

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File Nos. 3-20021 and 3-20022

**In the Matter of the Registration
Statements of**

Crest Radius, Inc.
7 Kaapa, Tsoolgo, Estonia, and

Loyal Source Market Services, Inc.
13025 Klimovske Zilina,
Slovakia, 01001

**DIVISION OF ENFORCEMENT’S MOTION AND MEMORANDUM OF LAW
SUPPORTING ENTRY OF DEFAULT AGAINST RESPONDENTS CREST RADIUS,
INC. AND LOYAL SOURCE MARKET SERVICES, INC.**

The Division of Enforcement (“Division”), pursuant to Rules 155(a) and 220(f) of the Commission’s Rules of Practices, 17 C.F.R. §§ 201.55(a) and 201.220(f), respectfully moves for entry of an Order finding Respondents Crest Radius, Inc. (“Crest Radius”) and Loyal Source Market Services, Inc. (“Loyal Source”) (collectively “Respondents”) in default and determining these proceedings against them – specifically, issuing a stop order permanently suspending the effectiveness of Respondents’ registration statements (and amendments filed thereto).

A stop order may be issued solely on the basis of Respondents’ failures to respond to the Commission’s September 18, 2020 Orders Fixing Time and Place of Public Hearings and Instituting Administrative Proceedings Pursuant to Section 8(d) of the Securities Act of 1933 (“OIP”) or to appear at the November 16, 2020 hearing. This default permits the allegations of the OIPs to be deemed true. 17 C.F.R. § 201.155(a). In addition, the evidence discussed below provides two additional, and independent, bases for the issuance of stop orders against

Respondents: (1) Respondents' failure to cooperate with the Section 8(e) examination conducted by the staff of the Division ("Staff"); and (2) material misstatements and omissions in Respondents' registration statements.

The Division incorporates the facts and evidence submitted into evidence at the November 16, 2020 hearing,¹ and as set forth in the attached Supplemental Declarations of Jonathan A. Epstein in support of both OIPs ("Crest Radius Epstein Decl." and "Loyal Source Epstein Decl." respectively), which the Division moves into evidence.² To the extent necessary, the Supplemental Declarations are admissible under Rule 235(a)(5) in the interests of justice because (1) the Division believed the Court had previously admitted the prior declarations of Mr. Epstein, dated November 13, 2020, after the Division moved them into evidence along with the supporting exhibits, which were admitted (*see* Hearing Tr. at 28:1-28:11); (2) had the Division realized the prior declarations were not admitted, the Division would have had Mr. Epstein testify to the facts set forth in the declarations at the hearing; and (3) Respondents did not appear at the hearing and therefore will not be prejudiced by having the Supplemental Declarations admitted in lieu of live testimony. The Division also requests that, pursuant to Rule of Practice 323, 17 C.F.R. § 201.323, the Court take official notice of all of the filings and submissions Respondents have made or not made with the SEC through EDGAR.

¹ This includes testimony of Natalya Jiwan and Randolph Lavasseur, Loyal Source Exhibits 1-22 and 24-34, and Crest Radius Exhibits 1-17 and 19-35.

² These Supplemental Declarations are identical to the prior declarations submitted to the Court, except for the following: (1) they omit references to any exhibits being attached, instead referencing the already-admitted exhibits; (2) they omit references to prior statements made by Ms. Jiwan and Mr. Lavasseur to the Division, and accompanying exhibits; and (3) they fix a typo reflecting that the Loyal Source roundtrip transaction occurred in 2019, instead of 2016.

BRIEF IN SUPPORT

I. Stop Orders Should Issue Because Respondents are in Default

On September 18, 2020, the Commission issued OIPs against Respondents. The OIPs ordered that Respondents file an answer to the allegations in the OIPs within 10 days after service. The OIPs also expressly warned Respondents that if they failed to file an Answer to the OIP within 10 days after service, they “may be deemed in default and the proceedings may be determined against the Respondent upon consideration of this Order, the allegations of which may be deemed to be true....” OIPs at pg. 3. On November 2, 2020, pursuant to Rule 141(a)(2)(v), 17 C.F.R. § 201.141(a)(2)(v), Respondents were personally served with the OIPs by process server through the Nevada Secretary of State, as agents for Respondents. *See* AP-6797. The Court then consolidated the administrative proceedings and set a consolidated hearing date for November 16, 2020. *See id.* Respondents failed to answer the OIPs and failed to appear at the hearing, during which the Division presented evidence in support of the OIPs, including testimony and exhibits. Because Respondents did not answer the OIPs or participate in the hearing, the Court order Respondents to show cause by November 25, 2020, why the proceedings should not be determined against them on default. *See* AP-6798. Respondents failed to respond to the order to show cause by November 25, 2020.

Rule 155(a) provides in relevant part:

A party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true, if that party fails: (1) To appear, in person or through a representative, at a hearing or conference of which that party has been notified; [or] (2) To answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding....

17 C.F.R. § 201.155(a). Similarly, Rule 220(f), 17 C.F.R. § 201.220(f), provides that a respondent who fails to file an answer within the prescribed time may be deemed in default pursuant to Rule 155(a).

Respondents are in default because (1) they failed to file answers to the OIPs within ten days after service; (2) they failed to attend and participate in the hearing on November 16, 2020; and (3) they failed to respond to the order to show cause. As such, the allegations in the OIPs may be deemed true. The Division respectfully requests the Court determine the proceedings against Respondents and enter stop orders suspending the effectiveness of Respondents' registration statements referenced in the OIPs.

II. Stop Orders Should Issue Because Respondents Failed to Cooperate with the Staff's Section 8(e) Examination

Section 8(e) of the Securities Act provides that, if an issuer fails to cooperate with, obstructs, or refuses to permit the Division's examination into whether the issuer's registration statement contains material omissions, "such conduct shall be proper ground for the issuance of a stop order." 15 U.S.C. § 77h(e); *see, e.g., Scientific Research Dev. Co.*, Sec. Act Rel. No. 5040 (Jan. 26, 1970). Failing to cooperate with the Division's examination is an independent basis for issuing a stop order; a material misstatement or omission is not required. *See Blimpie Corp. of America*, Sec. Act Rel. No. 5146 (May 6, 1971) (refusal to cooperate in a Section 8(e) examination "constitutes a ground for the issuance of a stop order"); *Sand Int'l, Inc.*, Sec. Act. Rel. No. 1066 (Oct. 14, 2016) (initial decision), Sec. Act. Rel. No. 1026 (Dec. 5, 2016) (final decision) (issuance of a stop order based on the company's failure to cooperate in a Section 8(e) examination). Both Crest Radius and Loyal Source failed to cooperate in the Division's Section 8(e) examinations; thus, the Court should issue stop orders on this basis alone.

A. Crest Radius

Crest Radius failed to cooperate in the Section 8(e) examination by failing to produce any documents in response to two document subpoenas and by producing only nominal amounts of documents in response to a third document subpoena.

The Division issued three separate subpoenas to Crest Radius. First, it issued a subpoena for documents dated May 23, 2018, to Crest Radius' purported registered agent. *See* OIP at ¶ 3; Crest Radius Epstein Decl. at ¶¶ 7, 9; Crest Radius Exhs. 6, 8. In fact, the entity listed as Crest Radius' registered agent, Nevada Formation Services LLC ("NFS"), does not exist as a Nevada corporation (*see* OIP at ¶ 11; Crest Radius Epstein Decl. at ¶ 8; Crest Radius Exh. 7), and the address provided by Crest Radius for NFS is the personal residence of Paulette Reeves, who has no affiliation with, or knowledge of, Crest Radius or NFS.³ *See* OIP at ¶ 3; Crest Radius Epstein Decl. at ¶¶ 10-11; Crest Radius Exh. 9. The Division received no response from Crest Radius to this subpoena. *See* OIP at ¶ 3; Crest Radius Epstein Decl. at ¶ 9.

The Division issued a second subpoena to Crest Radius on June 5, 2018 and served on Crest Radius' attorney at the time, Jackson Morris. *See* OIP at ¶ 4; Crest Radius Epstein Decl. at ¶ 12; Crest Radius Exh. 10. This subpoena requested many of the same documents as the first subpoena, plus some additional categories. *See* Crest Radius Exh. 10. Crest Radius' purported sole officer and director, Kardo Valbe, made only a limited production of approximately 20 documents in response to the second subpoena. *See* OIP at ¶ 4; Crest Radius Epstein Decl. at ¶ 12; Crest Radius Exh. 11. Crest Radius' production did not include documents responsive to most of the 26 categories called for by the subpoena, including books and records. *See id.*

³ While Ms. Reeves received a subpoena to testify, she informed the Division the morning of the hearing that she was unavailable given a planned medical procedure. *See* Hearing Tr. at 9:2-9:10.

On September 18, 2018, the Division issued a third subpoena to Crest Radius, again through Mr. Morris. *See* OIP at ¶ 5; Crest Radius Epstein Decl. at ¶ 13; Crest Radius Exh. 12. The subpoena requested, among other things, additional information from Crest Radius related to the roundtrip transactions alleged in the OIP. Crest Radius Epstein Decl. at ¶ 13; Crest Radius Exh. 12. Crest Radius did not produce any documents in response to the subpoena. *See* OIP at ¶ 5; Crest Radius Epstein Decl. at ¶ 13; Crest Radius Exh. 13.

