

**E** ☐ Payment during the term of supervised release will commence within ________ *(e.g., 30 or 60 days)* after release from imprisonment. The court will set the payment plan based on an assessment of the defendant's ability to pay at that time; or

**F** ☒ Special instructions regarding the payment of criminal monetary penalties:

**It is ordered that the Defendant shall pay to the United States a special assessment of $500.00 for Counts 1, 2, 3, 4 and 5 of the Superseding Indictment, which shall be due immediately. Said special assessment shall be paid to the Clerk, U.S. District Court.**

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

☒ Joint and Several
See above for Defendant and Co-Defendant Names and Case Numbers *(including defendant number)*, Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

☒ Defendant shall receive credit on his restitution obligation for recovery from other defendants who contributed to the same loss that gave rise to defendant's restitution obligation.

☐ The defendant shall pay the cost of prosecution.

☐ The defendant shall pay the following court cost(s):

☐ The defendant shall forfeit the defendant's interest in the following property to the United States:

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) JVTA Assessment, (8) penalties, and (9) costs, including cost of prosecution and court costs.

# EXHIBIT 12

**United States District Court for the Northern District of Ohio**

UNITED STATES

**Plaintiff,**

**vs.**

**CASE NO.** 15-CR-335

**Judge** PEARSON

TALMAN HARRIS

**Defendant.**

# NOTICE OF APPEAL

Notice is hereby given that TALMAN HARRIS,
(here name all parties taking the appeal)

hereby appeal to the United States Court of Appeals for the Sixth Circuit from

JUDGMENT AND SENTENCE
(the final judgment) (from an order (describing it))

entered in this action on the 26TH day of JANUARY, 2017.

(s) DENIS KELLEHER, ESQ.

Address: 305 MADISON AVE. SUITE 1301
NEW YORK, NY 10165

Phone #: 212-922-1080

Attorney for TALMAN HARRIS

# EXHIBIT 13

# Find an inmate.

Locate the whereabouts of a federal inmate incarcerated from 1982 to the present.

**Find By Number** **Find By Name**

| First | Middle | Last | Race | Age | Sex |
|---|---|---|---|---|---|
| Talman | | Harris | Black | | Male |

**1** Result for search **Talman Harris**, Race: **Black**, Sex: **Male**

Clear Form Search

## TALMAN HARRIS

Register Number: [redacted]

Age: 39
Race: Black
Sex: Male

Located at: Canaan USP

Release Date: 07/18/2021

Related Links

Facility Information
Call or email
Send mail/package
Send money
Visit
Voice a concern

About the inmate locator & record availability

# EXHIBIT 14

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80197 / March 10, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17874

| In the Matter of<br><br>TALMAN HARRIS,<br><br>Respondent. | ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND NOTICE OF HEARING |
|---|---|

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Talman Harris ("Respondent" or "Harris").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Between approximately February 2008 and November 2009, Respondent defrauded investors in Lenco Mobile Inc. ("Lenco"), an issuer with common stock registered pursuant to Section 12(g) of the Exchange Act that was subject to Exchange Act reporting obligations pursuant to Section 13(a). While acting as a registered representative associated with broker-dealers registered with the Commission, Respondent bought Lenco stock in his customers' accounts in exchange for undisclosed commissions paid to him by Lenco's principal, Izak Zirk de Maison (f/k/a Izak Zirk Engelbrecht) ("Engelbrecht"). Respondent participated in an offering of Lenco stock, which was a penny stock. Respondent, 39 years old, is a resident of Monroe, Connecticut.

B. ENTRY OF THE INJUNCTION/RESPONDENT'S CRIMINAL CONVICTION

2. On February 7, 2017, a final judgment was entered against Harris, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Jason Cope et al., Civil Action Number 1:14-cv-07575, in the United States District Court for the Southern District of New York.

3. The Commission's Amended Complaint alleged that Harris defrauded investors by, inter alia, buying Lenco stock in his customers' accounts that Engelbrecht was selling in the open market in exchange for commissions from Engelbrecht that Respondent did not disclose to his customers.

4. On September 7, 2016, Harris was convicted of one count of conspiracy to commit securities fraud, 18 U.S.C. § 1348, and wire fraud, 18 U.S.C. § 1343, in violation of 18 U.S.C. § 1349; three counts of wire fraud in violation of 18 U.S.C. § 1343; and one count of obstruction of justice in violation of 18 U.S.C. §§ 2, 1503, before the United States District Court for the Northern District of Ohio, in United States v. William Scholander et al., Crim. Indictment No. 1:15-cr-335. On January 26, 2017, a judgment in the criminal case was entered against Harris. He was sentenced to a prison term of 60 months followed by five years of supervised release and ordered to make restitution in the amount of $843,423.91.

