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9
10 **UNITED STATES DISTRICT COURT**
11 **SOUTHERN DISTRICT OF CALIFORNIA**

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13
14 **SECURITIES AND EXCHANGE**
COMMISSION,

15
16 **Plaintiff,**

17 **vs.**

18 **ALEX C. PROCOPIO, MARK S.**
19 **ZOUVAS, and CHRISTIAN R.**
HANSEN

20 **Defendants.**
21

Case No. '20CV0182 BEN LL

COMPLAINT

22
23 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

24 **SUMMARY**

25 1. This case concerns a fraudulent scheme by the defendants – Alex C.
26 Procopio, Mark S. Zouvas, and Christian R. Hansen – to reap approximately \$75,000
27 in illicit trading profits by circumventing the registration requirements of the federal
28 securities laws, which govern how stock can be offered and sold to public investors.

1 2. As part of their scheme, Procopio, Zouvas and Hansen used a two-year-
2 old note issued by a penny stock company called Cuba Beverage Company (“Cuba
3 Beverage”), and then had the note converted into 180 million of shares of Cuba
4 Beverage stock. Procopio was the chief executive officer of Cuba Beverage at all
5 relevant times; Zouvas was its chief financial officer until 2015, and continued to
6 effectively act in that role at all relevant times; and Hansen is a marketing consultant.

7 3. Zouvas acquired the convertible note back in December 2014 when he
8 was still the named CFO of Cuba Beverage. According to Cuba Beverage’s 2014
9 third quarter and annual reports available on the OTC Markets website, Cuba
10 Beverage issued him the note because he had not received any salary or fees for his
11 services since March 2014. That was not true. In reality, he had written checks
12 drawn on the Cuba Beverage account to himself, his wife, and an entity he controlled,
13 during that time.

14 4. The note issued to Zouvas could be converted into Cuba Beverage shares
15 at a price significantly lower than the prevailing market price, allowing the holder of
16 the note to acquire Cuba Beverage shares that could generate substantial profits when
17 sold into the public market. Zouvas purported to sell Hansen a portion of the note in
18 January 2017. All three defendants agreed that Hansen would convert the note into
19 shares of Cuba Beverage, sell them in the market, and then kick back a third of the
20 proceeds to each of Zouvas and Procopio.

21 5. In reality, Hansen provided no consideration to Zouvas at the time
22 Zouvas purportedly sold him a portion of the note. Instead, the two men agreed that
23 Hansen would pay Zouvas for the note after the Cuba Beverage shares had been sold.

24 6. Procopio, in his role as the company’s CEO, signed off on Hansen’s
25 conversion of the note into 180 million shares of Cuba Beverage stock, and then
26 Hansen sold those shares in the public market, splitting the proceeds with Procopio
27 and Zouvas.

28 7. Under Section 5 of the Securities Act of 1933 (“Securities Act”), sales of

1 securities to public investors must be registered with the SEC or be exempt from
2 those registration requirements. Section 5 applies to both a company (or “issuer” of
3 the stock) and its “affiliates,” and it is designed to distinguish between securities
4 offerings by the issuers (which require registration) and subsequent trading once the
5 securities have come to rest in the hands of investors (which is generally exempt).
6 While affiliates of an issuer may resell their securities by registering the sale with the
7 SEC, they can also make the sale without registering it if the sale fits within a “safe
8 harbor” in SEC Rule 144 and satisfies all of the requirements for affiliate sales.
9 Among other things, this helps make sure insiders and affiliates of a company cannot
10 dump their shares into the market without disclosing the transactions to the public.

11 8. For Hansen to be able to immediately sell the Cuba Beverage shares
12 after converting the note, the defendants needed to mislead his broker into believing
13 that the sales complied with the Rule 144 safe harbor. To do so, the defendants
14 concealed Zouvas’ affiliation with Cuba Beverage and its control persons, lied about
15 who would benefit from the sale proceeds, and hid the fact that Hansen had not paid
16 Zouvas for the convertible note. Having been misled by the defendants, the
17 brokerage firm accepted the Cuba Beverage shares and allowed Hansen to sell the
18 stock into the market, which he did between March and July of 2017 for proceeds of
19 approximately \$75,000. Hansen then split the money among himself, Zouvas, and
20 Procopio.

21 9. In deceiving the brokerage firm, the defendants also deceived Cuba
22 Beverage investors. Brokerage firms are gatekeepers who must take steps to ensure
23 that they do not participate in illegal offerings. They seek assurances that their
24 customers can rely on a valid exemption before selling unregistered securities into the
25 market. Here, because the defendants deceived the brokerage firm into allowing
26 Hansen to sell unregistered Cuba Beverage shares, the purchasers of those shares
27 were deprived of the information they otherwise would have been entitled to receive
28 in a registration statement, including information regarding the fact that Cuba

1 Beverage affiliates were dumping stock.

2 10. By this conduct, Procopio, Zouvas, and Hansen violated Sections 5(a),
3 5(c), 17(a)(1), and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c),
4 77q(a)(1), and 77q(a)(3); Section 10(b) of the Securities Exchange Act of 1934
5 (“Exchange Act”), 15 U.S.C. § 78j(b); and Exchange Act Rules 10b-5(a) and 10b-
6 5(c), 17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c). In addition, Defendant Zouvas
7 violated Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2); and Exchange
8 Act Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b).

