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16 **UNITED STATES DISTRICT COURT**
 17 **SOUTHERN DISTRICT OF CALIFORNIA**

18
 19 **SECURITIES AND EXCHANGE**
COMMISSION,

20 **Plaintiff,**

21 **vs.**

22 **DAVID STEPHENS, DONALD LINN**
 23 **DANKS, JONATHAN DESTLER, and**
 24 **ROBERT LAZERUS,**

25 **Defendants, and**

26 **DANIEL SOLOMITA and 8198381**
 27 **Canada, Inc.**

28 **Relief Defendants.**

Case No. **'22CV1483 AJB DEB**

COMPLAINT

1
2 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

3 **JURISDICTION AND VENUE**

4
5 1. The Court has jurisdiction over this action pursuant to Sections
6 20(b), 20(d) and 22(a) of the Securities Act of 1933 (“Securities Act”) [15
7 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a)], and Sections 21(d), 21(e) and 27(a) of the
8 Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1),
9 78u(d)(3)(A), 78u(e) & 78aa(a)].

10 2. David Stephens, Donald Linn Danks, Jonathan Destler, and
11 Robert Lazerus (collectively the “Defendants”) have, directly or indirectly, made
12 use of the means or instrumentalities of interstate commerce, of the mails, or of
13 the facilities of a national securities exchange in connection with the
14 transactions, acts, practices and courses of business alleged in this complaint.

15 3. Venue is proper in this district pursuant to Section 22(a) of the
16 Securities Act [15 U.S.C. § 77v(a)], and Section 27(a) of the Exchange Act [15
17 U.S.C. § 78aa(a)], because certain of the transactions, acts, practices and courses
18 of conduct constituting violations of the federal securities laws occurred within
19 this district. In addition, venue is proper in this district because Defendants
20 Danks, Destler, and Lazerus reside in this district.

21 **SUMMARY**

22 4. This is a securities enforcement action. From at least 2014 to at
23 least November 2018 (the “Relevant Period”), Stephens, Danks, and Destler
24 engaged in a deceptive scheme to sell publically traded stock in Loop Industries,
25 Inc. (“Loop”), while concealing their ownership of the stock and connections
26 with the company. Lazerus worked with the group to further the scheme by
27 helping to increase demand for Loop stock by promoting it and brokering sales
28 to a number of investors, including to an elderly investor who invested millions

1 of dollars in Loop at the same time that the group was covertly selling the stock.

2 5. In the course of the scheme, Stephens, Danks, Destler, and
3 Lazerus all worked to further the fraud by engaging in deceptive conduct—
4 including by seeking to evade securities law disclosure, registration, and
5 reporting requirements—to conceal their ownership of Loop stock. Danks was a
6 member of the Board of Directors of Loop, and Danks and Destler made specific
7 material misrepresentations to brokerage firms to conceal Danks' connections to
8 the company. In addition, Lazerus failed to meet the broker registration
9 requirements of the securities laws by regularly selling Loop securities without
10 registering with the Commission as a broker.

11 6. As a result of the Defendants' deceptive scheme, investors
12 buying Loop stock during the Relevant Period were deprived of important
13 information: (1) that Stephens, Danks, and Destler were working as a
14 coordinated group to hide their ownership and collective control of significant
15 amounts of Loop stock; and (2) that members of the group, assisted by Lazerus,
16 were encouraging others to buy Loop stock at the same time that they were
17 surreptitiously selling it.

18 7. Over the Relevant Period, working together, these Defendants
19 generated millions of dollars in proceeds from fraudulently selling Loop stock.

20 8. As a result of their conduct alleged herein, Stephens, Danks,
21 Destler, and Lazerus violated Sections 17(a)(1) and 17(a)(3) of the Securities
22 Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c)
23 thereunder; Danks and Destler violated Section 10(b) of the Exchange Act and
24 Rule 10b-5(b) thereunder; and Lazerus violated Section 15(a) of the Exchange
25 Act.

26 9. The Commission seeks a permanent injunction against the
27 Defendants, enjoining them from engaging in transactions, acts, practices, and
28 courses of business of the type alleged in this Complaint, disgorgement of all ill-

1 gotten gains from the unlawful conduct set forth in this Complaint pursuant to
2 Section 21(d)(7) of the Exchange Act [15 U.S.C. §78u(d)(7)], together with
3 prejudgment interest, civil penalties pursuant to Section 20(d) of the Securities
4 Act [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C.
5 §78u(d)(3)]; an order barring all Defendants from participating in any offering of
6 a penny stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C.
7 §77t(g)] and/or Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)]; an order
8 barring Stephens, Danks, and Destler from serving as an officer or director of a
9 public company pursuant to Section 20(e) of the Securities Act [15 U.S.C.
10 §77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)]; and
11 such other relief as the Court may deem appropriate.

12 10. The Commission also seeks relief against Daniel Solomita and
13 8198381 Canada, Inc. (together, the “Relief Defendants”), who received
14 proceeds of the Defendants’ unlawful acts, practices and schemes and should not
15 be entitled to retain those illegally-derived proceeds.