Finally, Crest Radius never responded to the Wells Notice sent to it by the Division in June 2020. *See* Crest Radius Epstein Decl. at ¶¶ 14-15; Crest Radius Exhs. 14-15.

Entry of a stop order is appropriate because of Crest Radius's failure to cooperate with the Division's Section 8(e) examination.

B. Loyal Source

Similarly, Loyal Source failed to produce any documents in response to a subpoena. The Division issued a subpoena to Loyal Source on May 22, 2018, to Loyal Source's purported registered agent. *See* OIP at ¶ 3; Loyal Source Epstein Decl. at ¶¶ 10, 12; Loyal Source Exhs. 16, 18. Like with Crest Radius, Loyal Source's purported registered agent, Corporate Filing Agents ("CFA"), does not exist as a Nevada corporation (see OIP at ¶ 6; Loyal Source Epstein Decl. at ¶ 11; Loyal Source Exh. 17), and the address provided by Loyal Source for CFA is the personal residence of someone who has no affiliation with, or knowledge of, Loyal Source or CFA. *See* OIP at ¶ 3; Hearing Tr. at 24:19 to 26:17; Loyal Source Epstein Decl. at ¶ 13; Loyal Source Exh. 19. The Division received no response from Loyal Source to this subpoena. *See* OIP at ¶ 3; Loyal Source Epstein Decl. at ¶ 12.

Further, Loyal Source never responded to the Wells Notice sent to it by the Division in June 2020. *See* Loyal Source Epstein Decl. at ¶¶ 16-17; Loyal Source Exh. 21-22.

Entry of a stop order is appropriate because of Loyal Source's failure to cooperate with the Division's Section 8(e) examination by failing to produce records in response to a subpoena, and failing to respond to the Wells Notice.

III. Stop Orders Should Issue Based on Material Misstatements and Omissions in Respondents' Registration Statements

Under Section 8(d) of the Securities Act, a stop order may issue if "the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading." 15 U.S.C. § 77h(d). "Information in a registration statement is material when there is a substantial likelihood that a reasonable investor would attach importance to it in determining whether to purchase the security in question." *Petrofab Int'l, Inc.*, Sec. Act Rel. No. 6769, 1988 SEC LEXIS 782, at *16 (Apr. 20, 1988) (citing *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 49 (1976)) (Commission opinion); see 17 C.F.R. § 230.405 (defining a material fact as one to which "there is a substantial likelihood that a reasonable investor would attach importance in determining whether to purchase the security.").

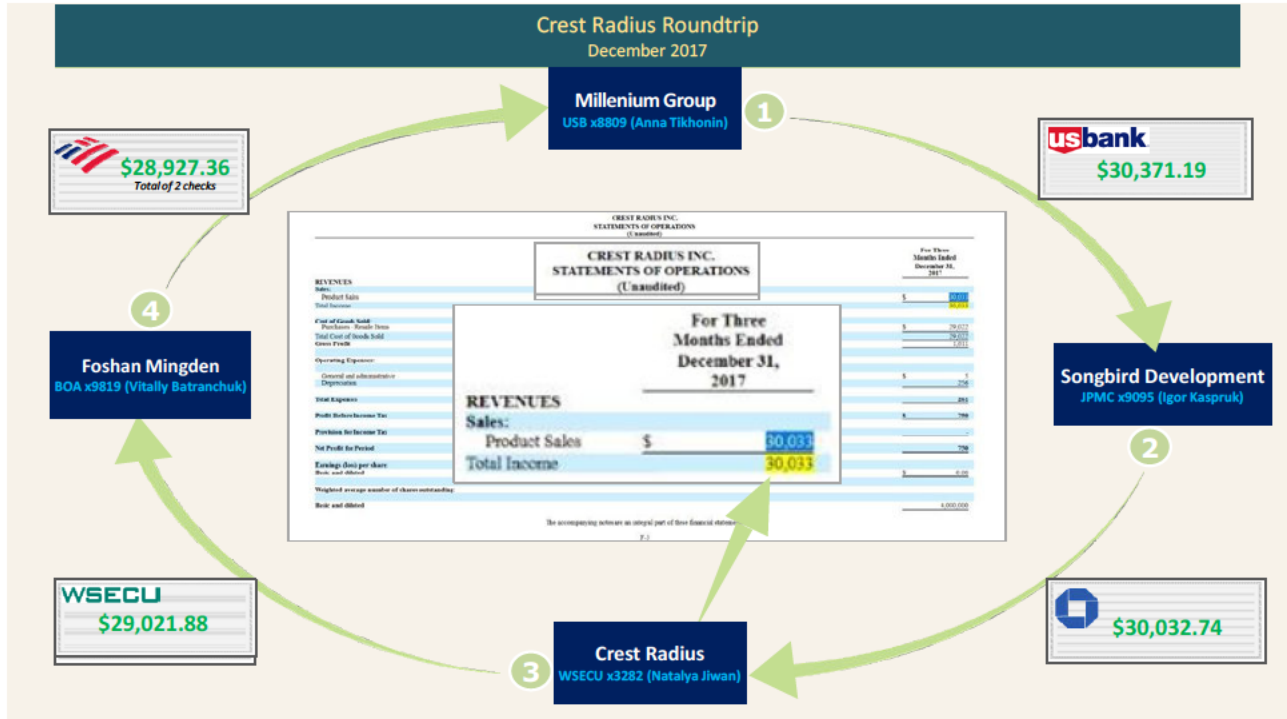
Crest Radius and Loyal Source both made numerous material misstatements and omissions in their respective registration statements, justifying the issuance of stop orders.

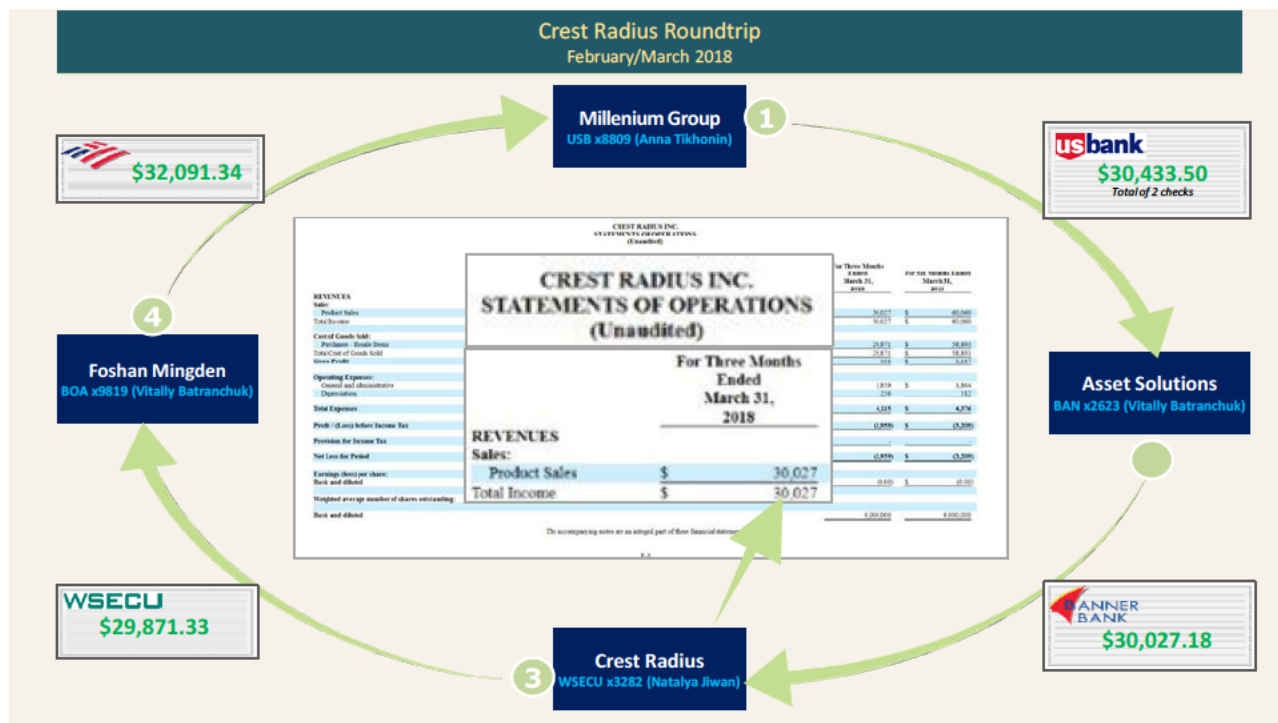
A. Crest Radius

Crest Radius' registration statements contain material misstatements and omissions regarding (1) its purported total income for the fourth quarter of 2017 and the first quarter of 2018; (2) its purported sole officer and director; (3) its registered agent; (4) its company telephone number; and (5) its principal executive offices.

1. False Revenue

Crest Radius’ registration statements for the last quarter of 2017 and the first quarter of 2018 fraudulently list total income based entirely on funds it received as part of roundtrip transactions with other entities. Exhibit 17 summarizes the two roundtrip transactions, and is reproduced below. See also OIP at ¶¶ 7-9; Crest Radius Epstein Decl. at ¶¶ 18-35; Exhs. 19-35.