9 11. With this complaint, the SEC seeks an order permanently enjoining
10 Procopio, Zouvas, and Hansen from future violations of the antifraud provisions of
11 the Securities Act and the Exchange Act, requiring them to pay disgorgement plus
12 prejudgment interest and a civil penalty, and barring them from offering or selling
13 penny stock. The SEC also seeks an order barring Procopio and Zouvas from acting
14 as officers or directors of public companies.

15 **JURISDICTION AND VENUE**

16 12. The Court has jurisdiction over this action pursuant to Sections 20(b),
17 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a),
18 and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§
19 78u(d)(1), 78u(d)(3)(A), 78u(e), and 78aa.

20 13. Defendants have, directly or indirectly, made use of the means or
21 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
22 securities exchange in connection with the transactions, acts, practices and courses of
23 business alleged in this complaint.

24 14. Venue is proper in this district pursuant to Section 22(a) of the Securities
25 Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa,
26 because certain of the transactions, acts, practices and courses of conduct constituting
27 violations of the federal securities laws occurred within this district. In addition,
28 venue is proper in this district because Defendants reside in this district.

1 **THE DEFENDANTS**

2 15. **Alex C. Procopio** resides in San Diego, California. Procopio founded
3 Cuba Beverage in 2007. At all relevant times, he was Cuba Beverage’s president,
4 chief executive officer, secretary, and a director.

5 16. **Mark S. Zouvas** resides in San Diego, California. Zouvas served as
6 Cuba Beverage’s CFO, treasurer, and a director from approximately March 2012 to
7 March 2015. As alleged below, he continued to have an active role in the company at
8 all relevant times, effectively acting as its CFO despite not retaining that title.

9 17. **Christian Hansen** resides in San Diego, California. Since at least 2013,
10 he has run Maximum Performance Advisors Inc. (“Maximum Performance”), a
11 California corporation whose purported business is corporate marketing.

12 **THE COMPANY**

13 18. **Cuba Beverage Company** is a Wyoming corporation with its current
14 principal office in Las Vegas, Nevada. At all relevant times, it was headquartered in
15 San Diego, California. Cuba Beverage’s stock is quoted on OTC Link (“OTC Link,”
16 previously the “Pink Sheets”), which is operated by OTC Markets Group, Inc. (“OTC
17 Markets”), under the ticker symbol “CUBV.” It does not have reporting obligations
18 under Section 13 or Section 15(d) of the Exchange Act. It purportedly produces and
19 distributes all-natural energy drinks.

20 **THE ALLEGATIONS**

21 **A. Cuba Beverage**

22 19. Cuba Beverage is purportedly an energy drink company. At all relevant
23 times, Procopio was its CEO. Zouvas was its named CFO until 2015, and continued
24 to act in that role at all relevant times.

25 20. The stock of Cuba Beverage is quoted and trades on OTC Link. Its
26 current stock price is \$0.0006, and it has not traded above \$0.10 in the last five years.
27 During the relevant time, Cuba Beverage was part of OTC Link’s “OTC Pink”
28 category. Companies in the OTC Pink category are encouraged to make submissions

1 to OTC Markets that include all of the information required by the OTC Pink Basic
2 Disclosure Guidelines (“Guidelines”).

3 21. Cuba Beverage’s submissions appeared on Cuba Beverage’s public
4 profile on the OTC Markets website (www.otcmarkets.com), which also included,
5 among other things, interactive trading charts, a summary of the company’s business,
6 and press releases.

7 **B. Zouvas’ False Statements in OTC Submissions about Cuba Beverage’s**
8 **Debt Owed Him**

9 22. While Zouvas was the named CFO of Cuba Beverage, the company’s
10 quarterly report submitted in November 2014 and an annual report submitted in
11 February 2015 each stated that Zouvas was not being paid a salary or fees for his
12 work, and so was owed money by the company.

13 23. The quarterly report was for the third quarter of 2014, ended September
14 30, 2014, and the annual report was for the year ended December 31, 2014. Each was
15 submitted to OTC Markets and made publicly available on its website.

16 24. In both submissions, under “Related Party Transactions,” the report
17 stated that Zouvas “has not taken any salaries or fees from the Company since March
18 31, 2014,” and that “[a]s a result, the Company has recorded a related party payable
19 to Mr. Zouvas.”

20 25. The amount allegedly payable to Zouvas was listed as \$25,750 in the
21 quarterly report submitted in November 2014, and was listed as \$38,000 in the annual
22 report submitted in February 2015.

23 26. In December 2014, Cuba Beverage issued Zouvas the convertible note at
24 issue in this case, purportedly to satisfy this alleged payable. The note was for
25 \$38,000, and included language that allowed future conversion of the note into
26 potentially millions of shares of common stock of Cuba Beverage based on its stock
27 price at the time of conversion.