16 **DEFENDANTS**

17 11. **David Stephens**, age 66, is a Canadian citizen believed to be
18 residing in Vancouver, British Columbia.

19 12. **Donald Linn Danks**, age 65, is a resident of Newport Beach,
20 California and was a member of the Board of Directors of Loop from June 2015
21 to June 2018.

22 13. **Jonathan Destler**, age 58, is a resident of Los Angeles,
23 California.

24 14. **Robert Lazerus**, age 66, is a resident of Solana Beach, California.

25 **RELIEF DEFENDANTS**

26 15. **Daniel Solomita**, age 46, lives in Quebec, Canada and is the
27 President, Chief Executive Officer, and Director of Loop.

28 16. **8198381 Canada, Inc.**, is a Quebec, Canada corporation

1 headquarterd in Montreal, Quebec which is wholly owned by Solomita.

2 **RELATED ENTITIES**

3 17. **Loop Industries, Inc.**, is a Nevada corporation headquartered in
4 Terrebonne, Quebec, Canada whose shares have traded on the Nasdaq Global
5 Market exchange since November 20, 2017 under the symbol LOOP. Prior to
6 trading on NASDAQ, Loop stock traded on OTC Link, operated by OTC
7 Markets Group, Inc., from November 2015 to November 19, 2017 under the
8 symbol LLPP. Loop describes itself as a plastics recycling company whose
9 proprietary technology focuses on recycling no- and low-value waste plastic and
10 polyester fiber into resin that is suitable for use in food-grade packaging and
11 polyester fiber. Loop's common stock (through its predecessor entities) has
12 been registered with the Commission pursuant to Section 12(g) of the Exchange
13 Act since 2012.

14 18. **Touchstone Advisors, Inc.**, is a Nevada corporation incorporated
15 in 2008 and headquartered in Los Angeles, California. Touchstone Advisors
16 purportedly serves as an advisory firm focused on assisting early stage
17 companies in all aspects of development, including helping move companies into
18 public markets and preparing companies for uplisting to major exchanges.
19 According to corporate filings, Touchstone Advisors is owned and operated by
20 Destler and a relative. Danks and Destler are Managing Partners of Touchstone
21 Advisors and they jointly control at least one financial account. Touchstone
22 Advisors is not registered with the Commission in any capacity.

23 19. **Touchstone Holding Company, LLC** is a limited liability
24 company formed in 2017 in California. Destler and Touchstone Advisors are
25 both members of Touchstone Holding Company.

26 20. **Ventanas Capital, LLC** is a limited liability company formed in
27 2014 in Nevada. Person B is the sole member of Ventanas, but Danks has
28 exerted control over one or more of its brokerage accounts.

1 25. An “affiliate” of an issuer is a person or entity that, directly or
2 indirectly through one or more intermediaries, controls, is controlled by, or is
3 under common control with, such issuer. “Control” means the power to direct
4 management and policies of the company in question. Affiliates include
5 officers, directors and controlling shareholders, as well as any person who is
6 under “common control” with or has common control of an issuer. As used
7 herein, the term “control group” means a group that collectively is an “affiliate”
8 of an issuer.

9 26. “Unrestricted stock” is stock that may legally be offered and sold
10 in the public securities marketplace by a non-affiliate, ordinarily after having
11 previously been subject to a registration statement. Registration statements are
12 transaction specific, however, and apply to each separate offer and sale as
13 detailed in the registration statement. Registration, therefore, does not attach to
14 the security itself, and registration at one stage for one party does not necessarily
15 suffice to register subsequent offers and sales by the same or different parties.
16 Thus, when a control person buys publicly-traded or otherwise unrestricted
17 shares in a company s/he controls, those shares automatically become subject to
18 the legal restrictions on sales by an affiliate, which strictly limit the quantity of
19 shares that may be sold in the public markets absent registration. Without
20 registration, affiliates are prohibited from selling large quantities of an issuer’s
21 shares, regardless of how the affiliates obtained those shares.

22 27. A “transfer agent” is a company that, among other things, issues
23 and cancels certificates of a company’s stock to reflect changes in ownership.
24 Many companies that have publicly traded securities use transfer agents to keep
25 track of the individuals and entities that own their stock. Transfer agents
26 routinely keep track of whether shares are restricted from resale.

27 28. A “shell company” is a legal entity that lacks meaningful assets or
28 business operations. In a scheme to profit from such companies without actually

1 commencing business operations, individuals sometimes file materially false
2 registration statements and other filings to make company shares appear to be
3 eligible for public trading and quotation. Such “clean” shells, as they are called,
4 may be sold for substantial sums.

5 29. OTC (Over-the-Counter) Markets Group, Inc. is a stock quotation
6 service that facilitates public trading of shares in public companies that are not
7 otherwise listed on national securities exchanges (like NASDAQ or the New
8 York Stock Exchange).

9 30. “Penny Stock,” as used herein, generally refers to a security issued
10 by a very small company that trades at less than \$5 per share.