Crest Radius misrepresented its total income by reporting funds obtained through a sequence of payments that resulted in almost all of the initial withdrawn funds making a “roundtrip” back to where they began after having passed through various other entities’ accounts, including that of Crest Radius. *See id.* For the December 2017 transaction, an entity called The Millenium Group International, Inc. (“Millenium Group”) began the roundtrip transaction by sending \$30,371.19 to Songbird Development Inc., which days later transferred \$30,032.74 to Crest Radius. *See Crest Radius Epstein Decl. at ¶¶ 24-25; Exhs. 23-25.* About a week later Crest Radius sent \$29,021.88 to Foshan Mingden, which then completed the roundtrip transaction by sending \$28,927.36 back to Millenium Group, which started the circular transaction. *See Crest Radius Epstein Decl. at ¶¶ 26-27; Exhs. 27-30.* Crest Radius fraudulently reported the \$30,033 it received as “income” on in the financial statements included in its registration statement. *See OIP at ¶¶ 7, 9; Crest Radius Epstein Decl. at ¶¶ 22, 28; Exhs. 2, 3, 17.* The February/March 2018 roundtrip transaction was similar in nature, although an entity called

Asset Solutions Inc. took the place of Songbird Development Inc. in the operation. *See* OIP at ¶¶ 8-9; Crest Radius Epstein Decl. at ¶¶ 29-35; Exhs. 4, 17, 31-35. As with the December 2017 roundtrip transaction, Crest Radius fraudulently reported the \$30,027 it received as “income” in the financial statement included in its registration statement. *See* OIP at ¶ 8; Crest Radius Epstein Decl. at ¶¶ 29, 35; Exhs. 4, 17.

Further, some of the bank accounts involved in the roundtrip transactions were opened by individuals acting at the direction of one person – Andrey Troshin. Natalya Jiwan testified at the hearing that she opened the above-referenced Crest Radius bank account at the direction of Mr. Troshin, but had no ownership or other substantive involvement in the operation of the account. *See* Hearing Tr. at 13:4-22:4; *see also* OIP at ¶ 7; Exh. 26. Mr. Troshin’s wife, Anna Tikhonin, told the Division during the examination that she helped open the above-referenced Millenium Group bank account for her husband, but was not involved at all in any banking or corporate business. *See* Crest Radius Epstein Decl. at ¶¶ 20-21; Exhs. 22, 24. The fact that one person was involved in establishing accounts used in numerous transactions further establishes that the payments to Crest Radius were not legitimate, arms-length transactions constituting reportable income.⁴

All of the funds deposited into Crest Radius’ bank account that were part of the roundtrip transactions were fraudulently included as total income in Crest Radius’ registration statements for the last quarter of 2017 and the first quarter of 2018. This is clear given that (1) the funds were deposited into Crest Radius’ bank account; (2) the deposited funds match the reported total income in Crest Radius’ registration statements for the respective period; and (3) the funds

⁴ Mr. Troshin also directed Ms. Jiwan to open a bank account in the name of Cascade Networks, Inc. d/b/a/ Intellect Resources Inc. (“Cascade Networks”) (*see* Hearing Tr. at 15:15-15:23), which was used to facilitate the fraudulent Loyal Source roundtrip transaction discussed below.

initially came from an account opened by Mr. Troshin's wife, were deposited into an account opened by Ms. Jiwan at the direction of Mr. Troshin, and were eventually sent back to the same account opened by Mr. Troshin's wife. *See* OIP at ¶¶ 7-9; Crest Radius Epstein Decl. at ¶¶ 28, 35. Further, Crest Radius' roundtrip transactions were similar in nature to Loyal Source's roundtrip transaction as detailed in the Division's related case, and each involved accounts opened by individuals affiliated with Mr. Troshin.

Crest Radius' false financial disclosures – which make up the entirety of its reported income for the respective periods – were material. *See e.g., SEC v. USA Real Estate Fund 1*, 30 F. Supp. 3d 1026, 1034 (E.D. Wash. 2014) (“False claims of substantial unearned revenue, or the substantial overstatement of revenue, are ‘material’ to reasonable investors.”); *SEC v. MurphX*, 626 F.2d 633, 653 (9th Cir. 1980) (materiality of information concerning financial condition, solvency and profitability is not subject to serious challenge).

2. Nominee Officer and Director

Crest Radius' registration statement also falsely identifies Kardo Valbe as its “sole officer and director.” Mr. Valbe informed the Division during the Section 8(e) examination that Anisiy Evrasov, who is not listed in Crest Radius' registration statements, paid Mr. Valbe to essentially serve as a nominee officer and director. *See* OIP at ¶ 10; Crest Radius Epstein Decl. at ¶ 13; Crest Radius Exh. 13. Mr. Evrasov, as opposed to Mr. Valbe, controlled all of Crest Radius' communications and business connections, and purchased Crest Radius' purported principal executive offices. *See id.* Mr. Evrasov also informed Mr. Valbe that he (Mr. Valbe) no longer worked for Crest Radius, and Mr. Valbe was prevented from accessing Crest Radius' purported offices. *See id.* Further, Mr. Valbe had no control over Crest Radius' bank account, which was

opened by Ms. Jiwan at the direction of Mr. Troshin. *See* OIP at ¶ 7; Hearing Tr. at 13:4-22:4; Crest Radius Epstein Decl. at ¶¶ 25, 32; Crest Radius Exh. 26.

A reasonable investor would consider it important in making an investment decision that a company's sole listed officer and director was merely a nominee acting at the behest of someone else. *See, e.g., SEC v. Husain, et al*, 2017 WL 810269, at *8 (C.D. Cal. Mar. 1, 2017) (“Other than a corporation's financials, its leadership, the nature of its operations, and its plan for the future would seem to be the most important pieces of information available to an investor.”); *Kismet, Inc.*, Rel. No. 809, 2015 WL 3610558, at *4 (June 10, 2015) (J. Grimes initial decision), Rel. No. 33-9865, 2015 WL 4465317 (July 22, 2015) (Commission decision) (company's failure to properly identify control person in registration statement was grounds to issue a stop order).

3. Fictitious Registered Agent and False Company Information

As detailed above, Crest Radius listed NFS as its registered agent in its registration statements, when in fact NFS does not exist as a Nevada entity and the address Crest Radius provided for NFS is the personal residence of someone who has no knowledge of, or affiliation with, Crest Radius or NFS. Crest Radius therefore identified a fictitious registered agent in its registration statement. Similarly, Crest Radius listed in its registration statement a company telephone number that is not a working phone number (*see* OIP at ¶ 12; Crest Radius Epstein Decl. at ¶ 17), and an address for its principal executive offices that does not appear to actually serve as an office. *See* OIP at ¶ 12; Crest Radius Epstein Decl. at ¶ 16; Crest Radius Exh. 16.

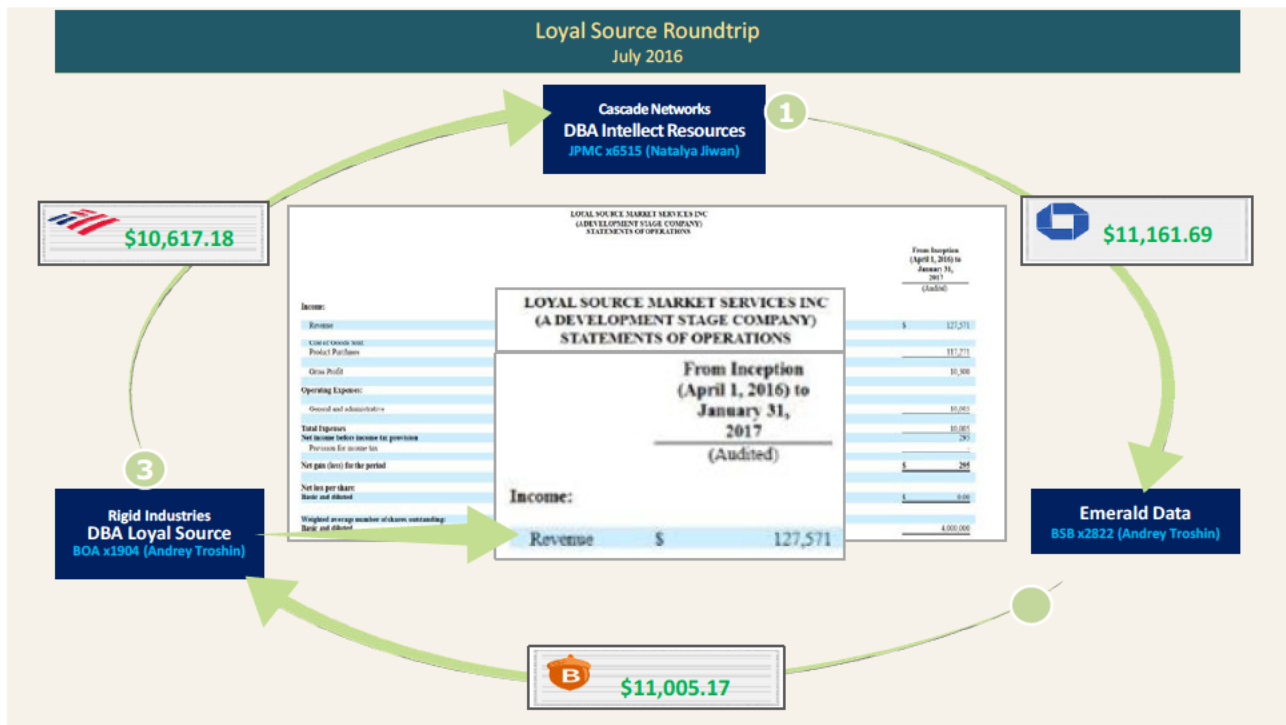
A reasonable investor would consider it important in making an investment decision that basic company information such as a registered agent, company telephone number, and principal executive offices, are either fictitious or inaccurate.