28 27. At the time the 2014 third quarter and annual reports were submitted to

1 OTC Markets, Zouvas was the named CFO of Cuba Beverage. As CFO, Zouvas
2 signed a certification under oath stating that he had read the submission and that it did
3 not contain any materially untrue statements.

4 28. He prepared, signed, and certified the 2014 third quarter report for the
5 quarter ended September 30, 2014, which was submitted to OTC Markets on or about
6 November 14, 2014.

7 29. He also prepared, signed, and certified the 2014 annual report for the
8 year ended December 31, 2014, which was submitted to OTC Markets on or about
9 February 18, 2015.

10 30. However, the disclosure in the third quarter and annual reports for 2014
11 that Zouvas had not taken any salaries or fees from Cuba Beverage since March 31,
12 2014 was false.

13 31. Between April 1, 2014 and December 31, 2014 (the end of Cuba
14 Beverage's fiscal 2014), Zouvas signed company checks totaling about \$8,500 that
15 were payable to either himself, his wife, or Magnolia Hill Resources, LLC
16 ("Magnolia Hill") – an entity he controlled. One of the checks included a notation
17 that the payment was for "CFO partial fee."

18 32. Zouvas also signed a Cuba Beverage check to himself for \$1,000, and to
19 Magnolia Hill for \$200, between January 1, 2015 and February 18, 2015, when Cuba
20 Beverage's 2014 annual report was actually submitted to OTC Markets.

21 33. The \$8,500 that Zouvas paid himself between April and December 2014
22 was about 45% of Cuba Beverage's revenues reported during the same time, and as
23 of December 31, 2014, Cuba Beverage reported having \$0 in total current assets.

24 34. Similarly, the \$1,200 he took in the first quarter of 2015 was about 41%
25 of Cuba Beverage's reported revenues of \$2,956 during the same period.

26 35. Zouvas thus made false and misleading statements in Cuba Beverage's
27 2014 quarterly and annual reports claiming he had not been paid, when he had.

28 36. Zouvas' false and misleading statements were publicly available on OTC

1 Markets' website while Cuba Beverage stock was being traded and were made in the
2 offer and sale of, and in connection with the purchase or sale of a security.

3 37. Zouvas knew, or was reckless or negligent in not knowing, that the
4 statements in the two reports were false because, despite what the reports claimed, he
5 had been receiving money from the company. As the CFO of the company, Zouvas
6 also did not exercise reasonable care in making these statements in these reports.

7 38. Zouvas obtained money by means of this fraud when Cuba Beverage
8 issued him the \$38,000 convertible note to satisfy the false debt he claimed to be
9 owed.

10 39. A reasonable investor in Cuba Beverage would find it important to know
11 that Zouvas was making undisclosed payments to himself, his wife and his own
12 company, especially since the payments constituted large portions of Cuba
13 Beverage's revenues and assets reported at the time. A reasonable investor would
14 also want to know that Zouvas was further enriching himself with company shares
15 issuable pursuant to a false payable.

16 **C. The Defendants' Scheme to Sell Stock in Circumvention of the**
17 **Registration Provisions of the Securities Act**

18 40. In 2017, Procopio, Zouvas, and Hansen used the \$38,000 convertible
19 note issued to Zouvas in 2014 under false pretenses to make approximately \$75,000
20 in profits through a fraudulent scheme to illegally sell unregistered Cuba Beverage
21 stock into the market.

22 41. In or around January 2017, Procopio, Zouvas, and Hansen agreed that
23 Zouvas would sell \$1,800 of the \$38,000 convertible note to Hansen.

24 42. Hansen wrote a check for \$1,800 to Zouvas, but did not actually use his
25 own money to buy the convertible note. Instead, Zouvas gave the \$1,800 to Hansen
26 with the understanding that Hansen would pay Zouvas back after the shares had been
27 sold. This created a false record that gave the impression that Hansen had paid for
28 the note in January 2017.

1 43. In January 2017, Hansen’s portion of the note was converted to 180
2 million shares of Cuba Beverage shares. At that time, Cuba Beverage stock was
3 trading at about \$0.0001/share. So for the purported \$1,800 purchase price for the
4 note, Hansen obtained about \$18,000 worth of stock.

5 44. The defendants agreed that Hansen would sell the shares on the open
6 market and split the proceeds three ways—one third to Zouvas, one third to Cuba
7 Beverage’s bank account, and one third for himself. Most of the proceeds that went
8 to the company went to company CEO Procopio, and in fact, one of the payments
9 went directly to Procopio.

10 **1. SEC Registration Requirements and Rule 144**

11 45. The Securities Act protects investors by ensuring that companies issuing
12 securities fully disclose information relevant to a public offering. One of the most
13 important aspects of the Securities Act is its registration requirement, which requires
14 issuers to register sales of their securities to public investors. That requirement is
15 central to protecting public investors, because it is designed to assure that material
16 facts bearing on the value of publicly traded securities is available and disclosed to
17 the investing public.

