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2 *PRO HAC VICE* APPLICATION PENDING

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Case No.

Plaintiff,

COMPLAINT

vs.

**RICHARD JOHNATHAN EDEN,
an individual; and
CHRISTOPHER MICHAEL
NEUMANN, an individual,**

Defendants.

Plaintiff, Securities and Exchange Commission (the “Commission”), alleges
as follows:

1 **SUMMARY OF THE ACTION**

2 1. Richard Johnathan Eden and Christopher Michael Neumann
3 (“Defendants”) were engaged in soliciting investors to purchase the securities of
4 multiple microcap companies.

5 2. Without telling investors, Defendant Eden coordinated trades between
6 the seller of the shares and investors to enable the seller to offload his shares
7 without significantly affecting the market for the thinly-traded stock.

8 3. While they engaged in these solicitations, Defendants were neither
9 registered with the Commission as brokers or dealers nor associated with a broker
10 or dealer registered with the Commission.

11 4. Defendants earned transaction-based compensation for their
12 solicitation activities, which ranged from 35% to 40% of investment proceeds.

13 5. By engaging in this conduct, as further described herein, Defendants
14 violated and, unless restrained and enjoined by this Court, may continue to violate
15 Section 15(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”) [15
16 U.S.C. § 78o(a)(1)].

17 6. Additionally, by engaging in this conduct, as further described herein,
18 Defendant Eden violated and, unless restrained and enjoined by this Court, may
19 continue to violate Sections 5(a) and (c) and 17(a)(1) and (3) of the Securities Act
20 of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a) and (c), 77q(a)(1) and (3)], Section
21 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b–5(a)
22 and (c) [17 C.F.R. § 240.10b–5(a) and (c)].

23 **JURISDICTION AND VENUE**

24 7. The Commission brings this action pursuant to Sections 20(b) and
25 20(d) of the Securities Act [15 U.S.C. § 77t(b) and (g)] and Sections 21(d) and (e)
26 of the Exchange Act [15 U.S.C. § 78u(d) and (e)] to enjoin such acts, practices,
27 and courses of business, and to obtain disgorgement, prejudgment interest, civil
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1 money penalties, and such other and further relief as this Court may deem just and
2 appropriate.

3 8. Defendants were involved in the offer and sale of the common stock
4 of numerous microcap companies, which are each a “security” as that term is
5 defined under Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and
6 Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

7 9. Defendants, directly or indirectly, made use of the mails or the means
8 or instrumentalities of interstate commerce in connection with the conduct alleged
9 in this Complaint.

10 10. This Court has subject matter jurisdiction over this action pursuant to
11 Section 22 of the Securities Act [15 U.S.C. § 77v], Sections 21(d) and 27 of the
12 Exchange Act [15 U.S.C. §§ 78u(d) and 78aa], and 28 U.S.C. § 1331.

13 11. Venue in this District is proper because Defendants are found, inhabit,
14 and/or transacted business in the Central District of California and because one or
15 more acts or transactions constituting the violations occurred in the Central District
16 of California.

17 **DEFENDANT**

18 12. **Richard Johnathan Eden**, born in 1956, is last known to reside in
19 Los Angeles, California, and engaged in securities solicitations from at least
20 September 2014 until June 2018.

21 13. **Christopher Michael Neumann**, born 1977, is last known to reside
22 in Los Angeles, California, and engaged in securities solicitations from at least
23 September 2014 until June 2018.

24 **FACTS**

25 14. In or around September 2014, Eden, who had previous experience in
26 the investment solicitation business, was recruited to solicit investors to purchase
27

1 the securities of microcap issuer Intertech Solutions, Inc. (“ITEC”) owned by
2 ITEC’s control person, W.M.

3 15. During the relevant period, ITEC met the statutory definition of a
4 penny stock and had previously qualified as a shell company.

5 16. W.M. also induced Eden to engage in solicitations for another
6 microcap issuer that W.M. held shares in, Revenge Designs, Inc. (later to become
7 Cartel Blue, Inc.) (“CRTL”).

8 17. Eden recruited other salespersons, including Neumann, to work as
9 securities solicitors to facilitate W.M.’s sale of ITEC and/or CRTL shares, and
10 Eden acted as an intermediary distributing commission payments to those sales
11 persons.

12 18. As securities solicitors, Eden and Neumann engaged in a matched-
13 trading scheme that generally operated as follow:

- 14 a. W.M. obtained large blocks of ostensibly unrestricted shares of
15 ITEC and CRTL via private transactions and desired to profit
16 quickly from them by selling the shares into the market.
- 17 b. W.M. however, understood that selling large amounts of thinly
18 traded microcap securities through standard brokerage sell orders
19 would likely take a long time (if using limit orders) and/or cause a
20 collapse in the price of the shares he sought to sell (if using market
21 orders).
- 22 c. To avoid this, W.M. hired solicitors, including Eden (who in turn
23 hired other solicitors such as Neumann), to solicit investors to
24 purchase W.M.’s shares of ITEC and CRTL.
- 25 d. The solicitors like Eden and Neumann used purchased lead lists to
26 cold call prospective investors and inquired if the investor had an
27 active brokerage account with online order-entry functionality.

