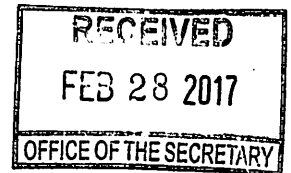


HARD COPY

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
February 27, 2017



ADMINISTRATIVE PROCEEDING
File No. 3-16032

In the Matter of

DEMOSTHENES DRITSAS,

Respondent.

**DIVISION OF ENFORCEMENT'S
RESPONSE TO ORDER OF FEBRUARY 1,
2017 REQUESTING ADDITIONAL
BRIEFING**

I. Introduction

The Division of Enforcement files this brief in response to the Commission's Order Requesting Additional Briefing dated February 1, 2017. The Order asks the parties to address the question of whether there is support for the NRSRO and municipal advisor bars the Commission imposed against Respondent Demosthenes Dritsas in 2014. The short answer is yes. *All* of the conduct giving rise to the bars the Commission imposed in this proceeding occurred well after July 22, 2010 – the effective date of the Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"). Thus, there are no retroactivity concerns of the type set forth in *Koch v. SEC*, 793 F.3d 147 (D.C. Cir. 2015), and the Commission should deny Dritsas' request to vacate the NRSRO and municipal advisor bars.

Background

On August 22, 2014, the Commission entered, by consent, an order making findings and imposing remedial sanctions (“Consent Order”) against Dritsas. *In the Matter of Demosthenes Dritsas*, Exchange Act Release No. 72900, 2014 WL 4160069 (Aug. 22, 2014). The Consent Order, among other things, barred Dritsas from association with any nationally recognized statistical rating organization and municipal advisor. *Id.* The Consent Order was based on the entry of an injunction against Dritsas in the United States District Court for the Central District of California, and on Dritsas’ guilty plea in a related criminal action also in the Central District of California. *Id.* at § 3, ¶¶ 2 and 4.

Following entry of the Consent Order, the D.C. Circuit Court of Appeals handed down the *Koch* decision, in which it found that NRSRO and municipal advisor bars based on conduct pre-dating the July 22, 2010 effective date of the Dodd Frank Act were “impermissibly retroactive.” *Koch*, 793 F.3d at 158. The Commission subsequently invited anyone who had those two associational bars issued against them based on pre-Dodd Frank conduct to request that the Commission vacate the bars. On April 25, 2016, Dritsas filed a request to vacate the NRSRO and municipal advisor bars entered against him in the Consent Order, claiming they were based solely on conduct that pre-dated July 22, 2010. Exhibit 1, Dritsas Request Form. The Commission then issued the Order Requesting Additional Briefing on February 1.

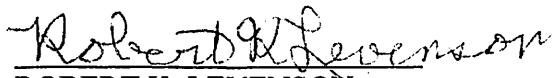
III. Argument

The Commission should not vacate the NRSRO and municipal advisor bars against Dritsas because, in contrast to Dritsas’ claim, they were based entirely on conduct occurring in 2011 and 2012, well after the Dodd Frank Act was enacted. The District Court Complaint in the Commission’s civil action against Dritsas (referred to in Section III, Paragraphs 3 and 4 of the

Consent Order), clearly states the conduct giving rise to the action occurred from August 2011 through November 2012. Complaint at ¶ 2 (attached as Exhibit 2). While the Complaint alleges the conduct of *other* people not charged in the action leading up to Dritsas' involvement started in 2010, nowhere does it allege that Dritsas committed any misconduct before 2011. For example, the Complaint notes that the company for whom Dritsas worked that was also charged in the case received transaction-based compensation from July 2011 through November 2012. *Id.* at ¶¶ 25-26. In addition, specific instances of misconduct alleged in the Complaint all occurred in November 2011. *Id.* at ¶¶ 35, 37, and 40.

The criminal information leading to the guilty plea (referenced in Section III, Paragraph 6 of the Consent Order), is also based entirely on post-Dodd Frank conduct. *See* Information at ¶ 2 (“Beginning in or around September 2011, and continuing to in or around February 2012 . . .”), attached as Exhibit 3. *See also* Paragraph 4 of Exhibit 3 (alleging an overt act on or about November 16, 2011).

Accordingly, because Dritsas was not charged with any pre-Dodd Frank conduct in this matter, the NRSRO and municipal advisor bars are not impermissibly retroactive. Because they are based entirely on post-Dodd Frank conduct, the Commission should not vacate them.