B. Loyal Source

Loyal Source’s registration statements contain material misstatements and omissions regarding (1) its purported revenue for the period April 2016 to January 2017; (2) its registered agent; (3) its company telephone number; and (4) its principal executive offices.

1. False Revenue

Loyal Source fraudulently included funds it received as part of a roundtrip transaction with other entities as a portion of the revenue it reported in its registration statements for the period April 2016 to January 2017. Exhibit 26 summarizes the roundtrip transaction, and is reproduced below. *See also* OIP at ¶ 5; Loyal Source Epstein Decl. at ¶¶ 18-26; Exhs. 24-34.



Loyal Source misstated over 8.5% of its revenue by reporting funds obtained through a sequence of payments that resulted in almost all of the initial withdrawn funds making a “roundtrip” back to where they began after having passed through various other entities’ accounts, including that of Loyal Source. *See id.* An entity called Cascade Networks began the

roundtrip transaction by sending \$11,161.69 to Emerald Data, Inc., which two days later transferred \$11,005.17 to Loyal Source. *See* Loyal Source Epstein Decl. at ¶¶ 23-24; Exhs. 27-32. Three days later Loyal Source sent back \$10,617.18 to Cascade Networks, which started the roundtrip. *See* Loyal Source Epstein Decl. at ¶ 25; Exh. 34.

Loyal Source fraudulently included the \$11,005.17 it received in its “revenue” in the financial statements included in its registration statement. *See* OIP at ¶ 5; Loyal Source Epstein Decl. at ¶¶ 22, 26; Exhs. 1, 11, 26. While Loyal Source’s financial statements report a total of \$127,571 in revenue during the respective period (*see* OIP at ¶ 5; Loyal Source Epstein Decl. at ¶ 22; Exhs. 1, 11), the vast majority of deposits into Loyal Source’s bank account appear to have been designated by Loyal Source as revenue, since deposits into that account during the applicable period amount to approximately \$131,567. *See* Loyal Source Epstein Decl. at ¶ 26; Exh. 32. Therefore, the \$11,005.17 received during the fraudulent roundtrip transaction must have been included as revenue in Loyal Source’s financial statements.

Further, one individual – Mr. Troshin – controlled all of the bank accounts involved in the Loyal Source roundtrip transaction. Mr. Troshin opened the Emerald Data, Inc. and Loyal Source bank accounts (*see* Loyal Source Epstein Decl. at ¶¶ 23-24; Exhs. 25, 30, 33), and directed Natalya Jiwan to open the Cascade Networks account. *See* OIP at ¶ 5; Hearing Tr. at 13:4-22:4; Exh. 29. The fact that one person was involved in all transactions further evidences that the payment to Loyal Source was not a legitimate, arms-length transaction constituting reportable revenue. Finally, Loyal Source’s roundtrip transaction was similar in nature to Crest Radius’ roundtrip transactions, and each involved accounts opened by individuals affiliated with Mr. Troshin.

The reporting of fraudulent revenue is material to investors in making investment decisions. *See e.g., USA Real Estate Fund I*, 30 F. Supp. at 1034; *MurphX*, 626 F.2d at 653.

2. Fictitious Registered Agent and False Company Information

Loyal Source also listed a fictitious registered agent in its registration statement, as discussed above. Furthermore, Loyal Source listed in its registration statement a non-working company telephone number (*see* OIP at ¶ 7; Loyal Source Epstein Decl. at ¶ 15), and an address for its principal executive offices that does not appear to actually serve as an office. *See* OIP at ¶ 7; Loyal Source Epstein Decl. at ¶¶ 14, 16; Loyal Source Exh. 20-21.

IV. CONCLUSION

As set forth above, the Court should issue stop orders against Respondents Crest Radius and Loyal Source for three independent reasons: (1) Respondents' failure to answer the OIPs, appear at the hearing, respond to the orders to show cause, or otherwise defend the actions; (2) Respondents' failures to cooperate with the Division's Section 8(e) examinations; and (3) Respondents' material misstatements and omissions in their registration statements. Stop orders are appropriate and in the public interest.

Respectfully submitted:

Dated: November 30, 2020

s/ Timothy J. Stockwell
Timothy J. Stockwell
Jonathan A. Epstein
Division of Enforcement
U.S. Securities and Exchange Commission
175 West Jackson Blvd, Suite 1450
Chicago, IL 60604
Phone: 312-596-6049
Email: stockwellt@sec.gov

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File Nos. 3-20021 and 3-20022

**In the Matter of the Registration
Statements of**

Crest Radius, Inc.
7 Kaapa, Tsolgo, Estonia, and

Loyal Source Market Services, Inc.
13025 Klimovske Zilina,
Slovakia,
01001

CERTIFICATE OF SERVICE

Timothy J. Stockwell, an attorney, certifies that on November 30, 2020, he caused a true and correct copy of the foregoing to be served on the following by email:

Honorable James E. Grimes
Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

and on the following by mail:

Crest Radius, Inc.
7 Kaapa, Tsolgo, Estonia

Crest Radius, Inc.
c/o Nevada Secretary of State as agent
Office of Secretary of State Barbara K. Cegavske
202 N. Carson Street
Carson City, NV 89701

Loyal Source Market Services, Inc.
13025 Kilmovske Zilina, Slovakia,
01001

Loyal Source Market Services, Inc.
c/o Nevada Secretary of State as agent
Office of Secretary of State Barbara K. Cegavske
202 N. Carson Street
Carson City, NV 89701

Dated: November 30, 2020

s/ Timothy J. Stockwell
Timothy J. Stockwell
Trial Attorney

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20021

**In the Matter of the Registration
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Crest Radius, Inc.
7 Kaapa, Tsolgo, Estonia

**SUPPLEMENTAL
DECLARATION OF
JONATHAN A. EPSTEIN**

I, Jonathan A. Epstein, pursuant to 28 U.S.C. § 1746, declare as follows:

BACKGROUND

1. I am over 18 years old and am employed as a Counsel by the United States Securities and Exchange Commission (the “Commission”) in the Division of Enforcement (the “Division”). I am co-counsel for the Division in the above-captioned proceeding.

2. I submit this supplemental declaration in support of the stop order procedures against Crest Radius, Inc. (“Crest Radius”). Unless specifically noted as “upon information and belief,” I have personal knowledge of the facts herein and am competent to testify to these facts. All references to exhibits are to the exhibits admitted into evidence at the November 16, 2020 consolidated hearing in this matter.

3. Division attorney Christopher White was the initial lead investigative attorney for the Division’s Section 8(e) examination into Crest Radius. I took over for Mr. White in approximately March 2020.

4. Exhibits 1 through 4 are copies of Crest Radius' Form S-1 registration statement and subsequent Form S-1/A amendments and attachments.

5. Exhibit 5 is the Order Directing Private Investigation and Examination and Designating Officers to Take Testimony issued by the Commission on May 9, 2018. Also included in Exhibit 5 is a Supplemental Order Designating an Additional Officer issued by the Commission on May 19, 2020.

**CREST RADIUS' FAILURE TO COOPERATE AND
MISSTATEMENTS AS TO COMPANY INFORMATION**

6. In paragraphs 3 through 6, and 10 through 12 of the OIP, the Division alleges that Crest Radius failed to cooperate with the Division's Section 8(e) examination and that Crest Radius' registration statement misstates and omits material facts about its officer/director, registered agent, company phone number, and business address. As described below, Crest Radius failed to produce any documents, or only produced a nominal amount of documents, in response to subpoenas issued to Crest Radius through its attorney and its purported registered agent. Crest Radius also never responded to the Wells Notice sent to it by the Division. As further described below, Crest Radius listed in its registration statements a fictitious registered agent and a "sole officer and director" who informed the Division that someone else controlled Crest Radius. Finally, Crest Radius listed in its registration statements a non-working telephone number and email address, and an address for its principal executive offices that does not appear to be legitimate.

7. Exhibit 6 is a Nevada Certificate of Existence with Status of Default dated October 27, 2020, reflecting that Crest Radius has been a Nevada corporation since April 3, 2017, and has been in default as of May 1, 2019 for failure to file its annual filings and to pay the related filing fee and penalty. Also included in Exhibit 6 is a print out from the Nevada Secretary of State's

website reflecting “Business Entity Information” for Crest Radius as of May 17, 2018. The print out, which the Division obtained by accessing the Nevada Secretary of State’s website on May 17, 2018, includes information about Crest Radius’ registered agent, listed as “Nevada Formation Services LLC” at 210 Sawyer Way, Sparks, Nevada. This is the same registered agent and address as listed on Crest Radius’ Articles of Incorporation, attached as an exhibit to its Form S-1 and part of Exhibit 1.