11 **FACTUAL ALLEGATIONS**

12 **A. The Fraudulent Scheme by Stephens, Danks, and Destler to Conceal** 13 **Control of Loop While Selling Loop Stock**

14 **1. Stephens gained control of all the unrestricted shares of Loop** 15 **stock while concealing his ownership.**

16 31. Stephens, Danks, and Destler engaged in a series of actions in
17 approximately 2014 and 2015 designed to provide Stephens with control of all
18 the unrestricted shares of Loop stock while concealing his ownership.

19 32. The Defendants’ scheme was facilitated by individuals whose
20 business involved facilitating securities fraud schemes, including by creating
21 public shell companies that can be acquired by individuals or groups seeking to
22 hide their beneficial ownership and control of a company.¹

23 33. Prior to the Defendants’ involvement in the fraud, a publicly
24 traded shell company named First American Group, Inc. (“First American”) was
25 created. Through a series of transactions between 2012 and 2013, all of the
26

27 ¹ Most of these entities or the persons controlling them have been previously charged by the
28 Commission for facilitating illegal penny stock securities sales. *See SEC v. Bajic, et al.*, No. 20-cv-
007 (S.D.N.Y. filed Jan. 2020); *SEC v. Sharp et al.*, No. 21-cv-11276 (D. Mass. filed August 2021).

1 unrestricted shares of First American were transferred into eleven different
2 offshore nominee entities. Each of these nominee entities appeared to be
3 administered by a different owner, but in fact they were all under common
4 control.

5 34. In approximately 2014, Stephens acquired the First American
6 shell, covertly obtaining control of the eleven nominee entities.

7 35. Destler and Danks are long-time business associates. On October
8 3, 2014, Destler, copying Danks, introduced Stephens to Relief Defendant
9 Daniel Solomita, at Loop Holdings, Inc., describing Stephens as a “close
10 contact” and the “principal representing a public shell candidate we are looking
11 to secure.” The same day, Touchstone Advisors, Inc. (“Touchstone Advisors”)
12 (a Danks/Destler entity) entered into a consulting and advisory agreement with
13 Loop Holdings. Thereafter, Stephens worked with Destler, Danks, and Solomita
14 to explore the possibility of merging his public shell company, First American,
15 with Loop Holdings. Eight months later, in June 2015, First American
16 successfully completed a reverse merger with Loop Holdings. In September
17 2015, the surviving public company changed its name to Loop Industries, Inc.
18 (“Loop”). At that time, Loop was a penny stock trading on OTC Link.

19 36. As a result of the reverse merger, all of the purportedly
20 unrestricted shares of First American stock covertly held by Stephens became
21 purportedly unrestricted shares of Loop, and they collectively represented all of
22 the outstanding unrestricted shares of Loop.

23 37. Stephens, who had the authority to direct each of the eleven
24 nominee entities, thus controlled all of the approximately 6.5 million outstanding
25 unrestricted shares of Loop, which had become a publicly traded company
26 through the reverse merger. But, by design, these shares all appeared to be
27 owned by unrelated entities that held less than five percent of the stock. Each
28 entity thus appeared to avoid the threshold for reporting their beneficial

1 ownership of Loop stock under the relevant provisions of the Exchange Act.
2 Further, this structure allowed the entities to avoid scrutiny by brokerage firms,
3 which often apply a higher level of scrutiny to stock ownership positions over
4 five percent of a public company.

5 38. As a result of these actions, Stephens was able to deliberately
6 conceal from transfer agents, broker-dealers, and other market participants the
7 fact that he was the beneficial owner and controlling shareholder of all of the
8 outstanding shares of the purportedly unrestricted Loop stock.

9 39. At the time of the reverse merger between Loop and First
10 American, in June 2015, Solomita became Chief Executive Officer and President
11 of Loop and Chairman of the Board of Directors. At the same time, Danks
12 became a member of the Loop Board of Directors. The Loop Board of Directors
13 consisted of only a small number of individuals, and it was a position of trust
14 and confidence.

15 40. Destler and a relative own Touchstone Advisors, and Danks is a
16 Managing Director of the company. Destler and Touchstone Advisors are also
17 members of Touchstone Holding Company, LLC (“Touchstone Holding”). In
18 addition, Danks and Destler jointly control another limited liability company,
19 Vertical Leap Advisors LLC (“Vertical Leap”). At the time of the reverse
20 merger, the corporate address for Loop in Los Angeles, California was the same
21 corporate address listed for Touchstone Advisors, Vertical Leap, and other
22 companies connected to Destler and Danks. Thus, by mid 2015: Stephens
23 covertly owned all of the unrestricted shares of Loop stock; Danks was a Loop
24 board member; and Destler was a business partner of Danks and a consultant to
25 Loop.

26 41. After the reverse merger, Stephens transferred Loop stock to
27 Danks and Destler, and Stephens, Danks, and Destler worked together to
28 continue to conceal their ownership of the stock.

1 42. Starting in late 2015, Stephens transferred some of the Loop stock
2 that he held through his nominee entities to Danks and Destler. For example:

3 a) In or about November 2015, one of the Stephens-controlled
4 nominee entities transferred 225,000 Loop shares to
5 Vertical Leap, and 250,000 Loop shares to a trust for the
6 benefit of Danks' family.

