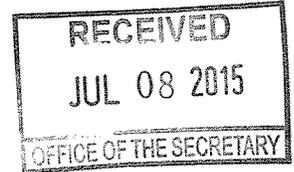


UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING  
File No. 3-16483



In the Matter of

CRAIG DANZIG,

Respondent.

JUDGE JASON S. PATIL

**DIVISION OF ENFORCEMENT'S MOTION FOR SANCTIONS**

Pursuant to this Court's Order Finding Respondent in Default, filed June 23, 2015, the Division of Enforcement (the "Division") respectfully moves for sanctions against Respondent Craig Danzig ("Danzig" or "Respondent") in this matter. For the reasons stated below, the Court should impose a full collateral bar from the securities industry (with the exception of a penny stock bar).

**I. PROCEDURAL HISTORY**

1. This is a follow-on administrative proceeding based upon *SEC v. StratoComm Corporation, et al.*, Civil Action Number 1:11-cv-1188 (N.D.N.Y.) (the "*StratoComm* Action"), in which Danzig was enjoined against violations of the antifraud and other provisions of the federal securities laws. The Respondent, who appears to be *pro se*, was served with the Order Instituting Proceedings ("OIP") on April 16, 2015. The Court entered an Order Finding Respondent in Default on June 23, 2015.

**II. PROPOSED FINDINGS OF FACT**

2. Danzig, age 54, was last known to reside in Boca Raton, Florida. OIP ¶ 1.

3. From at least 2007 until 2010, Danzig was employed by StratoComm Corporation (“StratoComm”), initially as Director of Investor and Institutional Relations and subsequently as Executive Director of Institutional Relations. *Id.*

4. The Securities and Exchange Commission (“SEC” or “Commission”) filed a Complaint against Danzig and others in the *StratoComm* Action in the United States District Court for the Northern District of New York (“District Court”). OIP ¶ 2. The Complaint alleged that during at least 2008 and 2009, Danzig assisted StratoComm in distributing public statements falsely portraying the company as actively engaged in the manufacture and sale of telecommunications systems for use in underdeveloped countries, primarily in Africa. *Id.* ¶ 3. The Complaint also alleged that Danzig sold StratoComm’s securities in unregistered transactions and that he did not register as a broker or become associated with a registered broker while selling StratoComm’s securities. *Id.*

5. On March 26, 2015, the District Court permanently enjoined Danzig from violations of Sections 5(a) and (c) and 17(a) of the Securities Act of 1933 (the “Securities Act”), and Sections 15(a)(1) and 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 thereunder, ordered Danzig to pay a civil penalty in the amount of \$25,000 and imposed a permanent penny stock bar. Declaration of Richard Hong (“Hong Decl.”) ¶ 11, Hong Decl. Ex. 5 (Amended Final Judgment, *StratoComm* Action, ECF No. 80) at 1-4, 6-7 (all attached hereto).

6. The foregoing remedies were imposed after the District Court granted the Commission’s motion for partial summary judgment as to liability against Danzig and others. Hong Decl. ¶ 8, Hong Decl. Ex. 3 (“Summary Judgment Decision,” *StratoComm* Action, ECF No. 61) (attached hereto). The District Court found that Danzig violated Sections 5(a) and (c)

and 17(a) of the Securities Act, aided and abetted StratoComm's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and violated Section 15(a) of the Exchange Act. *Id.* ¶ 9, Hong Decl. Ex. 3 at 29-36.

7. More specifically, as to the violations based upon the antifraud provision under Section 17(a) of the Securities Act, the District Court explained in its Summary Judgment Decision that Danzig knew the statements contained in StratoComm's marketing material (the Executive Overview) were false and he nonetheless used the Executive Overview as a "tool" to sell StratoComm securities to investors. Hong Decl. Ex. 3 at 33 (citing SEC's Statement of Material Facts ¶¶ 113-114, *StratoComm* Action, ECF No. 25-2 at 17, attached hereto as Hong Decl. Ex. 2). And as to the Section 15(a) claim, the District Court found that "Danzig acted as an unregistered broker in violation of Section 15(a) of the Exchange Act by regularly engaging in the business of effecting transactions in securities for the accounts of others in exchange for transaction-based compensation." Hong Ex. 3 at 32; *see also* Hong Decl. Ex. 2 at ¶¶ 115-17.