18 46. There are specific exemptions under the Securities Act that allow some
19 offers or sales of securities to be made without registering the sale with the SEC.
20 One of those exemptions is found in Section 4(a)(1) of the Act. While Section 5
21 generally requires registration for the flow of securities from an issuer to investors,
22 the premise of the Section 4(a)(1) exemption is that registration is no longer
23 necessary for further sales once the shares come to rest with public investors.

24 47. Section 4(a)(1) exempts “transactions by any person other than an issuer,
25 underwriter, or dealer.” 15 U.S.C. § 77d(a)(1). An underwriter is defined to include
26 anyone who purchased a security from “an issuer with a view to” later “distribut[e]”
27 the security to others, or anyone who “offers or sells” securities “for an issuer” in
28 connection with the distribution of those securities. For this definition of an

1 underwriter, an “issuer” is additionally defined to include “any person directly or
2 indirectly controlling or controlled by the issuer, or any person under direct or
3 indirect common control with the issuer.”

4 48. Rule 144 of the Securities Act creates a “safe harbor” from the
5 underwriter definition for persons seeking to resell stock they acquired directly from
6 an issuer without any registration – often called “restricted securities.” A person
7 satisfying the applicable conditions of the Rule 144 safe harbor is deemed not to be
8 an underwriter for purposes of the Section 4(a)(1) registration exemption, and
9 therefore can sell the restricted securities without having to register the sale with the
10 SEC.

11 49. There are several requirements under Rule 144 for this safe harbor to
12 apply. One of them is the holding period requirement. Under Rule 144, restricted
13 securities must be held for more than a year before they can be resold again.

14 50. Here, the 180 million shares of Cuba Beverage stock were “restricted”
15 securities. That is because Hansen had acquired them from an affiliate (Zouvas) in a
16 transaction (the purported sale of the note to Hansen) that had not been registered
17 with the SEC. However, the shares were not held for more than a year before they
18 were resold.

19 51. Hansen was also an underwriter when he resold the stock into the
20 market. He not only acquired his stock from an affiliate with an immediate intent to
21 resell into the market, but he was also selling these shares “for an issuer” or its
22 affiliates because he had agreed to pay back a third of the trading profits to the issuer
23 – Cuba Beverage – as well as to Procopio and Zouvas, who were both affiliates of
24 Cuba Beverage. His sales thus neither qualified for the Section 4(a)(1) exemption nor
25 the Rule 144 safe harbor.

26 52. In February 2017, as alleged in more detail below, Hansen submitted a
27 deposit request to his brokerage firm for the 180 million Cuba Beverage shares that
28 had been issued upon conversion of his note. He communicated that he was relying

1 on the Rule 144 safe harbor to make that sale.

2 53. In order to resell the stock and to ensure compliance with the registration
3 requirements of the Securities Act, Hansen's brokerage firm required proof that the
4 Rule 144 safe harbor that Hansen purported to rely on was valid. Hansen's brokerage
5 firm would not accept the shares without documentation from Procopio and Hansen
6 that Hansen had acquired his shares from someone who was not an affiliate of Cuba
7 Beverage, and that the shares had been held for more than a year.

8 54. As alleged below, the defendants deceived the brokerage firm into
9 believing that Hansen had not acquired the shares from an affiliate of Cuba Beverage
10 and that he was not acting as an underwriter by selling them for affiliates of the
11 company.

12 55. In addition, Rule 144 provides that the one-year holding period does not
13 begin until the full purchase price is paid by the person acquiring the securities from
14 the issuer or from an affiliate of the issuer. Because Hansen did not pay the full
15 purchase price for the note to acquire the stock until after he sold the shares into the
16 market, the one-year holding period required for Rule 144's safe harbor to apply
17 never began to run. And even if Hansen's acquisition of the note was considered a
18 real sale, he did not hold the convertible note or the shares into which it was
19 converted for more than the required year. In fact, he only held them for about two
20 months before he sold them into the market.

21 **2. Zouvas' Affiliate Status with Cuba Beverage**

22 56. Under Rule 144, an affiliate is a "person that directly, or indirectly
23 through one or more intermediaries, controls, or is controlled by, or is under common
24 control with, such issuer." Control may rest with a group of persons, such as the
25 members of the corporation's management.

26 57. From March 2012 through March 2015, Zouvas was Cuba Beverage's
27 CFO. Although he announced his resignation as CFO in March 2015, his resignation
28 changed nothing with respect to his management control over Cuba Beverage, as he

1 continued to act as its CFO.

2 58. Through 2017, and at all relevant times, Zouvas was an affiliate of Cuba
3 Beverage. For example, he continued to prepare Cuba Beverage's financial
4 statements and its submissions to OTC Markets through the spring of 2017 because
5 Procopio had no background in accounting or finance and was unable to do them
6 himself.

7 59. During 2017, Zouvas reviewed company press releases and was
8 involved in negotiations with potential investors. He suggested that Procopio use
9 certain language in loan agreements, or refuse to do business with particular
10 investors.