5. The Superseding Indictment in the parallel criminal case alleged largely the same misconduct alleged by the Commission in the Amended Complaint. Among other things, the Superseding Indictment alleged that Harris, while a registered representative associated with registered broker-dealers, defrauded investors and obtained money and property by means of materially false and misleading statements in connection with the purchases of Lenco stock in his customers' account as described in Paragraph 3 above.

## III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and

C. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to suspend or bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

ADMINISTRATIVE PROCEEDINGS RULINGS
Release No. 4834 /May 26, 2017

ADMINISTRATIVE PROCEEDING
File Nos. 3-17874 and 3-17875

| In the Matter of<br><br>TALMAN HARRIS and<br>VICTOR ALFAYA | ORDER FOLLOWING PREHEARING CONFERENCE AND TO SHOW CAUSE AS TO RESPONDENT ALFAYA |
|---|---|

On March 10, 2017, the Securities and Exchange Commission issued an order instituting proceedings (OIP) against each Respondent. The two proceedings were consolidated pursuant to 17 C.F.R. § 201.201(a). *Talman Harris,* Admin. Proc. Rulings Release No. 4675, 2017 SEC LEXIS 753, at *1 (ALJ Mar. 13, 2017). On April 24, 2017, I ordered the Division of Enforcement to file a supplemental declaration of service and scheduled a telephonic prehearing conference for May 26, 2017. *Talman Harris,* Admin Proc. Rulings Release No. 4763, 2017 SEC LEXIS 1209, at *2.

On May 1, 2017, the Division submitted its supplemental declaration. The declaration, along with U.S. Postal Service tracking information, establishes that Respondent Talman Harris was served with his OIP by mail in accordance with 17 C.F.R. § 201.141(a)(2)(i) on April 29, 2017. On May 23, 2017, the Division submitted a second supplemental declaration after its counsel learned that Respondent Victor Alfaya had recently been incarcerated. The declaration, along with U.S. Postal Service tracking information, establishes that Alfaya was served with his OIP by mail in accordance with 17 C.F.R. § 201.141(a)(2)(i) on May 18, 2017.

Today, I held the telephonic prehearing conference, at which the Division of Enforcement and Harris appeared. Harris declined to speak on the record, but a case manager, who was in the room with him, relayed Harris's answers to my questions and confirmed that he could hear the conference. Harris confirmed that he had received the packet that the Division had served on him through the U.S. Postal Service, and I granted him until June 1, 2017, to file his answer. The Division represented that the complete investigatory file is available to Respondents for inspection and copying. *See* 17 C.F.R. § 201.230(a)(1). After consulting the Division and Harris, I set the following briefing schedule for motions for summary disposition, pursuant to Rule of Practice 250(b), 17 C.F.R. § 201.250(b):

June 16, 2017: Motions for summary disposition are due.

July 7, 2017: Opposition briefs are due.

July 17, 2017: Reply briefs, if any, are due.

Electronic courtesy copies of the parties' submissions may be emailed to ALJ@sec.gov in PDF text-searchable format. Electronic copies of exhibits should not be combined into a single PDF file, but sent as separate attachments.

I will determine whether it is necessary to hold a hearing after considering the parties' briefs.

In closing, I found that Alfaya had failed to appear at the prehearing conference, and the Division recounted its efforts to contact Alfaya, which included provision by mail and email of my April 24, 2017, order scheduling the conference. *See Talman Harris*, 2017 SEC LEXIS 1209, at *2. Alfaya is therefore ORDERED to SHOW CAUSE by June 13, 2017, why he should not be found in default and this proceeding determined against him due to his failure to appear at the scheduled prehearing conference or otherwise defend the proceeding. *See* Alfaya OIP at 3; 17 C.F.R. §§ 201.155(a)(1), .221(f). In addition, because he was served with the OIP on May 18, 2017, Alfaya's answer is due June 12, 2017. Alfaya OIP at 3; 17 C.F.R. §§ 201.160(b), .220(b). Failure to answer by June 12, 2017, will also be grounds for default. *See* Alfaya OIP at 3; 17 C.F.R. §§ 201.155(a)(2), .220(f).

Cameron Elliot
Administrative Law Judge

activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

## IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary

# EXHIBIT 15

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; identifying them as Defaulting Defendants in this action; and specifying that payment is made pursuant to this Final Judgment.

Defaulting Defendants shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. By making this payment, each of the Defaulting Defendants relinquishes all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Defaulting Defendants.

The Commission shall hold the funds (collectively, the "Fund") and may propose a plan to distribute the Fund subject to the Court's approval. The Court shall retain jurisdiction over the administration of any distribution of the Fund. If the Commission staff determines that the Fund will not be distributed, the Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

The Commission may enforce the Court's judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) at any time after 14 days following entry of this Final Judgment. Defaulting Defendants shall pay post judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

VI.

