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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **Western Division**

12
13 **SECURITIES AND EXCHANGE**
COMMISSION,

14 **Plaintiff,**

15 **vs.**

16
17 **ENVIRO BOARD CORPORATION,**
GLENN B. CAMP, WILLIAM J.
18 **PEIFFER, and JOSHUA D.**
MOSSHART,

19 **Defendants.**
20

Case No.

COMPLAINT

21
22 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

23 **JURISDICTION AND VENUE**

24 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
25 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
26 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
27 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
28 78u(d)(3)(A), 78u(e) & 78aa(a).

1 was remotely likely. Second, that Enviro Board would be able to quickly earn money
2 by selling millions of dollars in federal tax credits through a complex transaction that
3 depended on third-party financing which the company could never realistically obtain
4 because, among other things, it had to be secured by Enviro Board mills that did not
5 even exist at the time. For these reasons, Enviro Board's near-term projections of
6 millions of dollars in illusory operating profits were fraudulent, false and misleading.

7 6. In addition to these fraudulent projections, Enviro Board's offering
8 materials represented that the company had previously designed and installed a viable
9 production line, that its panels were available in two sizes, already in use in
10 residential and commercial construction projects and "mass produced," and that the
11 company had secured \$161 million in "vendor financing." These statements were all
12 false. The company had never placed a commercially-viable production line in
13 operation. No customer had ever used Enviro Board's building materials for any
14 construction project. And the purported "vendor financing" was actually to be
15 provided by a related-entity Peiffer had created and controlled, and which in any case
16 lacked the financial wherewithal to make such a large loan.

17 7. Enviro Board has never generated any meaningful operating revenue.
18 Notwithstanding this, Defendants personally profited from their fraud. Of the
19 approximately \$6 million raised by Enviro Board from 2011-2014, Camp, Peiffer and
20 Mosshart took as much as \$2.6 million for themselves in purported compensation.

21 8. As a result of the conduct alleged herein, Defendants Camp, Peiffer, and
22 Enviro Board have violated the antifraud provisions of the Securities Act and the
23 Exchange Act; Defendants Camp, Mosshart and Enviro Board have violated the
24 securities registration provisions of Section 5 of the Securities Act; and Defendant
25 Mosshart has violated the broker-dealer registration provisions of Section 15 of the
26 Exchange Act.

27 9. With this complaint, the SEC seeks permanent injunctive relief against
28 Defendants from violations of the antifraud and registration provisions of the federal

1 securities laws, disgorgement of ill-gotten gains along with prejudgment interest, civil
2 penalties, and an officer and director bar against Defendants Camp and Peiffer.

3 **THE DEFENDANTS**

4 10. Enviro Board is a Delaware corporation formed on March 27, 1997, and
5 is the successor of Enviro Board International, Inc., which Camp formed in 1992.
6 During the relevant period, Enviro Board maintained offices in Westlake Village and
7 Thousand Oaks, California. Since its inception, the company has been controlled by
8 Camp and Peiffer.

9 11. Glenn B. Camp, 59, is the co-founder, co-chairman, and co-chief
10 executive officer of Enviro Board. He resides in Thousand Oaks, California. He has
11 never been registered with the SEC in any capacity.

12 12. William J. Peiffer, 62, is the co-founder, co-chairman, co-chief executive
13 officer, and general counsel of Enviro Board. He resides in Haddonfield, New
14 Jersey. He has never been registered with the SEC in any capacity.

15 13. Joshua D. Mosshart, 43, began to raise money for Enviro Board in May
16 2011, became the company's titular president in or about January 2012, and resigned
17 from Enviro Board in April 2013. Mosshart resides in Malibu, California. He held
18 Series 7, 24, 63 and 66 licenses until January 2014, when he consented to a FINRA
19 regulatory action barring him from associating with any FINRA member in any
20 capacity. The FINRA regulatory action arose from his conduct in referring investors
21 to Enviro Board.

22 **THE ALLEGATIONS**

23 **A. Enviro Board's Long-Standing Inability to Commercialize Its Technology**

24 14. Camp formed Enviro Board's corporate predecessor in 1992.

25 15. Enviro Board, as did its predecessor, planned to develop a technology
26 that would allow it to manufacture low-cost, environmentally-friendly building panels
27 out of straw and other agricultural waste fiber.

28 16. Enviro Board called these building panels "E-Board." The company

1 also planned to develop technology to manufacture a drywall substitute called “E-
2 Wall.”

3 17. The plan was to design and construct large machines, called fiber
4 extrusion mills, which would manufacture E-Boards and later E-Wall using Enviro
5 Board’s technology.

6 18. Although the effort began in 1992, Enviro Board has never designed and
7 constructed a mill capable of commercial manufacturing operations.

8 19. Over the course of nearly 20 years of development work, Enviro Board
9 only constructed prototype mills, but none of those prototypes met the operational
10 specifications required for commercial production.