8. The District Court imposed permanent injunctions against Danzig "[b]ased upon the totality of the circumstances." Hong Decl. Ex. 4 at 12 ("Remedies Decision," *StratoComm* Action, ECF No. 76) (attached hereto). More specifically, the Court explained that: (1) Danzig was found liable on each claim in which he was named, including fraud/aiding and abetting fraud under Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and/or Section 17(a)(1) of the Securities Act, acting as an unregistered broker under Section 15(a) of the Exchange Act and offering and selling of securities in unregistered transactions under Sections 5(a) and (c) of the Securities Act, Hong Decl. Ex. 4 at 6, 8; (2) his misconduct involved a high level of scienter, that is, he "knowingly violated, and/or aided and abetted violations of, the anti-fraud provisions of the federal securities laws," *id.* at 9; (3) the infractions involving him "were not isolated

occurrences but rather appeared to be a part of a long-standing and somewhat elaborate scheme to defraud investors,” *id.* at 10; and (4) he is a recidivist violator of the securities laws, having previously been “sanctioned by the State of Delaware in connection with unauthorized transactions in a customer account and was barred from obtaining a license to sell securities in New Jersey.” *Id.* at 9.

### III. PROPOSED CONCLUSIONS OF LAW

9. This proceeding is authorized pursuant to Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

10. Pursuant to such authority, this Court can impose a full collateral bar against Danzig, prohibiting him from, among other things, associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization. *See* Section 15(b)(6) of the Exchange Act, 15 U.S.C. § 78o(b)(6).<sup>1</sup>

11. Section 15(b)(6) of the Exchange Act authorizes the Commission to impose this remedial sanction if: (1) at the time of the alleged misconduct, the respondent was associated with or seeking to become associated with a broker-dealer; (2) he has been enjoined from any action, conduct, or practice specified in Exchange Act Section 15(b)(4)(C), including any conduct or practice in connection with the purchase or sale of any security; and (3) the sanction is in the public interest. 15 U.S.C. §§ 78o(b)(6) and (b)(4)(C).

12. As to the first two elements, in a follow-on proceeding, such as this one, the permanent injunction that the District Court imposed against Danzig is all but outcome

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<sup>1</sup> Exchange Act Section 15(b)(6) also authorizes the imposition of a penny stock bar. The Division is not requesting this sanction in this proceeding because the District Court already has imposed a penny stock bar against Danzig. *See* Hong Decl. Ex. 5 at 4.

dispositive. *See Currency Trading Int'l, Inc.*, Initial Dec. Rel. No. 263, 2004 WL 2297418, at \*3 (ALJ Oct. 12, 2004) (citing *Marshall E. Melton*, 80 S.E.C. Docket 2812, 2825-26, 2003 WL 21729839, at \*9 (July 25, 2003) (“[W]e believe that ordinarily, and in the absence of evidence to the contrary, it will be in the public interest to . . . bar from participation in the securities industry . . . a respondent who is enjoined from violating the antifraud provisions [of the federal securities laws].”). This Court routinely bars respondents whom district courts have permanently enjoined from violating the antifraud provisions of the federal securities laws. *See Stefan H. Bengler*, Initial Dec. Rel. No. 499, 2013 WL 3832276, at \*4 (ALJ Jul. 25, 2013) (“From 1995 to the present there have been over thirty follow-on proceedings based on antifraud injunctions in which the Commission issued opinions. All of the respondents were barred -- thirty-two unqualified bars and three bars with the right to reapply after five years.”) (footnotes omitted).