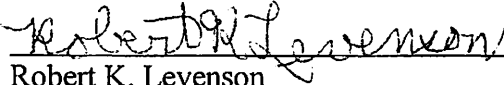

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SECURITIES AND EXCHANGE COMMISSION
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Phone: (305) 982-6300
Fax: (305) 536-4154

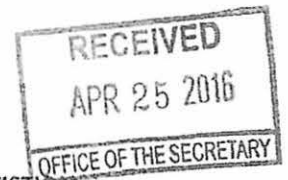
CERTIFICATE OF SERVICE

I hereby certify that an original and three copies of the foregoing were filed with the Securities and Exchange Commission, Office of the Secretary, 100 F Street, N.E., Washington, D.C. 20549-9303, and that a true and correct copy of the foregoing has been served by overnight delivery, on this 27th day of February, 2017, on the following persons entitle to notice:

Demosthenes Dritas
21111 Oakriver Lane
Newhall, CA 91321


Robert K. Levenson

3-16032



REQUEST TO VACATE BAR(S) FROM ASSOCIATION WITH NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS AND/OR MUNICIPAL ADVISORS IN LIGHT OF KOCH V. SEC

Summary:

- 1. As a result of the decision of the United States Court of Appeals for the District of Columbia Circuit in Koch v. SEC, the Securities and Exchange Commission has determined to grant requests to vacate bars from association with nationally recognized statistical rating organizations ("NRSROs") and municipal advisors that were imposed against individuals based entirely on conduct that occurred before the effective date of the Dodd-Frank Wall Street Reform and Consumer Protection Act (July 22, 2010).
2. The Commission has established an expedited program for eligible individuals to request that their NRSRO and/or municipal advisor bars be vacated through the completion of this form.
3. This program applies only to NRSRO and municipal advisor bars. If we determine that you are eligible for relief under the program, all other bars and/or suspensions to which you are subject (e.g., from association with a broker-dealer or investment adviser) would remain in place.

Instructions:

- 1. To make a request that the Commission vacate your NRSRO and municipal advisor bars, you must complete this form by providing all information sought below. Completing the form will facilitate the Commission's determination of your eligibility for the program. Do not submit any additional materials with this form. If the Commission determines that it needs additional information to determine your request, it will notify you.
2. Send three copies of your completed form to the following address:
Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090
3. You will be notified of the Commission's determination of your request at the address you provide below.

Information to be provided by affected individual:

Name: DEMOSTHENES DRITSAS

Address: 21111 OAKRIVER LN, NEWHALL, CA 91321

I am subject to a bar from association with any nationally recognized statistical rating organization and/or municipal advisor based solely on conduct that occurred before July 22, 2010. [X] Yes [] No

Date of order imposing bar:

Signature: [Handwritten Signature]

Dated: 03/28/16





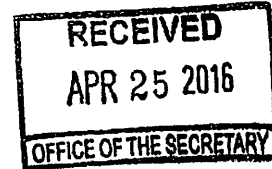
FOLEY & LARDNER LLP

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LOS ANGELES, CA 90071
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CLIENT/MATTER NUMBER
105394-0101

April 11, 2016



VIA U.S. MAIL

Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: In the Matter of Demosthenes Dritsas; Administrative Proceeding
File No. 3-16032
Request to Vacate Bar(s)

Dear Sir or Madam:

Please find enclosed three executed copies of the Request to Vacate Bar(s) from Association with Nationally Recognized Statistical Rating Organizations and/or Municipal Advisors in Light of *Koch v. SEC*.

Please notify me as well as Mr. Dritsas of the Commission's determination.

Thank you.

Very truly yours,

Pamela L. Johnston

Enclosures

BOSTON
BRUSSELS
CHICAGO
DETROIT
JACKSONVILLE

LCS ANGELES
MADISON
MILWAUKEE
NEW YORK
ORLANDO

SACRAMENTO
SAN DIEGO
SAN DIEGO/DEL MAR
SAN FRANCISCO
SILICON VALLEY

TALLAHASSEE
TAMPA
TOKYO
WASHINGTON, D.C.