11 20. Specifically, Enviro Board’s prototype mills suffered from serious “in-
12 service” problems – *e.g.*, issues with paper tracking, glue adhesion, and panel density
13 – that required them to be shut down or slowed to make corrective adjustments. As a
14 result, the prototypes were incapable of maintaining a production rate of five feet per
15 minute, as required for commercial operations.

16 21. By early 2011, development of Enviro Board’s mill had been suspended,
17 and its only existing prototype placed in storage, where some components were
18 exposed to the elements and rusted.

19 22. Over the next year, Defendants failed to reverse this protracted history of
20 commercial failure.

21 23. In March 2011, Camp signed an agreement with a third-party
22 manufacturing firm which called for the delivery of ten commercially-viable mills by
23 November 1, 2011.

24 24. Enviro Board also hired a project manager to oversee its 2011 push to
25 commercialize.

26 25. Camp, however, quickly learned that building ten commercially-viable
27 mills by November was not a realistic goal and, under the circumstances, neither he
28 nor Peiffer had a reasonable basis to believe that this goal could be achieved.

1 26. In May 2011, Enviro Board amended the agreement to push back
2 delivery to December 31, 2011; shortly thereafter, Enviro Board decided to revise the
3 number of mills to be constructed from 10 to only two; and then in early June,
4 changed its plans once more to focus on building just one commercially-viable mill.

5 27. Even that objective proved too much. Assembly work by the third-party
6 manufacturing firm did not begin until fall 2011. By year-end 2011, Enviro Board
7 had failed to design and construct a mill capable of commercial manufacturing
8 operations.

9 28. Enviro Board fired its project manager on December 31, 2011.

10 29. With the project manager's departure, Enviro Board's development work
11 slowed dramatically.

12 30. Since then, Enviro Board's mill technology has not advanced past the
13 prototype stage at any point in time, and no significant progress has been made to
14 commercialize the technology.

15 31. During the relevant time, Enviro Board had never designed, constructed,
16 or operated a commercially-viable mill.

17 **B. The Enviro Board Offering**

18 32. From 2011 to 2014, Enviro Board, Camp and Mosshart offered and sold
19 investments to nearly 40 investors residing in several states.

20 33. These investments took the form of common stock, secured or unsecured
21 bonds, and promissory notes that at times called for interest to be paid through the
22 issuance of Enviro Board stock and included the issuance of additional shares as a
23 bonus or incentive to invest.

24 34. In all, Enviro Board raised approximately \$6 million from investors
25 during 2011 to 2014 through its sale of about \$3 million in common stock, \$2 million
26 in bonds purportedly secured by Enviro Board's claimed interest in state tax credits,
27 \$1 million in unsecured bonds, and \$50,000 in promissory notes.

28 35. Camp and Mosshart directly solicited the majority of Enviro Board's

1 investors via e-mail, by telephone, and through in-person meetings.

2 36. Camp and Mosshart typically provided prospective investors with copies
3 of Enviro Board's private placement memorandum, business plan, a subscription
4 agreement, an investor questionnaire, and/or other marketing materials, including
5 brochures, corporate updates, and PowerPoint presentations on Enviro Board's
6 business.

7 37. The stock, bond, and promissory note investments offered by Enviro
8 Board were securities. In fact, defendants' private placement memorandum
9 repeatedly referred to these investments as securities, and stressed that they had not
10 been registered with the SEC.

11 38. The investments in Enviro Board were investments of money. Investors
12 purchased bonds and promissory notes by providing money that was deposited into
13 the company's bank account over which Peiffer was sole signatory.

14 39. The investments in Enviro Board were also investments in a common
15 enterprise. Investor money was pooled for the purpose of funding Enviro Board's
16 mill development project and operations. Returns of investors' investments were
17 dependent on Enviro Board's ability to profitably commercialize its technology.
18 Finally, investors were dependent on the efforts of Camp and Peiffer, who controlled
19 Enviro Board.

20 40. Further, the bonds and promissory notes offered by Enviro Board
21 typically provided that investors would receive cash interest payments in the range of
22 10-12% annually, which far exceeded rates of return available on investments in CDs
23 or money market accounts. Those bonds and promissory notes were also marketed
24 and sold by Enviro Board, Camp, and Mosshart to approximately 20 accredited and
25 unaccredited investors who would benefit from the protections provided by the
26 federal securities laws. There is no alternative regulatory scheme that would render
27 the application of the federal securities laws to the Enviro Board offering
28 unnecessary.

1 41. A reasonable investor would consider the company's bonds and
2 promissory notes to be securities since Enviro Board's PPMs repeatedly referred to
3 those instruments as an "investment."

4 **C. Defendants' Misrepresentations and Omissions to Investors**

5 42. When soliciting investors in Enviro Board, Defendants Enviro Board,
6 Camp, and Peiffer made materially false and misleading statements and omissions
7 concerning the company's financial projections and about the true status of its
8 commercialization efforts.