13. Even if Danzig had answered the OIP (and thereby not defaulted), there still could be no dispute that the District Court in the *StratoComm* Action permanently enjoined Danzig “from engaging in or continuing any conduct or practice . . . in connection with the purchase or sale of any security” within the meaning of Exchange Act Sections 15(b)(4)(C) and 15(b)(6)(A)(iii). *See Hong Decl. Exhibit 4 at 5-12; Hong Decl. Ex. 5 at 1-4.*<sup>2</sup> Further, Danzig would be estopped from relitigating the summary judgment findings and conclusions made for the underlying injunctions in the *StratoComm* Action, which included the antifraud provisions, in this follow-on proceeding. *Siming Yang*, Initial Dec. Rel. No. 788, 2015 WL 2088468, at \*2 (ALJ May 6, 2015) (“It is well established that the Commission does not permit a respondent to relitigate issues that were addressed in a previous civil proceeding against the respondent,

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<sup>2</sup> This Court should take official notice of the District Court’s docket report and court orders (Hong Decl. Exs. 1, 3-5) in the *StratoComm* Action against Danzig. *See Siming Yang*, 2015 WL 2088468, at \*2 (taking official notice pursuant to 17 C.F.R. § 201.323 of docket report and court orders).

whether resolved after a trial, by consent, or by summary judgment.”).<sup>3</sup>

14. There is also no dispute that at the time of the alleged misconduct, Danzig was associated with or seeking to become associated with a broker-dealer. The Commission has stated that, “[a] person who acts as an unregistered broker-dealer is ‘associated’ with a broker-dealer for the purposes of Section 15(b).” *Gary L. McDuff*, Exchange Act Release No. 74803, 2015 WL 1873119 at \*1 n.2 (April 23, 2015); *Daniel Imperato*, Exchange Act Release No. 74596, 2015 WL 1389046, at \*4 (March 27, 2015). Such is the case here. At the time of Danzig’s alleged misconduct, the District Court found that Danzig was acting as an unregistered broker. *See Hong Decl. Ex. 3 at 32.*

#### **IV. SANCTIONS**

15. As to the final element of the remedial sanctions analysis, there is no doubt that barring Danzig from the securities industry is in the public interest. To determine whether associational bars are in the public interest, the following factors are considered: (1) the egregiousness of the respondent’s actions; (2) whether the violations were isolated or recurrent; (3) the degree of scienter; (4) the sincerity of the respondent’s assurances against future violations; (5) the respondent’s recognition of the wrongful nature of his or her conduct; and (6) the likelihood that the respondent’s occupation will present opportunities for future violations. *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff’d on other grounds*, 450 U.S. 91 (1981). This inquiry into whether sanctions are in the public interest is flexible; and therefore,

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<sup>3</sup> As discussed, the Division does not believe that further examination of the summary judgment findings and conclusions made for the underlying injunctions in the *StratoComm* Action is required in this follow-on proceeding. In an abundance of caution, however, the Division submits the previously filed Statement of Material Facts in Support of the Securities and Exchange Commission’s Motion for Partial Summary Judgment and the relevant underlying documentary and testimonial evidence (relating to ¶ 7 of this submission above). *See Hong Decl. Ex. 2, MSJ Ex. 6, MSJ Ex. 10, MSJ Ex. 26, and MSJ Ex. 32* (all available on the District Court’s ECF system and attached hereto for the Court’s convenience).

no single factor is dispositive. *Daniel Imperato*, 2015 WL 1389046 at \*4.

16. The Commission has stated repeatedly that “[f]idelity to the public interest requires a severe sanction when a respondent’s misconduct involves fraud because the securities business is one in which opportunities for dishonesty recur constantly.” *Daniel Imperato*, 2015 WL 1389046 at \*5, *Justin F. Ficken*, Exchange Act Release No. 58802, 2008 WL 4610345 at \*3 (October 17, 2008) (internal quotations omitted). Similarly, the Commission has stated that “conduct that violates the antifraud provisions of the federal securities laws is ‘subject to the severest of sanctions.’” *Daniel Imperato*, 2015 WL 1389046 at \*5. In addition, the Commission has expressed that the registration requirements of the federal securities laws are “the heart of the securities regulatory system,” and violating those requirements justifies “strong remedial measures.” See *Chris G. Gunderson, Esq.*, 97 S.E.C. Docket 1729, 2009 WL 4981617 at \*5 (Dec. 23, 2009) (internal quotations omitted).