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2 Email: Levensonr@sec.gov

3 SECURITIES AND EXCHANGE
4 COMMISSION
5 801 Brickell Ave., Suite 1800
6 Miami, FL 33131
7 Telephone: (305) 982-6300
8 Facsimile: (305) 536-4154

9 LOCAL COUNSEL:
10 John W. Berry, Regional Trial Counsel
11 Donald W. Searles, Cal Bar. No. 135705
12 Email: Searlesd@sec.gov

13 Attorneys for Plaintiff
14 SECURITIES AND EXCHANGE
15 COMMISSION
16 5670 Wilshire Boulevard, 11th Floor
17 Los Angeles, CA 90036-3648
18 Telephone: (323) 965-3998
19 Facsimile: (323) 965-3908

20 UNITED STATES DISTRICT COURT
21 CENTRAL DISTRICT OF CALIFORNIA

22 SECURITIES AND EXCHANGE
23 COMMISSION,

Case No.

24 Plaintiff,

25 vs.

26 CALPACIFIC EQUITY GROUP, LLC,
27 DANIEL R. BAKER, and
28 DEMOSTHENES DRITSAS

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:



1 **I. INTRODUCTION**

2 1. The Commission brings this action against CalPacific Equity Group,
3 LLC, Daniel R. Baker and Demosthenes Dritsas (collectively, "Defendants") for
4 violations of the registration and antifraud provision of the federal securities laws.
5

6 2. From no later than August 2011 until at least November 2012, the
7 Defendants, directly and through the services of their sales agents, offered and or
8 sold unregistered Thought Development, Inc. ("TDI") stock to at least 34 investors
9 located throughout the United States, most of whom were senior citizens, and some
10 of whom were unaccredited.
11

12 3. TDI developed a laser-line system that can be used in professional and
13 collegiate sporting events. The Defendants or their sales agents lured victims into
14 investing in TDI by making false promises about investment returns on and timing of
15 a purportedly pending initial public offering ("IPO"). The Defendants and their sales
16 agents also misled investors concerning the status of negotiations with, and the
17 purported use of TDI's first down laser technology by, the National Football League.
18
19

20 4. The Defendants and their sales agents also materially misled investors
21 by failing to disclose to investors they used at least 50% of investor proceeds for
22 commissions or other fees.
23

24 5. As a result of the conduct described in this Complaint, the Defendants
25 violated Sections 5(a) and (c), and 17(a) of the Securities Act of 1933 ("Securities
26 Act"), 15 U.S.C. §§ 77e(a), 77e(c), 77q(a)(1), 77q(a)(2), 77q(a)(3); and Sections
27
28

1 10(b), 15(a) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange
2 Act”), 15 U.S.C. § 78j(b), 15 U.S.C. § 78o(a) and 17 C.F.R. § 240.10b-5.

3 6. Unless restrained and enjoined, the Defendants are reasonably likely to
4 continue to violate the federal securities laws.

5
6 7. The Commission respectfully requests that the Court enter: (a)
7 permanent injunctions restraining and enjoining the Defendants from violating the
8 federal securities laws; (b) orders directing the Defendants to pay disgorgement with
9 prejudgment interest; (c) orders directing the Defendants to pay civil money
10 penalties; and (d) orders barring Baker and Dritsas from participating in any offering
11 of a penny stock.
12
13

14 **II. DEFENDANTS AND RELATED ENTITY**

15 **A. Defendants**

16
17 8. Baker resides in Valley Village, California. Baker is, and at all
18 relevant times was, a managing member of CalPacific Equity Group, LLC.
19 (“CalPacific”). During the relevant time period, Baker was not a registered broker-
20 dealer nor affiliated with a registered broker-dealer.
21

22 9. Dritsas resides in Newhall, California and is a Canadian citizen.
23 Dritsas is, and at all relevant times was, a managing member of CalPacific. During
24 the relevant time period, Dritsas was not a registered broker-dealer nor affiliated
25 with one. Dritsas is also known as Dean Dritsas.
26
27
28

1 10. CalPacific is a Nevada limited liability company with its principal
2 place of business in Valencia, California. It has never been registered with the
3 Commission in any capacity and has not registered any offering of securities under
4 the Securities Act or a class of securities under the Exchange Act.
5

6 **B. Related Entities and Individual**

7 11. TDI was incorporated in 2010 with its principal place of business in
8 Miami Beach, Florida. It has never been registered with the Commission in any
9 capacity and has not registered any offering of securities under the Securities Act or
10 a class of securities under the Exchange Act. On October 4, 2013, in an order on a
11 related case, a court in the Southern District of Florida entered a consent judgment
12 enjoining TDI from further violations of registration provisions of federal securities
13 laws. SEC v. Thought Development et al., 1:13-cv-23476-JEM (S.D. Fla.).
14
15