11 60. Even though OTC Markets' disclosure guidelines requested the
12 identification of any individual who advised a company or helped prepare its OTC
13 submissions, Zouvas never identified himself as such despite continuously advising
14 Procopio and preparing both the financial statements and the OTC submissions.

15 **3. Defendants' Roles in the Fraudulent Scheme**

16 61. Procopio, Zouvas, and Hansen each had a role in the fraud related to
17 depositing the Cuba Beverage shares with Hansen's broker. Procopio and Hansen
18 both lied to the broker in order to make it appear that the sale of the 180 million Cuba
19 Beverage shares was consistent with the requirements of the Rule 144 safe harbor.
20 Zouvas concealed his affiliate status with Cuba Beverage, and facilitated Hansen's
21 lies regarding payment for the convertible note.

22 **a. Procopio**

23 62. On February 9, 2017, Procopio wrote a letter to Hansen's brokerage firm
24 as the CEO of Cuba Beverage, representing, among other things, that "[t]here is no
25 agreement or other arrangement between [Cuba Beverage] and [Zouvas and Hansen]
26 to remit any portion of the proceeds from the resale of [Cuba Beverage stock] to
27 Cuba Beverage."

28 63. This statement was false. The purpose of the scheme was for Hansen to

1 split his sales proceeds with Cuba Beverage and Zouvas, with Procopio taking funds
2 from Cuba Beverage’s account.

3 64. The letter further represented that Zouvas was not an “Affiliate[s] of
4 [Cuba Beverage] as that term is used in paragraph (a) of Rule 144 of the Securities
5 Act of 1933”

6 65. This was also false. Procopio knew that Zouvas’ duties with respect to
7 Cuba Beverage never changed after he resigned as CFO. Procopio’s representation
8 that Zouvas was not an affiliate was therefore false.

9 66. In carrying out this fraud, Procopio knew, or was reckless or negligent in
10 not knowing, that he was deceiving the broker into effectuating resales of
11 unregistered securities, and was misrepresenting and omitting the truth, about
12 Zouvas’ affiliation with Cuba Beverage and Zouvas’ role in the sale of the converted
13 shares. As the CEO of the company, Procopio also did not exercise reasonable care
14 in his dealings with his brokerage firm in connection with the deposit and sale of the
15 shares.

16 **b. Zouvas**

17 67. Zouvas actively concealed his affiliation with Cuba Beverage. By doing
18 so, Zouvas was able to carry out the fraudulent scheme with his co-defendants so they
19 could each profit through the use of his convertible note.

20 68. Zouvas took steps to hide his affiliation with, and influence over the
21 company. For example, on February 24, 2017, Procopio sent Zouvas an email
22 seeking his advice on a press release. In response, Zouvas stated: “It looks fine to
23 me – start sending me this stuff through what’s app [*sic*] – I don’t want to have a
24 record of looking at this kind of thing.”

25 69. Zouvas also engaged in deceptive conduct when he agreed with Hansen
26 that Hansen did not have to pay him for the convertible note until after the shares
27 were sold. By doing so, Zouvas created a false record of “proof of payment” that
28 Hansen could show his brokerage firm when the shares were to be deposited and then

1 sold.

2 70. Zouvas also hid his affiliated status from the investing public. For
3 example, OTC Markets' disclosure guidelines requested the identification of any
4 individual who advised a company or helped prepare its OTC Markets submissions.
5 Despite this, Zouvas never identified himself after having resigned as CFO even
6 though he was continuously advising Procopio and preparing Cuba Beverage's
7 financial statements and disclosure.

8 71. In carrying out this fraud, Zouvas knew, or was reckless or negligent in
9 not knowing, that he was concealing his affiliation with Cuba Beverage.

10 **c. Hansen**

11 72. On February 3, 2017, Hansen submitted a deposit request for 180 million
12 Cuba Beverage shares to his brokerage firm.

13 73. In the security depositor agreement within the request, he disclaimed
14 acting in any joint, collaborative, or orchestrated action with any other person. The
15 same form specifically asked that Hansen confirm that he was not paying or sharing,
16 directly or indirectly, any of the proceeds from the sale of the shares with the issuer
17 or the person from whom he had acquired the shares.

18 74. In fact, Hansen had an undisclosed agreement to kick back a portion of
19 the proceeds to Procopio (through Cuba Beverage) and Zouvas. Hansen signed the
20 agreement under penalty of perjury.

21 75. Hansen also submitted to the brokerage firm a "Rule 144(b)/Rule
22 144(d)/Section 4(1) Shareholder Representation Letter." In that letter, he stated that
23 he was not acting in concert with any person for the purpose of selling Cuba
24 Beverage's securities. That statement was false because of his secret kick-back
25 agreement with Zouvas and Procopio.

26 76. Furthermore, when one of the brokerage firm representatives asked
27 Hansen to state whether he had ever been involved "in any stock promotion activity
28 for Cuba Beverage or any OTC stocks," Hansen responded by saying, "I have not

1 been involved in any promotional activities for Cuba Beverage or any other
2 company.”