7 b) On or about November 3, 2015, a different Stephens-
8 controlled nominee entity transferred 700,000 Loop shares
9 to Touchstone Advisors.

10 c) On or about November 5, 2015, another Stephens-
11 controlled nominee entity transferred 100,000 Loop shares
12 to Touchstone Advisors and 350,000 Loop shares to
13 Vertical Leap.

14 d) On or about February 16, 2016, another Stephens-controlled
15 nominee entity transferred 500,000 purportedly unrestricted
16 Loop shares to Danks and 50,000 shares to Lazerus.

17 43. The manner in which these initial transfers were made—to
18 multiple entities and often with little to no compensation—demonstrates that,
19 after the merger, Stephens, Danks, and Destler were working together in a
20 coordinated manner for the common purpose of hiding the ownership of large
21 amounts of Loop stock.

22 44. Stephens, Danks, and Destler, as a control group working
23 together, were affiliates of Loop and exercised control over the company. They
24 each knew or were reckless in not knowing that, as a result, they were subject to
25 certain disclosure, registration, and reporting requirements under the Securities
26 Act and the Exchange Act. They also knew or were reckless in not knowing that
27 if the extent of their ownership and control of Loop stock was known by market
28 participants, their sales would be subject to additional scrutiny, which might

1 adversely affect the price of the stock and potentially impact their ability to sell
2 the stock into the market.

3 45. Stephens, Danks, and Destler thus engaged in a scheme,
4 knowingly, recklessly, and/or negligently, to avoid those requirements, and to
5 hide their control of the company from investors, securities market
6 intermediaries, and securities regulators, and profit from the scheme by covertly
7 selling Loop stock.

8 46. Stephens continued to make transfers of Loop shares, both
9 personally and through nominee entities, to entities controlled by Danks and
10 Destler, until at least October 2017.

11 **2. Danks and Lazerus engaged in market manipulation and took**
12 **advantage of an elderly investor to increase the price of Loop**
13 **stock in furtherance of the fraud.**

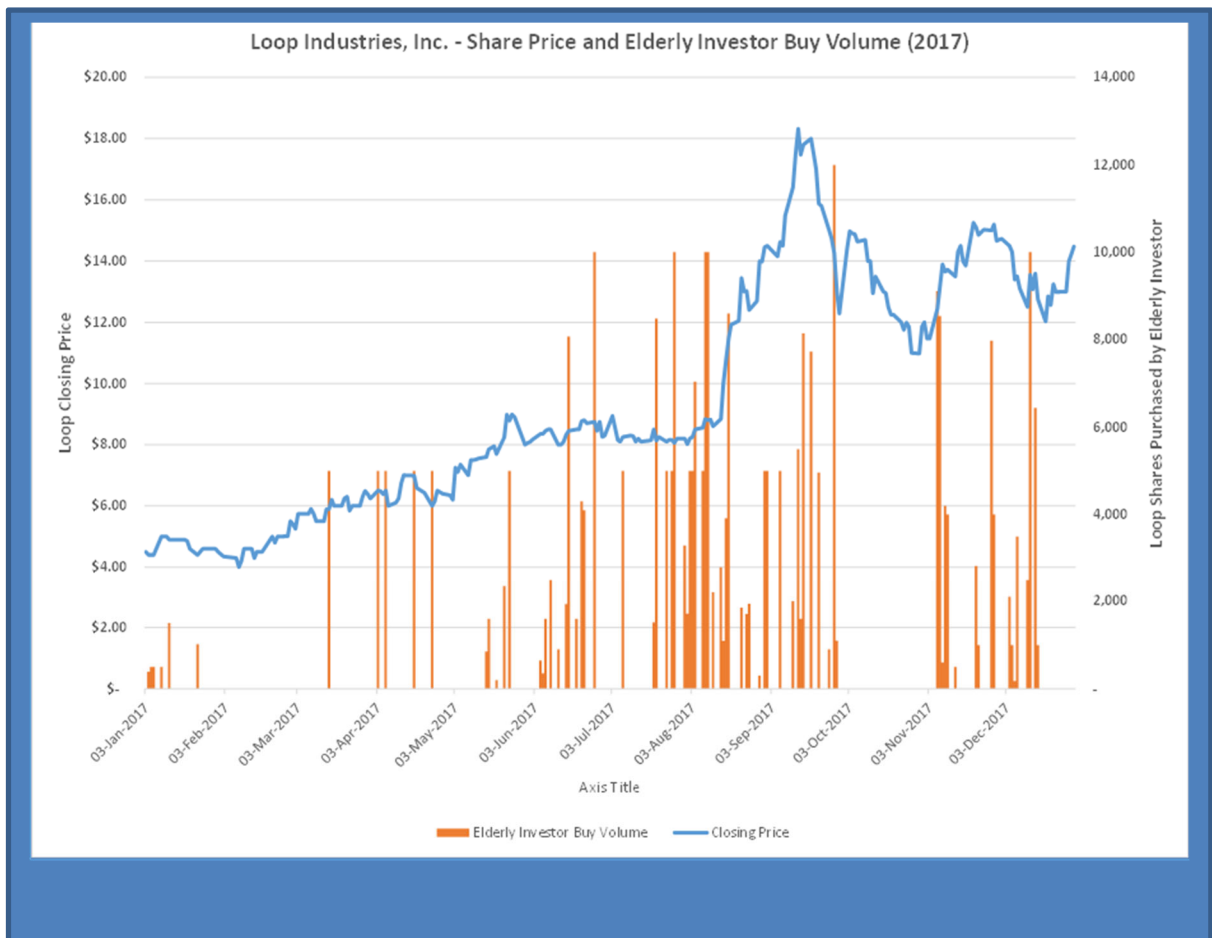
14 47. Lazerus provided assistance to Danks and Destler in finding
15 investors for Danks' and Destler's shared business ventures, including Loop. In
16 return for his services, Lazerus received a commission for sales of stock made to
17 investors he solicited in the form of either cash payment or shares of stock.
18 Lazerus found investors to buy Loop's stock in the public markets and in private
19 sales/and or issuances. These investors included an elderly investor ("Elderly
20 Investor") who invested over \$7 million in Loop by the end of the Relevant
21 Period.