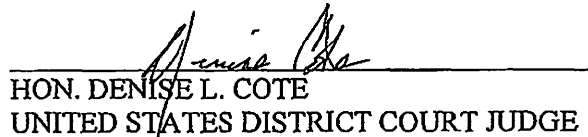
**IT IS FURTHER ORDERED, ADJUDGED, AND DECREED** that, for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the allegations in the Complaint are deemed true as to each Defaulting Defendant, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by each Defaulting Defendant under this Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the

violation by each Defaulting Defendant of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

VII.

**IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED** that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

Dated: February 7, 2017



HON. DENISE L. COTE
UNITED STATES DISTRICT COURT JUDGE

# EXHIBIT 6

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-v-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A) IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIAFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERNAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

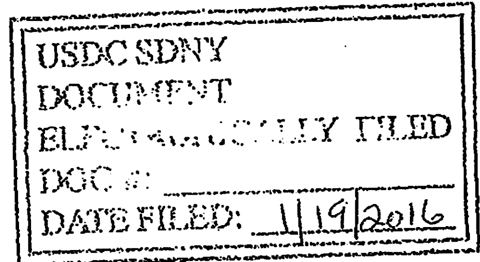
And

ANGELIQUE DE MAISON,

Relief Defendant.

14cv7575 (DLC)

ORDER




DENISE COTE, District Judge:

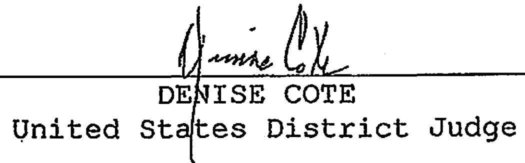
Defendants Talman Harris, William Scholander, and Victor Alfaya were added to this action on June 15, 2015. For the reasons stated on the record at the January 15 conference, it is hereby

ORDERED that this case is stayed against defendants Harris, Scholander, and Alfaya pending the prosecution of the three defendants, which is scheduled for trial in Ohio in February of

2016.

IT IS FURTHER ORDERED that the SEC shall file a status update on April 1, 2016.

Dated: New York, New York
January 19, 2016



DENISE COTE
United States District Judge

**COPIES MAILED TO:**

William Scholander
[redacted], Apt. [redacted]
New York, NY [redacted]

Victor Alfaya
[redacted]
Port Washington, NY [redacted]

# EXHIBIT 7

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

---

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-v-

JASON COPE, IZAK ZIRK DE MAISON (F/K/A) IZAK ZIRK ENGELBRECHT), GREGORY GOLDSTEIN, STEPHEN WILSHINSKY, TALMAN HARRIS, WILLIAM SCHOLANDER, JACK TAGLIAFERRO, VICTOR ALFAYA, JUSTIN ESPOSITO, KONA JONES BARBERA, LOUIS MASTROMATTEO, ANGELIQUE DE MAISON, TRISH MALONE, KIERNAN T. KUHN, PETER VOUTSAS, RONALD LOSHIN, GEPCO, LTD., SUNATCO LTD., SUPRAFIN LTD., WORLDBRIDGE PARTNERS, TRAVERSE INTERNATIONAL, and SMALL CAP RESOURCE CORP.,

Defendants,

And

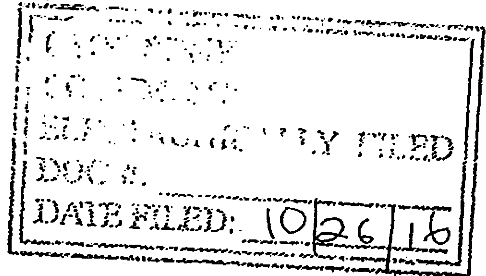
ANGELIQUE DE MAISON,

Relief Defendant.

---

14cv7575 (DLC)

ORDER




DENISE COTE, District Judge:

On October 3, 2016, the Securities and Exchange Commission ("SEC") was ordered to file an order to show cause for entry of a default judgment ("OTSC") against any defendant against whom claims remain pending and who is in default. There are two such defendants: Talman Harris ("Harris") and Victor Alfaya ("Alfaya"). For the following reasons, the SEC's application for the OTSC against Harris and Alfaya remains due on October

31, 2016, but the time for each of these defendants to respond is stayed until seven days after they are sentenced on the related criminal charges of which they have recently been found guilty. The background to this Order follows.

The SEC commenced this action on September 18, 2014. Harris and Alfaya were added as defendants on June 15, 2015. On December 18, 2015, an OTSC was issued against Harris, Alfaya and one other defendant for their failure to respond to the complaint.