8. Exhibit 7 is a Nevada Certificate of Non-Existence dated October 27, 2020, reflecting no evidence in the Secretary of State’s records of any “entity organized, incorporated, registered or qualified in this state under the name of Nevada Formation Services LLC as a domestic or foreign corporation, limited partnership, limited-liability company, limited-liability partnership or business trust.”

9. Exhibit 8 is a cover letter dated May 23, 2018 and subpoena for documents for Crest Radius served on Nevada Formation Services LLC at 210 Sawyer Way, Sparks, Nevada. The Division received no response from Crest Radius to the subpoena.

10. On May 25, 2018, Mr. White spoke to Paulette Reeves, who resides at 210 Sawyer Way, Sparks, Nevada, the address provided for Crest Radius’ purported registered agent “Nevada Formation Services LLC.” Ms. Reeves had called the Division after she received the subpoena addressed to Crest Radius and left a message saying no one living at that address was affiliated with Crest Radius. During their conversation, Ms. Reeves again confirmed to Mr. White that no one affiliated with Crest Radius lives at that address.

11. On October 14, 2020, a process server attempted to personally serve Nevada Formation Services LLC, as registered agent for Crest Radius, with a copy of the OIP at 210 Sawyer Way, Sparks, Nevada. Exhibit 9 is the affidavit of service, dated October 15, 2020,

reflecting that Ms. Reeves was personally served as resident at that address, and that she told the process server “she had no knowledge of either Crest Radius, Inc. or Nevada Formation Service, LLC and refused to accept service.”

12. Exhibit 10 is a cover letter dated June 5, 2018, and subpoena for Crest Radius for documents that was served on Jackson Morris, an attorney.¹ Exhibit 11 is a June 20, 2018 letter to the Division from Kardo Valbe, Crest Radius’ purported sole officer and director, in response to the June 5, 2018 subpoena for Crest Radius. In the June 20, 2018 letter, Mr. Valbe summarized his response to the subpoena and provided other information, including the following:

- a. Mr. Valbe asked Natalya Jiwan to register Crest Radius in the State of Washington and to open a bank account at Washington State Employees Credit Union (“WSECU”) bank because he did not reside in the U.S. and could not open an account at a U.S. bank;
- b. Mr. Valbe did not have any books, records, balance sheets, non-bank statements, journals, or ledgers of Crest Radius; and
- c. Mr. Valbe did not keep the sales agreement relating to the purchase of Crest Radius’ office in Estonia, nor did he keep any invoices sent by Crest Radius in connection with the sale of any products; he also did not have any documents related to any payments made to Crest Radius in connection with the sale of any products.

Mr. Valbe made a limited production of approximately 20 documents in response to the subpoena. Mr. Valbe’s production included the attachments to Crest Radius’ registration, several monthly bank account statements, and several audit letters, but did not include documents responsive to most of the 26 categories called for by the subpoena, including books and records of Crest Radius.

13. Exhibit 12 is a cover letter dated September 18, 2018 and second subpoena for documents for Crest Radius that was served on Mr. Morris. The subpoena requests, among other things, additional information from Crest Radius related to the roundtrip transactions (discussed

¹ Mr. Morris was listed in Crest Radius’ original Form S-1 registration statement as an agent for service, and indicated to the Division that – at least for a period of time – he represented Crest Radius in the Section 8(e) examination.

in further detail below). Exhibit 13 is a November 8, 2018 email from Mr. Morris to the Division, attaching a response to the September 18 subpoena from Mr. Valbe that included the following information:

- a. Mr. Valbe was “asked to be Crest Radius Inc president, director and CEO by Anisiy Evrasov who promised me everything is going to be good. He paid me to be president of his company. He told me he knows what he was doing and that he understands this business. I gave Anisiy Evrasov copies of my passport and identification card when he asked me to be company’s president[.]”;
- b. Mr. Valbe “respectfully decline[d]” to provide any documents in response to the Division’s subpoena requests numbered 1-4 (requesting information about Mr. Valbe’s birth certificate, identification card, passport, and trips to the U.S.) “for the sake of my own safety and safety of those who are dear to me[.]”;
- c. Mr. Valbe did not have a copy of the deed or other documents regarding ownership of Crest Radius’ office, as “[t]his document was always kept by Anisiy Evrasov who bought this office[.]”;
- d. Mr. Valbe had no way to get into the Crest Radius office because Mr. Evrasov told him two weeks prior that Mr. Valbe “no longer work[ed] for this company and [Evrasov] changed 2 locks. My keys does [sic] not work any longer. I do not have any way to contact him, his old contacts are not working[.]”;
- e. Mr. Valbe could not get close to the Crest Radius office; when he tried to get a book from the office, “Anisiy security person chased me out[.]”;
- f. “Anisiy Evrasov did all communications and all business connections for Crest Radius. . . . Anisiy Evrasov communicated with all outside persons.”

Neither Mr. Valbe nor Crest Radius produced any documents in response to the September 18 subpoena.

14. Exhibit 14 is a June 16, 2020 email I sent to Mr. Morris, attaching a copy of a Wells Notice for Crest Radius dated June 15, 2020, and Mr. Morris’ response. Mr. Morris informed me that he has had no contact with Crest Radius since October 2018, but agreed to forward the email

and Wells Notice to the only email address he has ever had for the company. Mr. Morris subsequently sent me a copy of that forwarded email (also included in Exhibit 14), which included a notification that the message could not be delivered to crestr@mail.ee. The Division received no response from Crest Radius to the Wells Notice.

15. Exhibit 15 is a June 16, 2020 email I sent to Crest Radius at crestr@mail.ee – the email address provided by Crest Radius in its Form S-1 and amendments – attaching the Wells Notice dated June 15, 2020. Also included in the exhibit is a notification that delivery of my June 16, 2020 email forwarding the Wells Notice to Crest Radius at crestr@mail.ee had failed. The Division received no response from Crest Radius to the June 16, 2020 email or the Wells Notice.

16. Exhibit 16 is a May 23, 2018 printout of a Google Maps satellite image of the result of a search for 7 Kaapa, Tsolgo, Estonia 65552, showing the location of Crest Radius’ purported principal executive offices, which is a location on a rural road that does not appear to have a structure that could serve as the company’s principal executive offices.

17. During the Section 8(e) examination, I called the telephone number disclosed on Crest Radius’ Form S-1 and subsequent amendments as being affiliated with Crest Radius, only to discover it is not a working telephone number; repeated calls to that number over an extended period of time consistently returned an error message.

CREST RADIUS’ FINANCIAL MISSTATEMENTS

18. In paragraphs 7 through 9 of the OIP, the Division alleges that Crest Radius’ registration statement falsely states that it received revenue during the last quarter of 2017 and the first quarter of 2018. As described below, Crest Radius’ total income for these periods consists entirely of funds it received as part of roundtrip transactions with other entities. Crest Radius misstated its total income by reporting funds obtained through a sequence of payments that resulted

in almost all of the initial withdrawn funds making a “roundtrip” back to where they began after passing through various other entities’ accounts, including that of Crest Radius. Further, some of the bank accounts involved in the roundtrip transactions were opened by individuals acting at the direction of Andrey Troshin, thereby establishing the payments were not arms-length transactions. Exhibit 17 includes summary exhibits reflecting the roundtrip transactions discussed in more detail below.

19. Exhibit 19 is a cover letter dated September 6, 2018, subpoena for documents, and Background Questionnaire for Andrey Troshin served on him at two different addresses. Exhibit 20 is an October 26, 2018 letter to the Division from an attorney representing Andrey Troshin, providing a response to the September 6 subpoenas, including an attached “Documents to be Produced” and “Background Questionnaire” from Mr. Troshin, both dated October 26, 2018.