22 48. Lazerus had a relationship of confidence with, and exerted
23 significant influence over, the Elderly Investor from 2015 to 2019. Stephens,
24 Danks, and Destler repeatedly took advantage of that relationship to further their
25 fraudulent scheme.

26 49. During 2017 (and at times during subsequent periods), Danks and
27 Lazerus engaged in a concerted effort to time the purchases made by the Elderly
28 Investor as a means of supporting Loop's share price. This activity benefited

1 Loop not only by raising its stock price generally, but also by supporting its
 2 application to move trading of the stock from trading on the OTC Markets to
 3 trading on the NASDAQ exchange, a move (or “up-list”) that itself had a
 4 beneficial impact on the value of Loop’s stock.

5 50. Specifically, on 26 trading days between March and December
 6 2017, the Elderly Investor’s purchases were greater than 50% of the market
 7 volume for Loop’s shares. The Elderly Investor’s actions played a significant
 8 role in raising the value of Loop’s stock. The chart below illustrates the volume
 9 of purchases by the Elderly Investor and the impact on Loop stock price in 2017.
 10



26 51. Danks communicated directly with Lazerus to ask him to
 27 encourage the Elderly Investor to purchase stock on specific days. Danks did
 28 this for the purpose of raising the stock price of Loop, so that he and his

1 associates, Destler and Stephens, could then sell the stock for a higher profit, and
 2 in order to support the uplisting of the stock. Lazerus was aware that this was
 3 Danks' intention, and he encouraged the Elderly Investor to make the purchases
 4 to achieve this goal.

5 52. For example, on November 1 and 2, 2017, as the stock was being
 6 actively evaluated for uplisting to the NASDAQ exchange Danks sent a series of
 7 messages to Lazerus trying to encourage him to get the Elderly Investor to buy
 8 stock:

Date	Communication
11/1/2017	"Robert, Can u get [Elderly Investor] to buy 4-5k shares a day for next week or so? Thx. Call u around noon with some updates"
11/2/2017	"Any luck with [Elderly Investor] in the market...We need the stock to firm up at about \$13-\$14"
11/2/2017	"???We're negotiating with lender and need price up to set warrant prices. Let me know if [Elderly Investor] can help..."

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19 53. While the Elderly Investor was purchasing shares, Stephens,
 20 Danks, Destler, and/or Lazerus were often selling Loop shares. Between April
 21 and November 2017, on 112 of the 166 trading days, the Elderly Investor bought
 22 Loop stock on the same day that Stephens, Danks, Destler or Lazerus sold Loop
 23 in their respective accounts. During that period, the Elderly Investor purchased
 24 \$3.2 million worth of Loop stock in the open market. During the same time
 25 period, he spent \$1.8 million purchasing Loop stock in private transactions with
 26 Danks, Destler, and Lazerus.

27 54. Danks and Destler, through entities they controlled, compensated
 28

1 Lazerus for the Elderly Investor's securities transactions either with a
2 commission paid in cash or in Loop stock.

3 **3. Stephens, Danks, and Destler sold Loop Stock into the Public**
4 **Markets while concealing their ownership.**

5 55. In addition to the sales they made directly to the Elderly Investor
6 and others in private transactions, Stephens, Danks, and Destler sold Loop stock
7 in the public markets using a network of entities owned and controlled by
8 Stephens, Danks, and Destler.

9 56. Stephens, Danks, and Destler knew or were reckless in not
10 knowing about the disclosure, registration, and reporting requirements that are
11 triggered under the federal securities laws for sales by individuals or entities that
12 are affiliates of a public company. They also knew or were reckless in not
13 knowing about the increased scrutiny from brokerage firms for owners of over
14 five percent of a company's stock. Moreover, they knew or were reckless in not
15 knowing that beneficial owners of more than five percent of any class of equity
16 securities must file ownership reports with the SEC. In order to evade these
17 requirements, Stephens, Danks, and Destler worked together to hide the true
18 beneficial ownership of the Loop stock they collectively controlled. They did
19 this in part by transferring and selling stock between the entities that they
20 controlled, often for little to no compensation. Thus, when they sold the stock of
21 Loop, the purchasers were not aware that they were buying shares from
22 individuals that, collectively, controlled Loop.