16 12. Advanced Equity Partners, LLC (“AEP”) and Premiere Consulting,
17 LLC (“Premiere”) are two Florida companies located in Hollywood, Florida. AEP
18 and Premiere were controlled by Peter D. Kirschner and his business partner, both of
19 whom raised approximately \$2.4 million from investors in TDI stock while charging
20 undisclosed exorbitant fees. On October 3, 2013, an order of permanent injunction
21 and other relief was entered against AEP and Premiere ordering the entities to,
22 among other things, pay disgorgement, pre-judgment interest and a civil penalty to
23 be determined by the court. SEC v. Advanced Equity Partners et al., 13-cv-62100-
24 RSR (S.D. Fla.).
25
26
27
28

1 16. In connection with the conduct alleged in this Complaint, the
2 Defendants, directly and indirectly, singly or in concert with others, made use of the
3 means or instrumentalities of interstate commerce, the means and instruments of
4 transportation or communication in interstate commerce, and the mails.
5

6 **IV. FACTUAL ALLEGATIONS**

7 **A. TDI and Relationships with Premiere and AEP**

8 17. TDI was incorporated in 2010 to develop and market a portfolio of
9 products and inventions, including a laser-line system designed to mark first downs
10 in professional and collegiate football games, including the NFL. TDI states that its
11 laser system generates a green line on the field which is visible in the stadium to
12 players, fans and on television. TDI represents that use of its technology would
13 decrease the time used by officials to determine first downs and generate more time
14 to be sold to television advertisers.
15
16
17

18 18. Sometime in 2010, TDI entered into an agreement with Kirschner and
19 his business partner to solicit investors to raise capital by selling TDI stock.
20 Kirschner and his business partner formed Premiere, and later AEP, which, among
21 other things, offered and sold unregistered TDI stock.
22

23 19. Premiere and AEP entered into agreements with the Defendants to act
24 as sales agents to offer and sell TDI stock. Pursuant to these agreements, the
25 Defendants received transaction-based compensation in the form of commissions
26
27
28

1 and other fees. The Defendants retained approximately 50% of investor proceeds as
2 commissions or other fees on their sale of TDI stock.

3 20. Baker and Dritsas were aware that Premiere or AEP were also taking a
4 portion of investor proceeds as commissions or other fees.
5

6 21. Baker and Dritsas offered and sold TDI stock directly to investors and
7 received transaction-based compensation in the form of undisclosed commissions
8 and other fees derived from investor proceeds.
9

10 22. In addition, Baker and Dritsas recruited, hired and supervised sales
11 agents who were paid transaction-based compensation in connection with the offer
12 and sale of TDI stock from bank accounts Baker and or Dritsas controlled and held
13 by CalPacific.
14

15 23. Some of these sales agents served as self-described "fronters" whose
16 primary responsibility was to use investor lead lists which consisted of contact
17 information of potential investors. Fronters made initial contact with potential
18 investors and referred those interested in TDI to Baker, Dritsas or others to complete
19 the stock purchase transaction.
20

21 24. Baker or Dritsas earned a percentage of every stock purchase as a
22 commission or fee, even on those sales made by the sales agents they hired.
23

24 25. From approximately July 2011 until February 2012, CalPacific received
25 approximately \$234,000 from Premiere as compensation for the offer and sale of
26 TDI stock.
27
28

1 26. From February 2012 until November 2012, CalPacific received
2 approximately \$72,000 from AEP as compensation for the offer and sale of TDI
3 stock.

4
5 **B. The Defendants' Solicitation of TDI Stock**

6 27. No registration statement was filed or in effect with the Commission
7 pursuant to the Securities Act with respect to the TDI stock that the Defendants and
8 their sales agents offered and sold, and no exemption from registration existed with
9 respect to these securities and transactions.
10

11 28. The Defendants and their sales agents made material misrepresentations
12 to investors regarding commissions and others fees charged to investors and the
13 actual use of investor proceeds.
14

15 29. Furthermore, the Defendants recklessly made specific representations to
16 investors in connection with the offer and sale of TDI stock without taking any basic
17 steps to verify the truthfulness of those representations. In some instances the
18 Defendants made representations regarding the expectant timing of and return on a
19 purported initial public offering ("IPO") of TDI stock. On other occasions, the
20 Defendants made representations regarding the status of negotiations with the NFL
21 and the purported use of TDI's first down laser system technology by certain teams
22 and stadiums, or in the 2013 Super Bowl.
23
24

25
26 30. The Defendants and their sales agents instructed investors to send, and
27 investors did send, all payments for TDI stock transactions to bank accounts either
28

1 Premiere or AEP held or controlled. Premiere and AEP used these bank accounts to
2 pay its sales agents transaction-based compensation, including CalPacific.