- 1 e. If so, the solicitor pitched the value of an investment in ITEC or
2 CRTL to the prospective investor.
- 3 f. If the prospective investor was swayed and decided to purchase
4 shares of the promoted company, Eden or Neumann would enquire
5 of the prospect how much money s/he wished to invest.
- 6 g. If Eden was the solicitor, he would then contact W.M. or an agent
7 of W.M. and informed him of the total dollar amount that the
8 investor desired to invest.
- 9 h. If Neumann was the solicitor, he would contact Eden, who would
10 then contact W.M. or his agent.
- 11 i. W.M. or his agent then checked the then current level II quotation
12 of the subject security (which shows offers on the ask and bid) and
13 provide Eden with a limit order price at which the prospective
14 investor was to enter his or her purchase order.
- 15 j. Simultaneously, W.M. or his agent entered a sell limit order for the
16 same amount of shares at the same price. Through these means, the
17 investor's buy order and W.M.'s sell order were likely to match, at
18 least in part, with the effect that W.M. was able to liquidate his
19 position piecemeal into a market with ready purchasers.
- 20 k. W.M. or his agent and Eden communicated about how many
21 shares of the investor's order were "captured" (i.e., matched
22 between the investor and W.M.), and W.M. paid Eden a
23 commission of approximately 35% to 40% of the invested funds.
- 24 l. If other solicitors like Neumann had been responsible for the
25 captured trade, Eden passed along a portion of the commission to
26 the solicitor and retained an override.

1 19. In addition to their role in W.M.'s matched-trading scheme, Eden and
2 Neumann also solicited investors to purchase securities issued by other microcap
3 issuers like Vasari Energy, Inc. via stock purchase agreements and subscription
4 agreements.

5 20. For his work as a securities solicitor, Eden received gross
6 commissions of at least \$1,238,951.13 between November 2014 and June 2018, a
7 portion of which he used to pay the solicitors working under him, like Neumann.

8 21. During this same time period, Neumann received gross commissions
9 of at least \$124,099.84 for his work as a securities solicitor.

10 **FIRST CLAIM FOR RELIEF**

11 **Violations of Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)]**

12 ***(Against each Defendant)***

13 22. The Commission re-alleges and incorporates by reference each and
14 every allegation in paragraphs 1–21, inclusive, as if they were fully set forth
15 herein.

16 23. By engaging in the conduct described above, Defendants:

17 a. engaged in the business of effecting transactions in securities
18 for the account of others; and

19 b. directly or indirectly, made use of the mails or the means or
20 instrumentalities of interstate commerce to effect transactions in, or to induce or
21 attempt to induce the purchase or sale of, securities without being registered as a
22 broker or dealer with the Commission or associated with a broker or dealer
23 registered with the Commission.

24 24. By reason of the foregoing, Defendants violated and, unless enjoined,
25 will continue to violate Sections 15(a)(1) of the Exchange Act [15 U.S.C.
26 § 78o(a)(1)].

1 **SECOND CLAIM FOR RELIEF**

2 **Violations of Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §**
3 **77q(a)(1) and (3)]**

4 ***(Against Defendant Eden)***

5 25. The Commission re-alleges and incorporates by reference each and
6 every allegation in paragraphs 1-21, inclusive, as if they were fully set forth herein.

7 26. By engaging in the conduct described above, Eden directly or
8 indirectly, individually or in concert with others, in the offer and sale of securities,
9 by use of the means and instruments of transportation and communication in
10 interstate commerce or by use of the mails has

11 a. employed devices, schemes, or artifices to defraud; and

12 b. engaged in transactions, practices, or courses of business which
13 operated or would operate as a fraud or deceit.

14 27. With respect to violations of Sections 17(a)(3) of the Securities Act,
15 Eden was at least negligent in his conduct.

16 28. With respect to violations of Section 17(a)(1) of the Securities Act,
17 Eden engaged in the above-referenced conduct knowingly or with sever
18 recklessness.

19 29. By reason of the foregoing, Eden violated and, unless enjoined, will
20 continue to violate Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §
21 77q(a)(1) and (3)].

1 **II.**

2 Permanently restraining and enjoining Defendant Eden from, directly or
3 indirectly, engaging in conduct in violation of Sections 5(a) and (c) and 17(a) of
4 the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)], Section 10(b) of the
5 Exchange Act [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. §
6 240.10b-5];

7 **III.**

8 Permanently restraining and enjoining Defendant Neumann from directly or
9 indirectly, including, but not limited to, through any entity owned or controlled any
10 of them, soliciting any person or entity to purchase or sell any security;

11 **IV.**

12 Ordering Defendants to disgorge all ill-gotten gains or unjust enrichment
13 derived from the activities set forth in this Complaint, together with prejudgment
14 interest thereon;

15 **V.**

16 Ordering Defendants to pay a civil penalty pursuant to Section 21(d)(3) of
17 the Exchange Act [15 U.S.C. § 78u(d)(3)] and, as to Eden, also Section 20(d) of
18 the Securities Act [15 U.S.C. § 77t(d)];

19 **VI.**

20 Retaining jurisdiction of this action in accordance with the principles of
21 equity and the Federal Rules of Civil Procedure in order to implement and carry
22 out the terms of all orders and decrees that may be entered, or to entertain any
23 suitable application or motion for additional relief within the jurisdiction of this
24 Court; and,

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VII.

Granting such other and further relief as this Court may deem just, equitable, or necessary in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: October 31, 2019

/s/ Amy Jane Longo

Amy Jane Longo
Attorneys for Plaintiff
Securities and Exchange Commission

Complaints and Other Initiating Documents

[2:19-cv-09358 Securities and Exchange Commission v. Eden et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Notice of Electronic Filing

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Case Name: Securities and Exchange Commission v. Eden et al

Case Number: [2:19-cv-09358](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

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

2:19-cv-09358 Notice has been electronically mailed to:

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

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Document description:Main Document

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[STAMP cacdStamp_ID=1020290914 [Date=10/31/2019] [FileNumber=28687738-0] [5800abaf821063a8a9bfb30b828b07b1b3203e33399c1efa465eee00efbb6d9361c34418213109706b90efb5cfe74b9ba3556f6ddc4939a3c26b5a9ee09b0663]]