23 57. For instance, Stephens had an ongoing business relationship with
24 Associate A, who was one of the people who provided Stephens with some of
25 the 11 nominee entities Stephens used from the outset of his scheme to conceal
26 the ownership of his unrestricted Loop stock. Stephens directed Associate A to
27 sell some of his Loop shares into the United States public market using nominee
28 entities Associate A controlled. Between October 2017 and February 2018,

1 Associate A used a Singaporean brokerage account to sell Stephens' Loop shares
2 for proceeds of \$1,684,000. Associate A then wired about 95% of those
3 proceeds to Stephens' bank account and kept the balance of the proceeds. In
4 another instance, Stephens acquired multiple blocks of Loop shares from four of
5 the eleven nominee companies, for no apparent consideration, into his own
6 name, and then transferred the stock into the name of a nominee company that
7 Associate A controlled. Using a Hong Kong brokerage account, Associate A
8 then sold that stock into the United States market on Stephens' behalf between
9 June and August 2017, generating proceeds of about \$1.1 million. Associate A
10 then retained a 4% commission and remitted the net proceeds to Stephens'
11 personal bank account.

12 58. In another example of deceptive conduct, in the fall of 2017,
13 Stephens transferred 122,650 shares of Loop stock he had previously acquired in
14 his own name from three of the original eleven nominee entities he controlled to
15 Touchstone Advisors, which was controlled by Destler and Danks. Several days
16 later, Touchstone Advisors, brokered by Lazerus, sold all of those shares to the
17 Elderly Investor for \$1,410,475. Touchstone Advisors then wired \$1,318,487 of
18 the sale proceeds to Stephens, keeping \$91,988 in profit. A third of that profit
19 was paid to a trust for the benefit of the Danks family, and a third of the profit
20 was paid to Lazerus, in exchange for brokering the sale with the remaining third
21 left in the Touchstone bank account which was controlled, in part, by Destler.
22 The entire transaction was designed so that Stephens, Danks, and Destler, aided
23 by Lazerus, could sell Loop stock to the Elderly Investor without him knowing
24 that the stock he was buying was being sold by individuals who collectively
25 controlled the company.

26 59. Another entity used by the group to hide their ownership and
27 control of Loop stock was Ventanas Capital LLC ("Ventanas"). The nominal
28 owner of Ventanas, Person B, maintained a long-time friendship and close

1 association with Danks. Danks exercised control over Ventanas' brokerage
2 account both directly and indirectly, through his relationship with Person B.

3 60. For example, Ventanas began acquiring Loop shares in October
4 2015, both directly from the Stephens-controlled nominee entities and from
5 Vertical Leap, which was owned by Danks and Destler. In 2016, Ventanas
6 received Loop shares from Touchstone Advisors, Vertical Leap, and a trust for
7 the benefit of the Danks family. For each acquisition, there is either no evidence
8 that Ventanas paid for the shares it received, or there is evidence that Ventanas'
9 purchase price was significantly below the market value of Loop stock at the
10 time of the transaction. Ventanas' sales provided Danks with a way to sell those
11 securities that would conceal his effective ownership and control of them.

12 **B. Danks and Destler Made Material Misrepresentations in**
13 **Furtherance of the Fraud.**

14 61. Danks and Destler each made materially false statements to
15 brokerage firms in furtherance of the fraudulent scheme when they either
16 opened, or obtained authority to trade in, accounts through which they sold Loop
17 shares.

18 62. Specifically, in May 2017, Person B granted authority to Danks to
19 serve as a Limited Power of Attorney ("LPOA") over Ventanas' account, giving
20 Danks trading authority over its brokerage account. When Danks was added as a
21 LPOA over Ventanas' brokerage account, Danks falsely represented to the
22 brokerage firm in the application that he was not a director of a publicly held
23 company, when he was in fact a member of Loop's board of directors. At the
24 time Danks made this statement, he knew it was false, because he was on the
25 board of directors of Loop. At that time, Loop was the only stock held by the
26 Ventanas account.

27 63. This false statement to the brokerage firm that he was not a
28 director was material because the brokerage firm would reasonably evaluate the

1 fact that Danks was on Loop’s board of directors in determining whether to
2 accept the deposit of Loop shares and whether to allow Danks to trade in Loop
3 shares without additional scrutiny.