20. In the October 26, 2018 “Documents to be Produced” document, Mr. Troshin summarized his response to the subpoena and provided other information, including that he: communicated with Anisiy Evrasov occasionally by telephone between May 2013 and October 2018, and had occasional face-to-face meetings with him between January 2015 and October 10, 2018. In the Background Questionnaire, Mr. Troshin stated, among other things, that he currently resides in the Ukraine, and is married to Anna Tikhonin.²

21. Exhibit 21 is a cover letter dated September 19, 2018 and subpoena for documents for Anna Tikhonin that was served on her. Exhibit 22 is Ms. Tikhonin’s October 10, 2018 letter to the Division responding to the subpoena. In her response, Ms. Tikhonin stated she helped her husband, Andrey Troshin, open up a bank account for “The Millenium Group,” and that she “was not involved in any banking and/or business of the corporation.” As discussed below, The

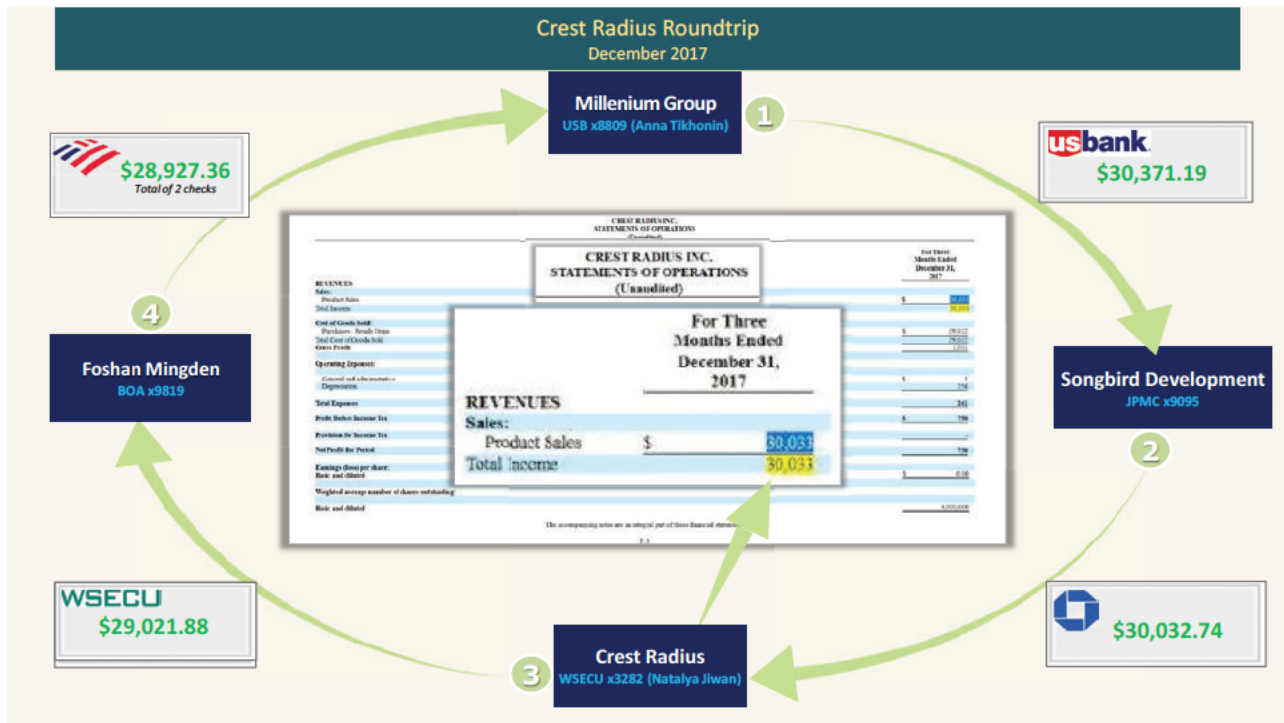
² While Mr. Troshin produced documents in response to some subpoena requests, he only produced documents publicly available from EDGAR or Secretary of State websites.

Millenium Group International Inc. (“Millenium Group”) bank account was used to begin and end the Crest Radius roundtrip transactions.

December 2017 Roundtrip Transaction

22. In Crest Radius’ Form S-1/A filed with the Commission on March 1, 2018 (Exhibit 2) and its Form S-1/A filed with the Commission on March 20, 2018 (Exhibit 3), it lists total income of \$30,033 for the period October 1, 2017 to December 31, 2017. As described below, Crest Radius’ total income of \$30,033 consists entirely of funds it received as part of a roundtrip transaction that began, and ended, with Millenium Group.

23. Reproduced below is a summary exhibit (also included in Exhibit 17) reflecting the December 2017 roundtrip transaction involving Crest Radius discussed in more detail below.



24. Exhibit 23 is a check dated December 7, 2017, from Millenium Group to Songbird Development for \$30,371.19 drawn on Millenium Group’s U.S. Bank account ending 8809. The check was deposited into a JPMorgan Chase account ending 9095 held by Songbird Development

Inc. (“Songbird Development”), as reflected in the Songbird Development account statement and deposit slip also included in Exhibit 23. Exhibit 24 is Millenium Group’s U.S. Bank signature card, reflecting that the account was opened by Anna Tikhonin. As discussed above, Ms. Tikhonin opened the account at the request of her husband, Andrey Troshin.

25. On December 12, 2017, Songbird Development issued a check to Crest Radius for \$30,032.74 drawn on its JPMorgan Chase account ending 9095, as reflected in Exhibit 25. That same exhibit includes an account statement indicating the check was deposited into a WSECU account ending 3282 in the name of Crest Radius Brands Energy Inc. Exhibit 26 is a WSECU business account card, reflecting that the Crest Radius account was opened by Natalya Jiwan.

26. On December 20, 2017, Crest Radius issued a check to Foshan Mingdeng for \$29,021.88 drawn on its WSECU account ending 3282, a copy of which is included in Exhibit 27. The check was deposited into a Bank of America account ending 9819 in the name of Welbom Cabinetry & Jointery Inc., DBA Foshan Mingden Kitchen Cabinet Co. (“Foshan Mingden”), as reflected in Exhibit 28.

27. On December 15 and 28, 2017, Foshan Mingden issued checks totaling \$28,927.36 to Millenium Group drawn on Foshan Mingden’s Bank of America account ending 9819. Exhibit 29 includes copies of the checks, one for \$16,540.17 dated December 15, and the other for \$12,387.19 dated December 28, 2017. The checks were deposited into Millenium Group’s U.S. Bank account ending 8809 on December 29, 2017, and January 2, 2018, respectively, as reflected in Millenium Group’s account statements, included in Exhibit 30.

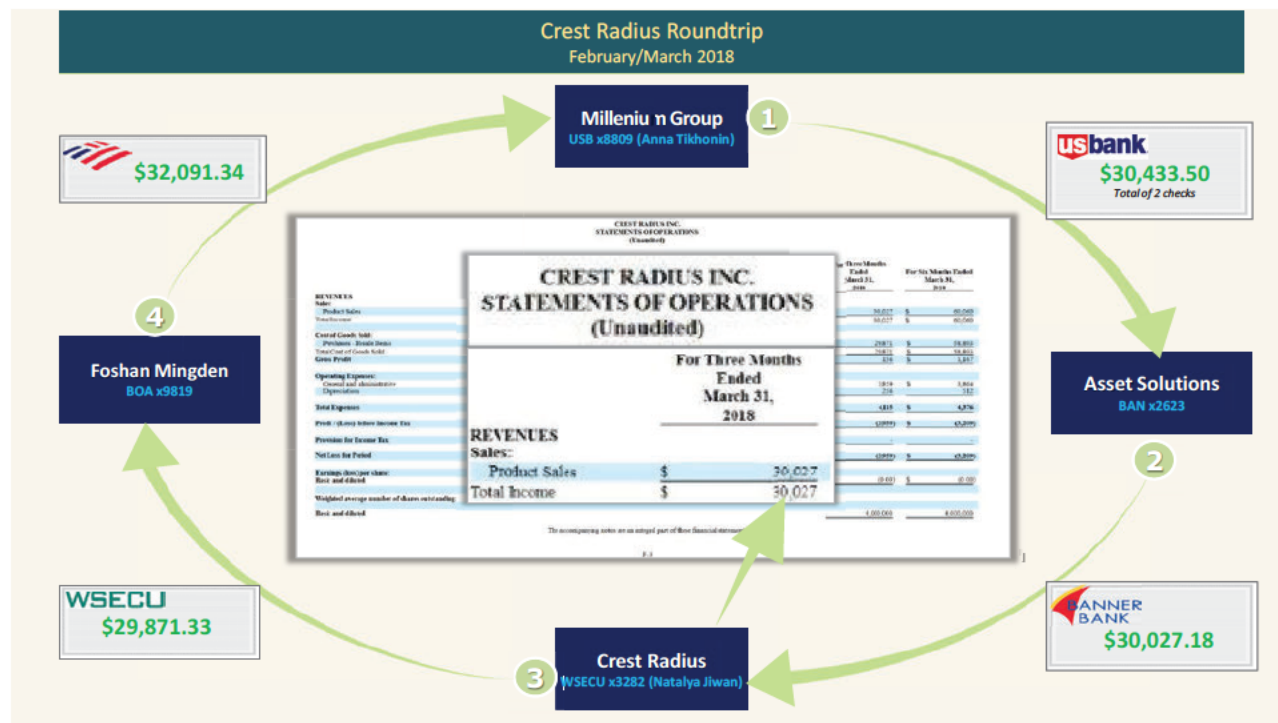
28. Upon information and belief, the \$30,032.74 deposited into Crest Radius’ bank account that was part of the roundtrip transaction is included as total income in its Form S-1 and amendments. This is based on the following information:

- a. The funds were deposited into Crest Radius' WSECU account ending 3282;
- b. The deposited funds match the \$30,033 reported as total income on Crest Radius' Form S-1 and amendments for the period October 1, 2017 to December 31, 2017;
- c. The funds initially came from an account opened by Andrey Troshin's wife, were deposited into an account opened by Natalya Jiwan at the direction of Mr. Troshin, and were eventually sent back to the account opened by Mr. Troshin's wife; and
- d. Crest Radius' roundtrip transaction is similar in nature to Loyal Source's roundtrip transaction as detailed in the Division's related case.