3 77. That was also false. Hansen’s company, Maximum Performance, is in
4 the business of corporate marketing. In 2013, on behalf of his company, Hansen had
5 signed a contract with Cuba Beverage relating to “public relations and corporate
6 communications services,” including services like, “Daily Outbound Tele-Campaign
7 to New Investors,” and “Postcard Mailers to Existing Shareholders and Target
8 Investors.”

9 78. In addition, around the same time Hansen stated that he had not done
10 any promotional work for Cuba Beverage or any other company listed on the OTC
11 market, he was providing promotional services for at least one other OTC-listed
12 company.

13 79. Hansen further deceived his broker when, in response to the broker’s
14 deposit requirements for proof that Hansen had paid Zouvas for the convertible note,
15 Hansen submitted a copy of a check for \$1,800 from himself to Zouvas, as well as a
16 copy of a deposit confirmation from Zouvas.

17 80. By giving the broker the copies of the check and deposit slip, Hansen
18 gave the brokerage firm the false impression that he had actually paid for the note to
19 acquire the shares. In reality, however, Zouvas and Hansen had agreed to have
20 Zouvas provide Hansen with the funds to purchase the note with the understanding
21 that Hansen would repay Zouvas once the shares had been sold. As a result, the
22 check and deposit slip Hansen submitted to his brokerage firm was not proof of an
23 actual payment to Zouvas.

24 81. In carrying out this fraud, Hansen knew, or was reckless or negligent in
25 not knowing, that he was deceiving the broker, and was misrepresenting and omitting
26 the truth, about Zouvas’ role in the sale of the converted shares or Hansen’s
27 agreement with Zouvas regarding the note and the shares. Hansen also did not
28 exercise reasonable care in his dealings with his brokerage firm in connection with

1 the deposit and sale of the shares.

2 **4. The Sale of the Shares and Splitting of Profits**

3 82. From March 7 to April 11, 2017, Hansen sold 105 million shares of
4 Cuba Beverage to the public for proceeds of about \$43,000.

5 83. On April 17, 2017, he wired \$30,000 from his brokerage account to his
6 bank account, and on the same day gave a check for \$10,000 to Cuba Beverage and a
7 check for \$10,000 to Zouvas.

8 84. Procopio deposited the check to Cuba Beverage into Cuba Beverage's
9 bank account on the same day, and then used the money in the account to pay for
10 some business expenses, as well as his personal expenses, including grocery store, car
11 wash, restaurant and travel costs, along with cash withdrawals.

12 85. Between April 24, 2017 and July 12, 2017, Hansen sold his remaining
13 75,000,000 shares for additional proceeds of approximately \$33,000.

14 86. On July 13, 2017, he wrote a \$3,000 check to each of Cuba Beverage
15 and Magnolia Hill. Hansen also wrote a separate \$1,800 check to Zouvas. Hansen
16 and Procopio met in person to exchange the checks, and Procopio later delivered
17 Zouvas' two checks to him in person.

18 87. On July 19, 2017, when the last Cuba Beverage sales had settled, the
19 three defendants repeated the process, but this time, Hansen wrote a check directly to
20 Procopio instead of Cuba Beverage.

21 88. In total, Hansen sold about \$75,000 worth of Cuba Beverage stock, and
22 paid Zouvas and Procopio (either directly or through Cuba Beverage) approximately
23 \$20,000 each. While the \$40,000 he paid them was not actually two thirds of the
24 trading proceeds, Hansen told them that the total trading proceeds were
25 approximately \$54,000.

26 89. The defendants carried out this fraud in connection with the purchase
27 and sale, and in the offer and sale, of the converted shares into the public market.

28 90. In light of the responsibilities placed on brokers to ensure that they do

1 not make illegal sales of securities for their customers, any reasonable broker would
2 have wanted to know the truth about the defendants' agreement to sell the shares
3 without complying with the Rule 144 safe harbor, about Zouvas' affiliation with the
4 company, and about his arrangement with Hansen and Procopio to sell the stock into
5 the public market and share the profit amongst the three of them. That information
6 would have alerted the broker that he was selling for an underwriter in a nonexempt,
7 unregistered distribution.

8 91. Any reasonable Cuba Beverage investor would have wanted to know the
9 truth about the company's CEO (Procopio) and acting CFO (Zouvas), being involved
10 in a scheme to sell unregistered shares on the open market without satisfying the
11 requirements of Rule 144.

12 **D. Lack of Registration of the Sale of Cuba Beverage Stock**

13 92. The defendants' offer and sale of the 180 million shares of Cuba
14 Beverage stock from March to July 2017 was not registered with the SEC.

15 93. No registration statement was ever filed with the SEC for the offer or
16 sale of those shares.

17 94. Hansen directly sold the Cuba Beverage shares without registration
18 because he acquired the portion of the convertible note that was then converted into
19 the Cuba Beverage shares, he deposited those securities with his broker, and his
20 broker thereafter sold them to the public at Hansen's instruction.