4 64. Destler also made materially false statements in furtherance of the
5 fraudulent scheme. Specifically, in July 2015, just after Loop’s reverse merger,
6 when Danks became a board member of Loop, Destler opened two brokerage
7 accounts at a brokerage firm – one in the name of Vertical Leap (on which he
8 listed Danks and himself as members) and a second in the name of Touchstone
9 Advisors (on which Destler omitted Danks’ name). In December 2015, Destler
10 deposited 150,000 shares of Loop into the Touchstone Advisors account. These
11 shares were transferred from a Stephens-controlled nominee entity. Touchstone
12 Advisors previously acquired these purportedly unrestricted shares from one of
13 the Stephens nominee entities for \$0.008/share. In connection with this deposit,
14 Destler made multiple misrepresentations to the brokerage firm including:

15 a) Destler misreported the total number of Loop shares
16 Touchstone Advisors owned at the time of the deposit.
17 Destler stated that Touchstone owned 1,300,000 Loop
18 shares (4.4% of Loop’s outstanding stock) when it actually
19 owned 1,800,000 shares (6.1% of Loop’s outstanding
20 stock). This misrepresentation allowed Destler to appear to
21 avoid the reporting requirements for an owner of 5% or
22 more of the outstanding stock.

23 b) Destler answered “No” to the question of whether “[a]t the
24 time of Customer’s acquisition, was the Transferor an
25 ‘affiliate’ of the Issuer or had the Transferor been an
26 ‘affiliate’ at any time during the preceding 90 days.” The
27 Transferor in this instance was Stephens through a nominee
28 entity. Destler knew that this statement was false, because

1 Stephens (as part of a group with both Danks and Destler
2 himself), was an affiliate of Loop by virtue of the group’s
3 ownership and control of Loop.

4 c) Destler made a statement to the brokerage firm concerning
5 the nominee entity not being an affiliate of Loop by
6 supplying a letter purportedly signed by the nominee entity
7 in which that entity falsely disclaimed affiliate status.

8 65. Destler signed a certification under the pains and penalty of
9 perjury confirming that all the information he provided “is and will be accurate
10 and complete.” In fact, Destler knew that each of these statements was
11 inaccurate and/or incomplete, or was at least reckless with respect to the falsity
12 of these statements. The statements and omissions were material because the
13 brokerage firm would reasonably evaluate that information in determining
14 whether to accept the deposit of Loop shares and whether to allow Destler to
15 trade in Loop shares without additional scrutiny.

16 **C. Lazerus Acted as an Unregistered Broker-Dealer**

17 66. During the course of the scheme, Lazerus acted as an unregistered
18 broker. He regularly sold Loop securities to the Elderly Investor and other
19 investors for transaction-based compensation based on a percentage of the sale
20 proceeds or in exchange for Loop stock, as described in paragraphs 47-54 herein.
21 He also advised the Elderly Investor and other investors concerning the merits of
22 their Loop investments, and spent significant effort to solicit and recruit
23 investors to buy Loop stock at the request of Danks and Destler. Some of the
24 Elderly Investor’s Loop securities were even delivered to Lazerus for the benefit
25 of the Elderly Investor, and were accompanied with correspondence that
26 described Lazerus as the Elderly Investor’s “financial advisor.” Lazerus also
27 sold securities of additional issuers associated with Danks and Destler to the
28 Elderly Investor and other investors.

1 67. Lazerus was not registered as a broker-dealer at the time of this
2 activity.

3 **D. The Defendants and Relief Defendants Profited from the Scheme.**

4 68. As a result of their fraudulent and deceptive conduct, Stephens,
5 Danks, and Destler were able to engage in manipulative activity and sell Loop
6 stock without disclosing their ownership and control of the company.

7 69. Stephens fraudulently sold Loop's purportedly unrestricted stock
8 in public market sales through the nominee entities, and in private sales to the
9 Elderly Investor, which were brokered through Lazerus and Touchstone
10 Advisors. In order to further obfuscate his identity, in some instances Stephens
11 directed that the profits from his Loop stock sales be directed to pay third parties
12 for services for the benefit of Stephens' family. In total, Stephens made
13 approximately \$4.7 million in profits by selling Loop stock while hiding his
14 control of the company.

15 70. Danks and Destler also made significant profits by surreptitiously
16 selling Loop stock. Lazerus made approximately \$30,000 in commissions by
17 assisting Stephens, Danks, and Destler in the fraudulent sale of Loop stock.
18 Lazerus also received Loop stock from Stephens, Danks, and Destler as
19 compensation for assisting them in their fraudulent scheme. For instance, on
20 July 27, 2017, Lazerus was given 1,457 shares of Loop common stock as
21 compensation for facilitating shares of Loop to the Elderly Investor.

22 71. As described above, Solomita became the CEO and President of
23 Loop and Chairman of the Board of Directors at the time of the reverse merger,
24 in 2015. On or about October 20, 2015, after Ventanas acquired unrestricted
25 Loop stock from Stephens' nominee entities, Danks helped arrange the sale of
26 400,000 of Ventanas' shares to a Quebec Company, Company A. Company A
27 paid Ventanas \$437,490 for the shares on October 20, 2015. Two days later,
28 Ventanas wired \$413,875 (representing 95% of the proceeds) to 8198381

1 Canada, Inc., Solomita's company.

2 72. While emails between Danks and Solomita characterize the above
3 payment as a "loan," there is no evidence that this purported loan was ever
4 memorialized in writing or repaid. There is also no evidence that Loop or
5 Solomita earned the funds and thus has a legitimate claim. The payment
6 represents proceeds from the fraudulent scheme – a transfer of Ventanas' assets
7 from Danks to Solomita in a manner designed by the Defendants to hide the
8 origin of the funds.