3 31. Neither the Defendants nor their sales agents were registered as broker-
4 dealers or associated with a registered broker-dealer while facilitating and
5 participating in these securities sales.
6

7 **C. Material Misrepresentations and Omissions**
8

9 32. In connection with the offering of securities during the relevant period,
10 the Defendants made the following material misrepresentations and omissions to
11 investors.
12

13 1. **Undisclosed Exorbitant Commissions or Other Fees**

14 33. The Defendants made representations to investors about the use of
15 investor funds for TDI's business that were materially misleading because they
16 failed to disclose sale commissions and others fees that added up to approximately
17 50% of the funds raised from investors in connection with the offer and sale of
18 unregistered TDI stock.
19
20

21 34. The Defendants also knew their sales agents materially misled investors
22 by failing to disclose to investors the exorbitant commissions and other fees paid
23 from the offering proceeds.
24

25 35. For example, in November 2011, Baker told an investor that no more
26 than "ten cents on every dollar of investor money" would be used as a commission
27 or other fee. Dritsas told the same investor that he would not charge any
28

1 commission for a trade – “not even a dime” when, in fact, CalPacific received 50%
2 of that investor’s proceeds as commissions or other fees in connection with the offer
3 and sale of TDI stock.

4
5 **2. Use of Proceeds**

6 36. The Defendants or their sales agents also misrepresented the actual use
7 of investor proceeds.

8
9 37. For example, in November 2011, Baker told an investor that 90 percent
10 of investor proceeds would go “directly to the business.” Dritsas told this same
11 investor that all of the money raised was being used to install the laser-line system in
12 the 32 stadiums of the NFL and a portion would be used for TDI’s cash reserves.

13
14 38. These representations were false. At the time of these representations,
15 Dritsas and Baker were receiving 50% of investor proceeds as commissions or other
16 fees.

17
18 **3. Promises about Pending IPO and Investment Returns**

19
20 39. The Defendants and their sales agents recklessly made specific
21 representations to investors concerning the timing of and expected return on a
22 purported TDI IPO without taking any basic steps to verify the truthfulness of those
23 representations.

24
25 40. For example, in November 2011 Baker told an investor TDI would go
26 public within seven months – in about May 2012. Dritsas promised this same
27 investor that TDI would go public within a year of November 2011, but was
28

1 confident it would be within six to eight months. At that time, TDI had no
2 immediate plans to go public and there was no basis for these statements.

3 41. In addition, the Defendants and their sales agents represented that the
4 value of TDI stock would increase significantly from \$2.50 per share as a result of
5 the purported IPO. For example, Dritsas told an investor that TDI already had a
6 book share value of \$8.50 and that the expected opening share price would be
7 between \$8.00 and \$10.00. Dritsas had no basis for these statements and failed to
8 take any basic steps to verify the truthfulness of these representations.
9

10
11 4. Use of the Technology
12

13 42. Baker and Dritsas also recklessly made specific representations to
14 investors regarding the status of negotiations with, and the use of the technology by,
15 the NFL.
16

17 43. For example, Baker told at least one investor that “now, currently we
18 [TDI] split those revenues, the advertising revenues with the NFL 50/50.” Dritsas
19 told the same investor the NFL already had agreed to use TDI’s technology during
20 the NFL’s 2012 mini-camp. At that time, TDI had no agreement with the NFL, and
21 Baker and Dritsas took no basic steps to verify the truthfulness of those
22 representations.
23
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COUNT I

Violation of Sections 5(a) and 5(c) of the Securities Act of 1933

1
2
3 44. The Commission realleges and incorporates paragraphs 1 through 31 of
4 this Complaint.
5

6 45. No registration statement was filed or in effect with the Commission
7 pursuant to the Securities Act with respect to the securities and transactions
8 described in this Complaint and no exemption from registration existed with respect
9 to these securities and transactions.
10