February/March 2018 Roundtrip Transaction

29. In Crest Radius' last filed Form S-1/A, filed with the Commission on May 9, 2018 (Exhibit 4), it lists total income of \$30,027 for the period January 1, 2018 to March 31, 2018. As described below, Crest Radius' total income of \$30,027 consists entirely of funds it received as part of a roundtrip transaction that began, and ended, with Millenium Group.

30. Reproduced below is a summary exhibit (also included in Exhibit 17) reflecting the February/March 2018 roundtrip transaction discussed in more detail below.



31. On February 15 and 27, 2018, Millenium Group issued a pair of checks to Asset Solutions totaling \$30,433.50 drawn on its U.S. Bank account ending 8809. Exhibit 31 includes copies of the checks, one for \$16,450.33 dated February 15, and the other for \$13,983.17 dated February 27, 2018. As mentioned above, Millenium Group’s U.S. Bank account was opened by Anna Tikhonin. Exhibit 31 also includes an account statement and deposit slips reflecting that both checks were deposited on February 28, 2018 into a Banner Bank account ending 2623 held by Asset Solutions Inc. (“Asset Solutions”).

32. Exhibit 32 is a March 9, 2018, check for \$30,027.18 issued by Asset Solutions to Crest Radius, drawn on Asset Solution’s Banner Bank account ending 2623. The same exhibit reflects that on March 12, 2018, Crest Radius deposited the check into its WSECU bank account ending 3282, the same account discussed above that was opened by Natalya Jiwan.

33. On March 15, 2018, Crest Radius issued a check from its WSECU bank account ending 3282 to “Foshan Mingdeng Co.” for \$29,871.33. That same day, Foshan Mingden

deposited the check into its Bank of America account ending 9819. Exhibit 33 is a copy of the check, while Exhibit 34 includes Foshan Mingden's March 2018 account statement reflecting the deposit.

34. On March 28, 2018, Foshan Mingden issued a check to Millenium Group for \$32,091.34 drawn on its Bank of America account ending 9819, as reflected in Exhibit 35. This same exhibit includes a deposit slip reflecting that the check was deposited into Millenium Group's U.S. Bank account ending 8809 that same day.


35. Upon information and belief, the \$30,027.18 deposited into Crest Radius' bank account as part of the roundtrip transaction is included as total income in its Form S-1 and amendments. This is based on the following information:

- a. The funds were deposited into Crest Radius' WSECU account ending 3282;
- b. The deposited funds match the \$30,027 reported as total income on Crest Radius' Form S-1 and amendments for the period January 1, 2018 to March 31, 2018;
- c. The funds initially came from an account opened by Mr. Troshin's wife, were deposited into an account opened up by Ms. Jiwan at the direction of Mr. Troshin, and were then eventually sent back to an account opened up by Mr. Troshin's wife; and
- d. Crest Radius' roundtrip transaction is similar in nature to Loyal Source's roundtrip transaction as detailed in the Division's related case.

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

Executed on November 30, 2020

Epstein, Jonathan



Digitally signed by
Epstein, Jonathan
Date: 2020.11.30
12:15:16 -06'00'

Jonathan A. Epstein

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20022

**In the Matter of the Registration
Statement of**

Loyal Source Market Services, Inc.
13025 Kilmovske Zilina, Slovakia,
01001

**SUPPLEMENTAL
DECLARATION OF
JONATHAN A. EPSTEIN**

I, Jonathan A. Epstein, pursuant to 28 U.S.C. § 1746, declare as follows:

BACKGROUND

1. I am over 18 years old and am employed as a Counsel by the United States Securities and Exchange Commission (the “Commission”) in the Division of Enforcement (the “Division”). I am co-counsel for the Division in the above-captioned proceeding.

2. I submit this supplemental declaration in support of the stop order procedures against Loyal Source Market Services, Inc. (“Loyal Source”). Unless specifically noted as “upon information and belief,” I have personal knowledge of the facts herein and am competent to testify to these facts. All references to exhibits are to the exhibits admitted into evidence at the November 16, 2020 consolidated hearing in this matter.

3. Division attorney Christopher White was the initial lead investigative attorney for the Division’s Section 8(e) examination into Loyal Source. I took over for Mr. White in approximately March 2020.

4. Exhibits 1 through 11 are certified copies of Loyal Source’s Form S-1 registration statement and subsequent Form S-1/A amendments and attachments.

5. Exhibit 12 is correspondence obtained from the Electronic Data Gathering, Analysis, and Retrieval system (“EDGAR”) dated August 30, 2017, from the Commission’s Division of Corporate Finance to Loyal Source regarding its Form S-1/A filed on August 16, 2017. On page 2, the Division of Corporate Finance inquires as to “why letters sent from the United States to your address provided are returned.”

6. Exhibit 13 is correspondence obtained from EDGAR dated October 20, 2017, from Loyal Source to the Division of Corporate Finance regarding Loyal Source’s Form S-1/A filed on August 16, 2017. On page 1, Loyal Source responds to the Commission’s Division of Corporate Finance’s above inquiry, stating: “Our mailing address is 13025 Klimovske, Zilina, Slovakia 01001. We use this address on the cover page of the S-1 and throughout the filing. We have received mail there from the U.S., we do not know why any letters were returned. In the future can you also please email us a copy of any correspondence to loyalsource@mailfence.com.”

7. Exhibit 14 is the Order Directing Private Investigation and Examination and Designating Officers to Take Testimony issued by the Commission on May 9, 2018. Also included in Exhibit 14 is the Supplemental Order Designating an Additional Officer issued by the Commission on May 19, 2020.

**LOYAL SOURCE’S FAILURE TO COOPERATE AND
MISSTATEMENTS AS TO COMPANY INFORMATION**

8. In paragraphs 3, 4, 6, and 7 of the OIP, the Division alleges that Loyal Source failed to cooperate with the Division’s Section 8(e) examination and that its registration statement misstates and omits material facts about its registered agent, company phone number, and business address. As described below, Loyal Source failed to produce any documents in response to a

subpoena issued to it through its purported registered agent. Loyal Source also never responded to the Well Notice sent to it by the Division. As further described below, Loyal Source listed in its registration statements a fictitious registered agent. Finally, Loyal Source listed in its registration statements a non-working telephone number and email address, and an address for its principal executive offices that does not appear to be legitimate.

9. Exhibit 15 is a redacted, but otherwise true and correct copy of a May 10, 2018 email the Division sent to Loyal Source at the loyalsource@mailfence.com email address that Loyal Source listed on several of its Forms S-1/A (and that it provided in correspondence with the Division of Corporate Finance) informing Loyal Source of the Division's Section 8(e) examination to determine whether a stop order should issue under Section 8(d) of the Securities Act. Upon information and belief, the Division did not receive a response to the email from Loyal Source.¹

10. Exhibit 16 is a Nevada Certificate of Existence with Status of Default dated October 27, 2020, reflecting that Loyal Source has been a Nevada corporation since April 1, 2016, and has been in default as of May 1, 2019 for failure to file its annual filings and to pay the related filing fee and penalty. Also included in Exhibit 16 is a print out from the Nevada Secretary of State's website reflecting "Business Entity Information" for Loyal Source as of May 25, 2018. The print out, which the Division obtained by accessing the Nevada Secretary of State's website on May 25, 2018, includes information about Loyal Source's registered agent, listed as "Corporate Filing Agents" at 406 Ash Street, Henderson, Nevada. This is the same registered agent and address as listed on Loyal Source's Form S-1 and all amendments, including its Articles of Incorporation, attached as an exhibit to the Form S-1.

¹ The redacted portion reflects internal communication between Division attorneys.

11. Exhibit 17 is a Nevada Certificate of Non-Existence dated October 27, 2020, reflecting no evidence in the Secretary of State's records of any "entity organized, incorporated, registered or qualified in this state under the name of Corporate Filing Agents as a domestic or foreign corporation, limited partnership, limited-liability company, limited-liability partnership or business trust."

12. Exhibit 18 is a cover letter dated May 22, 2018 and subpoena for documents served on Corporate Filing Agents at 406 Ash Street, Henderson, Nevada, listed as Loyal Source's registered agent in its Form S-1 and all amendments, its Articles of Incorporation, and with the Nevada Secretary of State. The Division received no response from Loyal Source to the subpoena.

13. On October 8, 2020, a process server attempted to personally serve Corporate Filing Agents, as registered agent for Loyal Source, with a copy of the OIP at 406 Ash Street, Henderson, Nevada. Exhibit 19 is the affidavit of service, dated October 12, 2020, reflecting that Mr. Lavasseur was personally served as resident at that address, and that he told the process server "he had no idea who the corporate entity and agent were, no affiliation."

14. Exhibit 20 is a May 23, 2018 printout of a Google Maps satellite image of the result of a search for 13025 Klimovske Zilina, Slovakia, 01001, showing the location of Loyal Source's purported principal executive offices, which appears to be a rural road without any buildings.

15. During the Section 8(e) examination, I called the telephone number disclosed on Loyal Source's Form S-1 and subsequent amendments as being affiliated with Loyal Source, only to discover it is not a working telephone number.