21 95. Hansen was an underwriter. When he acquired the note and converted it
22 into shares of Cuba Beverage stock, Hansen acquired the shares with a view to sell
23 those securities into the market. He also sold those shares for the issuer, as evidenced
24 by his remittance of a portion of the sale proceeds back to the issuer, Cuba Beverage,
25 and its affiliates.

26 96. Procopio was a necessary participant and substantial factor in Hansen's
27 offers and sales of the Cuba Beverage shares of stock. As CEO of Cuba Beverage, he
28 authorized the issuance of the shares upon conversion of Zouvas' note, and signed the

1 necessary paperwork for the broker to accept Hansen's shares for deposit. Without
2 Procopio's participation as the CEO of the company, Hansen's brokerage firm would
3 not have been deceived that the shares were exempt under Rule 144, and would not
4 have allowed Hansen to sell the shares into the market. Moreover, Procopio helped
5 plan the scheme and received proceeds from the illegal stock sales.

6 97. Zouvas was also a necessary participant and substantial factor in
7 Hansen's offer and sale of the Cuba Beverage shares of stock. Zouvas concealed his
8 affiliation with CUBV, and provided Hansen the \$1,800 needed to buy the note that
9 was converted into the stock. But for Zouvas' alleged sale of a portion of his
10 convertible note to Hansen, the shares would not have been issued or sold into the
11 market. In addition, Zouvas planned the scheme to sell the shares and received
12 proceeds from the unregistered sales.

13 **FIRST CLAIM FOR RELIEF**

14 **Fraud in Connection with the Purchase or Sale of Securities**

15 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c)** 16 **(against Defendants Procopio, Zouvas, and Hansen)**

17 98. The SEC realleges and incorporates by reference paragraphs 1 through
18 97 above.

19 99. As alleged above, Procopio, Zouvas, and Hansen engaged in a fraudulent
20 scheme that allowed them to quickly and cheaply profit from the sale of 180 million
21 Cuba Beverage shares without registering the sale of those shares as required by the
22 federal securities laws. In particular, and as alleged in more detail above, Zouvas
23 concealed his affiliation with Cuba Beverage, Hansen and Procopio lied to the broker
24 to facilitate the deposit of the shares, and Hansen sold the shares and kicked back a
25 portion of the proceeds to Procopio and Zouvas.

26 100. By engaging in the conduct described above, defendants Procopio,
27 Zouvas, and Hansen, and each of them, directly or indirectly, in connection with the
28 purchase or sale of a security, by the use of means or instrumentalities of interstate

1 commerce, of the mails, or of the facilities of a national securities exchange: (a)
2 employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices,
3 or courses of business which operated or would operate as a fraud or deceit upon
4 other persons.

5 101. Defendants Procopio, Zouvas, and Hansen, and each of them, knew, or
6 was reckless in not knowing, that he employed devices, schemes or artifices to
7 defraud and engaged in acts, practices, or courses of business that operated as a fraud
8 upon other persons by the conduct described in detail above.

9 102. By engaging in the conduct described above, defendants Procopio,
10 Zouvas, and Hansen, and each of them, violated, and unless restrained and enjoined
11 will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and
12 Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c).

13 **SECOND CLAIM FOR RELIEF**

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

15 **(against Defendants Procopio, Zouvas, and Hansen)**

16 103. The SEC realleges and incorporates by reference paragraphs 1 through
17 97 above.

18 104. As alleged above, Procopio, Zouvas, and Hansen engaged in a fraudulent
19 scheme that allowed them to quickly and cheaply profit from the sale of 180 million
20 Cuba Beverage shares. In particular, and as alleged in more detail above, Zouvas
21 concealed his affiliation with Cuba Beverage, Hansen and Procopio lied to the broker
22 to facilitate the deposit of the shares, and Hansen sold the shares and kicked back a
23 portion of the proceeds to Procopio and Zouvas.

24 105. By engaging in the conduct described above, defendants Procopio,
25 Zouvas, and Hansen, and each of them, directly or indirectly, in the offer or sale of
26 securities, and by the use of means or instruments of transportation or communication
27 in interstate commerce or by use of the mails directly or indirectly: (a) employed
28 devices, schemes, or artifices to defraud; and (b) engaged in transactions, practices, or

1 courses of business which operated or would operate as a fraud or deceit upon the
2 purchaser.

3 106. Defendants Procopio, Zouvas, and Hansen, and each of them, knew, or
4 was reckless or negligent in not knowing, that he employed devices, schemes or
5 artifices to defraud and engaged in acts, practices, or courses of business that
6 operated as a fraud upon other persons by the conduct described in detail above.

7 107. By engaging in the conduct described above, defendants Hansen,
8 Procopio and Zouvas, and each of them, violated, and unless restrained and enjoined
9 will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15
10 U.S.C. §§ 77q(a)(1), and 77q(a)(3).

11 **THIRD CLAIM FOR RELIEF**

12 **Fraud in the Connection with the Purchase or Sale of Securities**
13 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)**
14 **(against Defendant Zouvas)**

15 108. The SEC realleges and incorporates by reference paragraphs 1 through
16 97 above.