At a January 15, 2016 conference, the SEC confirmed that there were ongoing criminal proceedings against Harris and Alfaya in Ohio. Relying on the six-factor balancing test in Louis Vuitton Malletier S.A. v. LY USA, Inc., 676 F.3d 83, 97 (2d Cir. 2012),[1] the Court stayed action on the SEC's application for entry of a default judgment. Among other things, criminal defendants retain their Fifth Amendment right against self-

[1] In evaluating whether the "interests of justice" favor entering a stay in a civil action pending the resolution of criminal prosecutions, courts must balance the following factors: "1) the extent to which the issues in the criminal case overlap with those presented in the civil case; 2) the status of the case, including whether the defendants have been indicted; 3) the private interests of the plaintiffs in proceeding expeditiously weighed against the prejudice to plaintiffs caused by the delay; 4) the private interests of and burden on the defendants; 5) the interests of the courts; and 6) the public interest." Louis Vuitton, 676 F.3d at 99 (citation omitted).

incrimination until sentenced on any criminal charges on which they have been found guilty. See, e.g., Mitchell v. United States, 526 U.S. 314, 328-29 (1999). The SEC was required to provide status letters regarding the criminal prosecution.

The SEC has informed the Court that the two defendants are due to be sentenced in mid-December. Alfaya has entered a plea of guilty and is scheduled to be sentenced on December 14, 2016. Harris was found guilty at trial of one count of conspiracy to commit securities fraud or wire fraud in violation of 18 U.S.C. § 1349; three counts of wire fraud in violation of 18 U.S.C. § 1343; and one count of obstruction of justice in violation of 18 U.S.C. § 1503. See United States v. Harris et al., 15cr335 (N.D. Ohio Sept. 7, 2016). Harris is scheduled to be sentenced on December 15, 2016.

On October 3, the Court issued an order stating that any order to show cause for entry of a default against any defendant who is currently in default and with whom a settlement had not been executed is due by October 31. On October 17, the Court received a letter from Harris requesting a stay of the issuance of a default judgment against him until his post-trial motions have been decided by the Ohio district court. On October 24, 2016, the SEC filed a responsive letter requesting that the Court enter a default against Harris.

Accordingly, it is hereby

ORDERED that the SEC shall file and serve any supplement to its OTSC application for either Harris or Alfaya by October 31, 2016.

IT IS FURTHER ORDERED that the SEC shall serve this Order promptly on Harris and Alfaya.

IT IS FURTHER ORDERED that Harris shall file any response by December 22, 2016, or if the sentencing date of December 15 is adjourned, by seven days after the sentence is imposed upon him in open court.

IT IS FURTHER ORDERED that Alfaya shall file any response by December 21, 2016, or if the sentencing date of December 14 is adjourned, by seven days after the sentence is imposed upon him in open court.

Dated: New York, New York
October 26, 2016

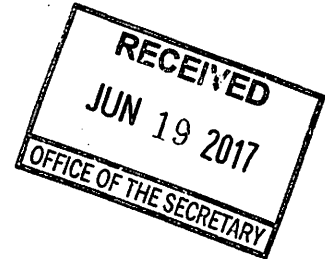
DENISE COTE
United States District Judge

# EXHIBIT 8

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
NEW YORK REGIONAL OFFICE
BROOKFIELD PLACE, 200 VESEY STREET, SUITE 400
NEW YORK, NEW YORK 10281-1022

WRITER'S DIRECT DIAL LINE
(212) 336-9138

June 16, 2017




**Via UPS Overnight Delivery and Fax (202-772-9324)**

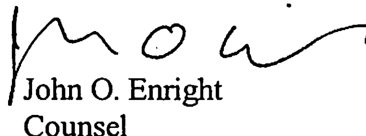
Brent Fields, Secretary
Office of the Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington D.C. 20549

**Re: In the Matter of Talman Harris,**
**Admin Proc. File No. 3-17874**

Dear Mr. Fields:

Please find enclosed an original and three copies of the Division of Enforcement's Motion for Summary Disposition Against Respondent Talman Harris ("Motion"), Memorandum of Law in Support of the Motion, the Declaration of John O. Enright in Support of the Motion, and a certificate of service in the above-referenced matter. I have also sent a copy to you by facsimile.

Respectfully submitted,



John O. Enright
Counsel

cc: Hon. Cameron Elliot (by UPS and Email)
Respondent (by UPS and Email)

## CERTIFICATE OF SERVICE

The undersigned counsel for the Division of Enforcement hereby certifies that he has served the foregoing documents by UPS Overnight Delivery, email, and fax on this day and addressed as follows:

By UPS Overnight Delivery and Fax (202-772-9324)
Brent Fields, Secretary
Office of the Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 1090
Washington D.C. 20549

By UPS Overnight Delivery and Email
The Honorable Cameron Elliot
Administrative Law Judge
U.S. Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 2557
Washington D.C. 20549
ALJ@SEC.Gov

Talman Harris (Register[redacted])
[redacted]
[redacted]
Waymart, PA [redacted]
[redacted]@gmail.com

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