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FIRST CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

**Violations of Sections 17(a)(1) and (3) of the Securities Act
(against Defendants Stephens, Danks, Destler, and Lazerus)**

73. The SEC realleges and incorporates by reference paragraphs 1 through 72 above.

74. By reason of the conduct described above, Defendants Stephens, Danks, Destler, and Lazerus, in connection with the offer or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly, acting intentionally, knowingly, recklessly or negligently (i) employed devices, schemes, or artifices to defraud; and (ii) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities.

75. Defendants Stephens, Danks, Destler, and Lazerus, with scienter, employed devices, schemes and artifices to defraud; and with scienter or negligence, engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

76. By reason of the conduct described above, Defendants Stephens, Danks, Destler, and Lazerus violated Securities Act Sections 17(a)(1) and (3) [15 U.S.C. §77q(a)(1) and (3)].

SECOND CLAIM FOR RELIEF

**Fraud in Connection with the Purchase and Sale of Securities
Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c)
(against Defendants Stephens, Danks, Destler, and Lazerus)**

77. The SEC realleges and incorporates by reference paragraphs 1 through 72 above.

78. By reason of the conduct described above, Stephens, Danks, Destler, and Lazerus, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, intentionally, knowingly or recklessly, (i) employed devices, schemes, or artifices to defraud; and (ii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities.

79. By reason of the conduct described above, defendants Stephens, Danks, Destler, and Lazerus violated Exchange Act Section 10(b) [15 U.S.C. §78j(b)] and Rules 10b-5(a) and (c) [17 C.F.R. §240.10b-5(a) and (c)] thereunder.

THIRD CLAIM FOR RELIEF

Misstatements

**Violation of Section 10(b) of the Exchange act and Rule 10b-5(b)
(against Defendants Danks and Destler)**

80. The SEC realleges and incorporates by reference paragraphs 1 through 72 above.

81. By reason of the conduct described above, Defendants Danks and Destler, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mails, made untrue statements of material fact or omitted to state material fact(s) necessary to make the statements made not misleading in light of the circumstances under which they were made.

82. By reason of the conduct described above, Defendants Danks and Destler violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. §240.10b-5(b)].

FOURTH CLAIM FOR RELIEF

**Violation of Section 15(a) of the Exchange Act
(against Defendant Lazerus)**

83. The SEC realleges and incorporates by reference paragraphs 1 through 72 above.

84. Defendant Lazerus, by engaging in the conduct described above, either directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, securities, without being registered as a broker or dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. §78o(b)].

85. By reason of the conduct described above, Lazerus violated and, unless enjoined, will continue to violate Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)(1)].

FIFTH CLAIM FOR RELIEF

OTHER EQUITABLE RELIEF INCLUDING UNJUST ENRICHMENT AND CONSTRUCTIVE TRUST (against Relief Defendants)

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86. The SEC realleges and incorporates by reference paragraphs 1 through 72 above.

87. Section 21(d)(5) of the Exchange Act [15 U.S.C. §78u(d)(5)] states “In any action or proceeding brought or instituted by the Commission under any provision of the securities laws, the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.”

88. The Relief Defendants have received funds derived from the unlawful acts, practices and scheme of the Defendants under circumstances dictating that, in equity and good conscience, they should not be allowed to retain such funds.

89. Further, specific property acquired or improved by the Relief Defendants is traceable to Defendants’ wrongful acts, and there is no reason in equity why the Relief Defendants should be entitled to retain that property.

90. As a result, the Relief Defendants are liable for unjust enrichment and should be required to return their ill-gotten gains, in an amount to be determined by the Court. The Court should also impose a constructive trust on property in the possession of the Relief Defendants that is traceable to the Defendants’ wrongful acts.

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

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

I.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendants Stephens, Danks, Destler, and Lazerus, 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 Section 17(a) of the Securities Act [15 U.S.C. §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].

II.

Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Lazerus, and his 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 Section 15(a) of the Exchange Act.

III.

Order Defendants and Relief Defendants to disgorge all funds received from their illegal conduct, together with prejudgment interest thereon, pursuant to Section 21(d)(7) of the Exchange Act [15 U.S.C. §78u(d)(7)].

IV.

Order Defendants to pay civil penalties pursuant to 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)].

1 V.

2 Enter an order barring Defendants from participating in any offering of a penny
3 stock, pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 77t(g)] and Section
4 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

5 VI.

6 Enter an order barring Defendants Stephens, Danks and Destler from serving as
7 an officer or director of a public company pursuant to Section 20(e) of the Securities
8 Act [15 U.S.C. § 77t(e)] and 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

9 VII.

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

14 VIII.

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

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18 **JURY DEMAND**

19 The Commission demands a jury in this matter for all claims so triable.

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21 Dated: September 30, 2022

22 *s/ Kathryn Wanner*

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