17 109. In two publicly available reports submitted to OTC Markets, Zouvas
18 made materially false and misleading statements to investors and prospective
19 investors, as well as to OTC Markets, by stating that he had received no salary or fees
20 from Cuba Beverage since March 2014, when, in fact, he had received money from
21 the company.

22 110. By engaging in the conduct described above, defendant Zouvas, directly
23 or indirectly, in connection with the purchase or sale of a security, and by the use of
24 means or instrumentalities of interstate commerce, of the mails, or of the facilities of
25 a national securities exchange, made untrue statements of material fact or omitted to
26 state a material fact necessary in order to make the statements made, in light of the
27 circumstances under which they were made, not misleading.

28 111. Defendant Zouvas knew, or was reckless in not knowing, that he made

1 untrue statements of material fact or omitted to state a material fact necessary in order
2 to make the statements made, in light of the circumstances under which they were
3 made, not misleading.

4 112. By engaging in the conduct described above, defendant Zouvas violated,
5 and unless restrained and enjoined will continue to violate, Section 10(b) of the
6 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. §
7 240.10b-5(b).

8 **FOURTH CLAIM FOR RELIEF**

9 **Fraud in the Offer or Sale of Securities**

10 **Violations of Section 17(a)(2) of the Securities Act**

11 **(against Defendant Zouvas)**

12 113. The SEC realleges and incorporates by reference paragraphs 1 through
13 97 above.

14 114. In two publicly available reports submitted to OTC Markets, Zouvas
15 obtained money by means of materially false and misleading statements to investors
16 and prospective investors, as well as to OTC Markets, by stating that he had received
17 no salary or fees from Cuba Beverage since March 2014, when, in fact, he had
18 received money from the company.

19 115. By engaging in the conduct described above, defendant Zouvas, directly
20 or indirectly, in the offer or sale of securities, and by the use of means or instruments
21 of transportation or communication in interstate commerce or by use of the mails,
22 obtained money or property by means of untrue statements of a material fact or by
23 omitting to state a material fact necessary in order to make the statements made, in
24 light of the circumstances under which they were made, not misleading.

25 116. Defendant Zouvas knew, or was reckless or negligent in not knowing,
26 that he obtained money or property by means of untrue statements of a material fact
27 or by omitting to state a material fact necessary in order to make the statements made,
28 in light of the circumstances under which they were made, not misleading.

1 117. By engaging in the conduct described above, defendant Zouvas violated,
2 and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the
3 Securities Act, 15 U.S.C. § 77q(a)(2).

4 **FIFTH CLAIM FOR RELIEF**

5 **Unregistered Offer and Sale of Securities**

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

7 **(against Defendants Procopio, Zouvas, and Hansen)**

8 118. The SEC realleges and incorporates by reference paragraphs 1 through
9 97 above.

10 119. As alleged above, Hansen's sale of 180 million Cuba Beverage shares
11 was not registered with the SEC, and no exemption to the registration requirements
12 was available. Procopio and Zouvas were necessary participants and substantial
13 factors in Hansen's unregistered sale. For example, Procopio authorized the issuance
14 of the shares to Hansen, and Zouvas sold a portion of his convertible note to Hansen.
15 In addition, both men were involved in planning the scheme, and both men received
16 proceeds from Hansen's unregistered stock sales.

17 120. By engaging in the conduct described above, defendants Procopio,
18 Zouvas, and Hansen, and each of them, directly or indirectly, singly and in concert
19 with others, has made use of the means or instruments of transportation or
20 communication in interstate commerce, or of the mails, to offer to sell or to sell
21 securities, or carried or caused to be carried through the mails or in interstate
22 commerce, by means of instruments of transportation, securities for the purpose of
23 sale or for delivery after sale, when no registration statement had been filed or was in
24 effect as to such securities, and when no exemption from registration was applicable.

25 121. By engaging in the conduct described above, Defendants Hansen,
26 Procopio, and Zouvas, violated, and unless restrained and enjoined will continue to
27 violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

II.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Procopio, Zouvas, and Hansen and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

Order Defendants to disgorge all funds received from their illegal conduct, together with prejudgment interest thereon.

IV.

Order Defendants to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Enter an order against Defendants Procopio and Zouvas pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 77t(e) and 15 U.S.C. § 78u(d)(2), prohibiting them 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. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

1 **VI.**

2 Enter an order against Defendants Procopio, Zouvas, and Hansen prohibiting
3 them from participating in any offering of penny stock pursuant to Section 20(g) of
4 the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15
5 U.S.C. § 78u(d)(6).

6 **VII.**

7 Retain jurisdiction of this action in accordance with the principles of equity and
8 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
9 all orders and decrees that may be entered, or to entertain any suitable application or
10 motion for additional relief within the jurisdiction of this Court.

11 **VIII.**

12 Grant such other and further relief as this Court may determine to be just and
13 necessary.

14 Dated: January 29, 2020

15 */s/ Sara D. Kalin*

16 _____
Sara D. Kalin

17 Attorney for Plaintiff

18 Securities and Exchange Commission
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