16. Exhibit 21 is a June 30, 2020 Wells Notice sent to Loyal Source's purported principal executive offices in Slovakia. The Division received no response from Loyal Source to this Wells Notice. In fact, the Wells Notice was returned to the Division several weeks later. Also

included in Exhibit 21 is a printout of Federal Express tracking history reflecting that the Wells Notice package was being returned to the Division on July 17, 2020, and a further Federal Express tracking history reflecting the Division's receipt of the returned Wells Notice package on July 27, 2020.

17. I also emailed a Wells Notice to Alexander Kuhne, the attorney listed on Loyal Source's Form S-1 and amendments. Exhibit 22 is a June 16, 2020, email I sent to Mr. Kuhne attaching the Wells Notice. The Division never received a Wells response from Mr. Kuhne or Loyal Source.

LOYAL SOURCE'S FINANCIAL MISSTATEMENTS

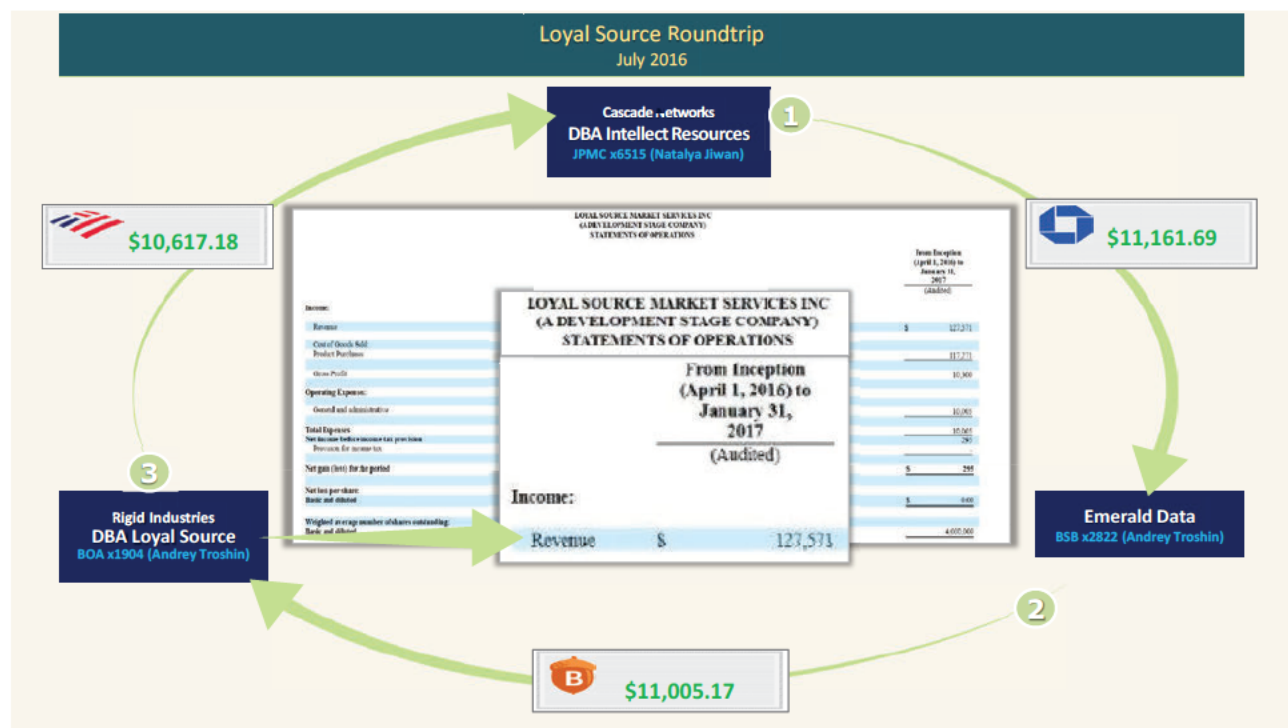
18. In paragraph 5 of the OIP, the Division alleges that Loyal Source's registration statement falsely states the revenue it received during the period April 1, 2016 through January 31, 2017. As described below, a portion of Loyal Source's revenue for this period consists of funds it received as part of a roundtrip transaction with other entities. Loyal Source misstated a portion of its revenue by reporting funds obtained through a sequence of payments that resulted in almost all of the initial withdrawn funds making a "roundtrip" back to where they began after passing through various other entities' accounts, including that of Loyal Source. Further, all of the bank accounts involved in the roundtrip transactions were opened or controlled by related individuals – Andrey Troshin and Natalya Jiwan – establishing that the payments were not arms-length transactions.

19. Exhibit 24 is a cover letter dated September 6, 2018, subpoena for documents, and Background Questionnaire for Andrey Troshin served on him at two different addresses.

20. Exhibit 25 is an October 26, 2018 letter to the Division from an attorney representing Andrey Troshin, providing a response to the September 6 subpoenas, including an attached "Documents to be Produced" and "Background Questionnaire" from Mr. Troshin, both

dated October 26, 2018. In the Background Questionnaire, Mr. Troshin stated, among other things, that he opened accounts for, among other companies, Rigid Industries Staffing Options, d/b/a/ Loyal Source (Bank of America account ending 1904) and Emerald Data Inc. (Albina Bank account ending 2822), but that he “did not have any further involvements [sic] with the accounts.” Both of these accounts were involved in the roundtrip transactions.

21. Exhibit 26, reproduced below, is a summary exhibit reflecting the roundtrip transactions discussed in more detail below.



July 2016 Roundtrip Transaction

22. In Loyal Source’s Form S-1 filed with the Commission on May 9, 2017 (Exhibit 1) and its last Form S-1/A filed with the Commission on April 24, 2018 (Exhibit 11), Loyal Source lists revenue of \$127,571 for the period April 1, 2016 to January 31, 2017. As described below, upon information and belief a portion of the \$127,571 Loyal Source reported as revenue were

funds it received as part of a roundtrip transaction that began, and ended, with Cascade Networks Inc., d/b/a/ Intellect Resources Inc. (“Cascade Networks/Intellect Resources”).

23. On July 1, 2016, Cascade Networks/Intellect Resources transferred \$11,161.69 from its JPMorgan Chase account ending 6515 to Emerald Data, Inc. (“Emerald Data”) at an account ending in 2822 at Beneficial State Bank (formerly Albina Community Bank). Exhibit 27 is a July 2016 account statement for the Cascade Networks/Intellect Resources JPMorgan Chase account ending 6515, reflecting the July 1, 2016 payment to Emerald Data for \$11,161.69. Exhibit 28 is a July 2016 account statement for the Emerald Data Beneficial State Bank account ending 2822, reflecting a July 5, 2016 deposit of the Cascade Networks payment. As reflected in Exhibits 29 and 30, the Cascade Networks/Intellect Resources account was opened by Natalya Jiwan, while the Emerald Data account was opened by Andrey Troshin.

24. On July 3, 2016, Emerald Data issued a check to “RI Staffing Options” for \$11,005.17 drawn on its Albina Community Bank/Beneficial State Bank account ending 2822, as reflected in Exhibit 31. The check was deposited into a Bank of America account ending 1904 held by “Rigid Industries Staffing Options Inc, DBA Loyal Source Market Services Inc” (“Rigid Industries/Loyal Source”), as reflected in the July 2016 account statement included in Exhibit 32.² The Rigid Industries/Loyal Source account was opened by Andrey Troshin and another individual, as reflected in Exhibit 33.

25. On July 6, 2016, a check was written from the Rigid Industries/Loyal Source account (Bank of America account ending 1904) to Intellect Resources, Inc. for \$10,617.18. That same day the check was deposited into Cascade Networks/Intellect Resources’ JPMorgan Chase account ending 6515, the same account from which the original transfer had been made less than

² Exhibit 32 includes all Rigid Industries/Loyal Source account statements for its Bank of America account ending 1904 for the period April 2016 to January 2017.

a week earlier. Exhibit 34 is the July 6, 2016 check from Rigid Industries/Loyal Source to Intellect Resources, Inc., and a deposit slip reflecting its deposit into the Cascade Networks/Intellect Resources account.

26. Upon information and belief, the \$11,005.17 deposited into Loyal Source's bank account as part of the roundtrip transaction described above was included by Loyal Source as revenue in its Form S-1 and amendments. This is based on the following information:

- a. The funds were deposited into Loyal Source's Bank of America account ending 1904;
- b. The funds came from an account controlled by Andrey Troshin, were deposited into an account controlled by Mr. Troshin, and were then sent to an account opened up by Natalya Jiwan at the direction of Mr. Troshin;
- c. It appears that the vast majority of the deposits into this bank account were included as revenue, since total deposits into this account during the period April 1, 2016 to January 31, 2017 amount to \$131,567; and
- d. Loyal Source's roundtrip transaction is similar in nature to Crest Radius Inc.'s roundtrip transactions as detailed in the Division's related case, and each involved accounts opened by Ms. Jiwan, Mr. Troshin, or individuals affiliated with Mr. Troshin.

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

Executed on November 30, 2020

Epstein,
Jonathan

Jonathan A. Epstein

Digitally signed by
Epstein, Jonathan
Date: 2020.11.30
08:54:13 -06'00'