17. Here, all of the *Steadman* factors strongly favor the imposition of the requested bar (a full collateral bar from the securities industry, with the exception of a penny stock bar, which was imposed by the District Court) against Danzig. There is little doubt that Danzig’s misconduct was egregious.<sup>4</sup> He engaged in fraudulent conduct involving a high degree of scienter, thereby violating the antifraud provisions of the federal securities laws. See Hong Decl. Ex. 3 at 30-33. Specifically, the District Court found that Danzig knew the statements contained

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<sup>4</sup> Danzig’s conduct can be sanctioned under Section 925 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). Dodd-Frank, enacted on July 21, 2010, enlarged the scope of bars available in administrative proceedings by authorizing the Commission to impose collateral bars (bars prohibiting the respondent from associating in capacities other than those in which the respondent was associated at the time of the misconduct). The Commission has held that it is permissible to impose collateral bars in a follow-on proceeding addressing pre-Dodd-Frank conduct such as Danzig’s because “such bars are prospective remedies whose purpose is to protect the investing public from future harm.” *John W. Lawton*, 105 S.E.C. Docket 673, 2012 WL 6208750 at \*10 (December 13, 2012).

in StratoComm's marketing material (the Executive Overview) were false and he nonetheless used the Executive Overview as a "tool" to sell StratoComm securities to investors. *Id.* at 33. In addition, Danzig acted as an unregistered broker in selling securities in unregistered transactions, in violation of Section 15(a) of the Exchange Act and Sections 5(a) and (c) of the Securities Act.

18. Danzig's conduct was recurrent over the course of at least two years, involved "numerous occasions" in which Danzig referred investors to StratoComm's false and misleading Executive Overview, and involved multiple violations of the federal securities laws. Hong Decl. Ex. 3 at 29-36; Hong Decl. Ex. 4 at 10 (the violations "were not isolated occurrences but rather appeared to be a part of a long-standing and somewhat elaborate scheme to defraud investors").

19. Having defaulted, Danzig has not offered any assurances against future violations and likewise has not recognized the wrongful nature of his conduct.

20. Finally, Danzig, who is 54, has had a long and checkered history of employment in the securities industry, including his involvement with investor relations for StratoComm, which presents a risk that he will engage in similar pursuits in the securities industry in the future with the potential for future violations. Prior to joining StratoComm, Danzig was a registered representative associated with several broker-dealers, and held a license to sell securities from 1991 until 2000. Hong Decl. Ex. 3 at 3-4. During that time period, as the District Court found, Danzig was a "recidivist violator[] of the securities laws," who had been sanctioned by the State of Delaware in connection with unauthorized transactions in a customer account and who had been barred from obtaining a license to sell securities in New Jersey. Hong Decl. Ex. 4 at 8-9,

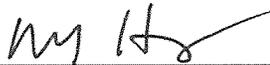
11.

**V. CONCLUSION**

For the foregoing reasons, the Division respectfully requests that the Court grant its Motion for Sanctions against Respondent Craig Danzig and impose a full collateral bar from the securities industry (with the exception of a penny stock bar) pursuant to Section 15(b)(6) of the Exchange Act.

Dated: July 8, 2015  
Washington, D.C.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I hereby certify that on July 8, 2015, a true copy of the forgoing Division of Enforcement's Motion for Sanctions was served on the following in the manner indicated below:

By UPS overnight delivery and e-mail to:

Mr. Craig Danzig

[REDACTED]  
Boca Raton, FL

E-mail: [REDACTED]

By e-mail to alj@sec.gov:

The Honorable Jason S. Patil  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-2557



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