11 46. As described above, the Defendants directly or indirectly: (a) made use
12 of the means or instruments of transportation or communication in interstate
13 commerce or of the mails to sell, through the use or medium of any prospectus or
14 otherwise, securities as to which no registration statement was in effect; (b) for the
15 purpose of sale or delivery after sale, carried or caused to be carried through the
16 mails or in interstate commerce, by means or instruments of transportation, securities
17 as to which no registration statement was in effect; or (c) made use of means or
18 instruments of transportation or communication in interstate commerce or of the
19 mails to offer to sell, through the use or medium of a prospectus or otherwise,
20 securities as to which no registration statement has been filed.
21
22
23
24

25 47. By reasons of the foregoing, the Defendants violated, and, unless
26 restrained and enjoined, are reasonably likely to continue to violate, Sections 5(a)
27 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).
28

1 COUNT II

2 Fraud in Violation of Section 17(a)(1) of the Securities Act

3 48. The Commission realleges and incorporates paragraphs 1 through 43 of
4 this Complaint.

5
6 49. From no later than August 2011 until at least November 2012, the
7 Defendants directly and indirectly, by use of the means or instruments of
8 transportation or communication in interstate commerce and by use of the mails, in
9 the offer or sale of securities, as described in this complaint, knowingly, willfully or
10 recklessly employed devices, schemes or artifices to defraud.

11
12 50. By reason of the foregoing, the Defendants directly and indirectly
13 violated, and, unless enjoined, are reasonably likely to continue to violate, Section
14 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

15
16
17 COUNT III

18 Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

19 51. The Commission realleges and incorporates paragraphs 1 through 43 of
20 this Complaint.

21
22 52. From no later than August 2011 until at least November 2012, the
23 Defendants directly and indirectly, by use of the means or instruments of
24 transportation or communication in interstate commerce and by the use of the mails,
25 in the offer or sale of securities: (a) obtained money or property by means of untrue
26 statements of material facts and omissions to state material facts necessary to make
27
28

1 the statements made, in the light of the circumstances under which they were made,
2 not misleading; or (b) engaged in transactions, practices and courses of business
3 which operated and will operate as a fraud or deceit upon purchasers and prospective
4 purchasers of such securities.
5

6 53. By reason of the foregoing, the Defendants directly and indirectly
7 violated, and, unless enjoined, are reasonably likely to continue to violate, Sections
8 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).
9

10 COUNT IV

11 Fraud In Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

12
13 54. The Commission realleges and incorporates paragraphs 1 through 43 of
14 this Complaint.

15
16 55. From no later than August 2011 until at least November 2012, the
17 Defendants directly and indirectly, by use of the means and instrumentalities of
18 interstate commerce, and of the mails in connection with the purchase or sale of the
19 securities, as described in this complaint, knowingly, willfully or recklessly; (1)
20 employed devices, schemes or artifices to defraud; (2) made untrue statements of
21 material facts and omitted to state material facts necessary in order to make the
22 statements made, in the light of the circumstances under which they were made, not
23 misleading; or (3) engaged in acts, practices and courses of business, which operated
24 as a fraud upon the purchasers of such securities and will operate as a fraud upon the
25 purchasers of such securities.
26
27
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1 56. By reasons of the foregoing, the Defendants directly or indirectly
2 violated, and, unless enjoined, are reasonably likely to continue to violate, Section
3 10(b) and Rule 10b-5 of the Exchange Act, 15 U.S.C. § 78j(b), and 17 C.F.R. §
4 240.10b-5.
5

6 **COUNT V**

7 **Violation of Section 15(a) of the Exchange Act**

8
9 57. The Commission realleges and incorporates paragraphs 1 through 38 of
10 this Complaint.

11 58. From no later than August 2011 until at least November 2012, the
12 Defendants, while acting as or associated with a broker or dealer, effected
13 transactions in, or induced or attempted to induce the purchase or sale of, securities
14 while they were not registered with the Commission as a broker or dealer or when
15 they were not associated with an entity registered with the commission as a broker-
16 dealer.
17
18

19 59. By reasons of the foregoing, the Defendants directly or indirectly
20 violated, and, unless enjoined, are reasonably likely to continue to violate, Section
21 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).
22
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1 **RELIEF REQUESTED**

2 **WHEREFORE, the Commission respectfully requests the Court:**

3 **I.**

4 **Declaratory Relief**

5
6 **Declare, determine and find that the Defendants have committed the violations**
7 **of the federal securities laws alleged in this Complaint.**

8 **II.**

9 **Permanent Injunctive Relief**

10 **Issue a Permanent Injunction restraining and enjoining the Defendants, their**
11 **officers, agents, servants, employees, attorneys, representatives and all persons in**
12 **active concert or participation with them, and each of them, from violating Sections**
13 **5(a), 5(c), 17(a)(1), (2) and (3) of the Securities Act, and Sections 10(b) and 15(a)**
14 **and Rule 10b-5 of the Exchange Act.**

15 **III.**

16 **Disgorgement and Prejudgment Interest**

17 **Issue an order directing the Defendants to disgorge all ill-gotten gains as a**
18 **result of the conduct alleged in the complaint, together with prejudgment interest on**
19 **all disgorgement amounts.**

1 IV.

2 Penalties

3 Issue an Order directing each of the Defendants to pay a civil money penalty
4 pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)
5 of the Exchange Act, 15 U.S.C. § 78u(d).
6

7 V.

8 Penny Stock Bar

9 Issue an Order barring Baker and Dritsas from participating in any offering of
10 a penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g),
11 and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged
12 in this Complaint.
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15 VI.

16 Further Relief

17 Grant such other and further relief as may be necessary and appropriate.
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19 VII.


20 Retention of Jurisdiction

21 Further, the Commission respectfully requests the Court retain jurisdiction
22 over this action in order to implement and carry out the terms of all orders and
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1 decrees that may be entered or to entertain any suitable application or motion by the
2 Commission for additional relief within the jurisdiction of this Court.
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5 Respectfully submitted,

6
7 July 23, 2014


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CENTRAL DIST. OF CALIF.
SANTA ANA

CV. _____

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

SACR14-00068

UNITED STATES OF AMERICA,

No. SA CR

Plaintiff,

I N F O R M A T I O N

v.

[18 U.S.C. § 371: Conspiracy]

DEMOSTHENES DRITSAS,

Defendant.

The United States Attorney charges:

[18 U.S.C. § 371]

A. INTRODUCTION

1. At all times relevant to this Information, defendant DEMOSTHENES DRITSAS ("DRITSAS") was a co-owner of CalPacific Equity Group LLC ("CalPacific") located in Valencia, California.

B. THE OBJECT OF THE CONSPIRACY

2. Beginning in or around September 2011, and continuing to in or around February 2012, in Orange County, within the Central District of California, and elsewhere, defendant DRITSAS, D.B., S.R., and P.K., together with others known and unknown to the United States Attorney, combined, conspired, and agreed with each other to knowingly and intentionally commit an



1 offense against the United States, namely, mail fraud by
2 shipping through private and interstate mail carriers documents
3 related to an investment fraud scheme, in violation of Title 18,
4 United States Code, Section 1341.

5 C. THE MANNER AND MEANS OF THE CONSPIRACY

6 3. The object of the conspiracy was carried out, and to
7 be carried out, in substance, as follows:

8 a. Defendant DRITSAS and D.B. contacted prospective
9 investors to solicit them to purchase Thought Development, Inc.
10 ("TDI") common stock.

11 b. Defendant DRITSAS and D.B. did not disclose to
12 potential investors that CalPacific was receiving at least a 40%
13 commission on the sales of TDI stock and affirmatively
14 misrepresented that fact.

15 c. Defendant DRITSAS and D.B., through CalPacific,
16 received investor funds as commissions for selling TDI stock.

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1 D. OVERT ACT

2 4. In furtherance of the conspiracy and to accomplish its
3 object, defendant DRITSAS and D.B., together with others known
4 and unknown to the United States Attorney, committed and
5 willfully caused others to commit the following overt act, among
6 others, in Orange County, within the Central District of
7 California, and elsewhere:

8 Overt Act No. 1: On or about November 16, 2011,
9 defendant DRITSAS and D.B. caused investor R.B. to send, by
10 Federal Express, a cashier's check in the amount of \$10,000 to
11 purchase 4,000 shares of TDI stock.

12
13 ANDRÉ BIROTTE JR.
United States Attorney

14 

15
16 ROBERT E. DUGDALE
Assistant United States Attorney
17 Chief, Criminal Division

18 DENNISE D. WILLETT
Assistant United States Attorney
19 Chief, Santa Ana Branch Office

20 JOSEPH T. McNALLY
Assistant United States Attorney
21 Deputy Chief, Santa Ana Branch Office

22 JENNIFER L. WAIER
Assistant United States Attorney
23 Santa Ana Branch Office