9 43. Camp and Peiffer drafted, reviewed, and/or approved the use of the
10 Enviro Board private placement memoranda ("PPMs"), business plans, and other
11 marketing materials that were provided to prospective investors from 2011 to 2014.

12 44. Camp and Peiffer each had ultimate authority over the statements
13 contained in those offering materials, including their content and whether or how to
14 communicate them to potential investors.

15 **1. False and misleading revenue projections**

16 45. The PPMs and/or business plans distributed by Defendants to potential
17 investors typically contained three years of projected financial information, including
18 an income statement, balance sheet, and cash flow statement.

19 46. Peiffer prepared the Enviro Board financial projections.

20 47. Camp reviewed and approved the Enviro Board financial projections.

21 48. Defendants distributed several versions of the Enviro Board financial
22 projections to potential investors.

23 49. Although Enviro Board had no history of operating revenues or profits,
24 each version of the company's financial projections forecasted immediate, eight-
25 figure revenues that would occur in the company's very first year of operation.

26 50. Defendants distributed PPMs and business plans to investors containing
27 financial projections whose figures differed, depending on when these materials were
28 distributed. They sent one set of financial projections to investors from about

1 February 2011 to January 2012; they sent another set from about June 2012 to
2 September 2013; and they circulated a third set of financial projections from about
3 October 2013 and thereafter. The differences in the PPMs' and business plan's
4 financial projections were not significant, from the standpoint of a reasonable
5 investor, because in spite of those differences, they all forecasted immediate, eight-
6 figure revenues occurring in the company's first year of operation.

7 51. The PPMs and business plans distributed to investors by Defendants
8 from about February 2011 to January 2012 contained financial projections for Enviro
9 Board that forecasted approximately \$42.8 million in revenue and \$30.8 million in
10 net income during the company's first year of operation. The PPMs and business
11 plans further projected approximately \$31 million, \$18 million, and \$44 million in
12 earnings during the company's first, second, and third years of operation,
13 respectively.

14 52. The PPMs and business plans distributed to investors by Defendants
15 from about June 2012 to September 2013 contained financial projections that
16 forecasted approximately \$58.8 million in revenue and \$32.3 million in net income
17 during the company's first year of operation. The PPMs and business plans further
18 projected approximately \$32 million, \$50 million, and \$94 million in earnings during
19 the company's first, second, and third years of operation, respectively.

20 53. The PPMs and business plans distributed to investors by Defendants in
21 October 2013 and thereafter contained financial projections that forecasted
22 approximately \$56.3 million in revenue and \$15.5 million in net income during the
23 company's first year of operation. The PPMs and business plans further projected
24 approximately \$18 million, \$28 million, and \$49 million in earnings during the
25 company's first, second, and third years of operation, respectively.

26 54. Enviro Board's projected revenues were derived from three sources: (a)
27 the sale of certain tax credits that Peiffer and Camp claimed Enviro Board would be
28 qualified to receive once it successfully commercialized its technology; (b) the sale of

1 E-Board and E-Wall products; and (c) the sale of mills and associated royalty
2 payments.

3 55. Enviro Board's projected revenues were based on two key assumptions:
4 the company could actually make and sell commercially-viable products by
5 developing a mill capable of commercial production, and the company could actually
6 obtain and then sell huge tax credits.

7 **a. The unreasonable assumption regarding sales**

8 56. The first assumption – described in the PPMs as management's
9 “reasonable” assumption – was that the company would be able to place mills in
10 commercial production in a short amount of time and would then be able to sell
11 commercially-viable E-Boards and E-Walls. For example, in the offering materials
12 given to investors in mid-2011, the projections assumed that ten mills would be in
13 place and operating in less than a year-and-a-half; in subsequent offering materials in
14 the fall of 2013, the projections assumed that one E-Board mill would be in
15 production within six months.

16 57. In the financial projections distributed to investors from about February
17 2011 to January 2012, approximately \$15 million in revenue was projected to come
18 from the sale of E-Board and E-Wall products in Enviro Board's first year of
19 operation.

20 58. In the financial projections distributed to investors from about June 2012
21 to September 2013, approximately \$12.5 million in revenue was projected to come
22 from the sale of E-Board and E-Wall products, and \$30 million from the sale of mills,
23 all in the first year of operation.

24 59. In the financial projections distributed to investors from October 2013
25 and after, approximately \$26 million in revenue was projected to come from the sale
26 of E-Board products and \$15 million in royalties from licensing its mill technology,
27 all in the first year of operation.

28 60. Unless Enviro Board took the initial step of commercializing its

1 technology and placing mills in production, it was impossible for Enviro Board to
2 meet any of these eight-figure revenue forecasts from the sale of E-Board and E-Wall
3 products, or from the sale or licensing of entire mills.

4 61. At the time the Defendants provided these financial projections to
5 potential investors, however, Enviro Board, Camp and Peiffer knew, or were at least
6 reckless in not knowing, that the company had been attempting to commercialize its
7 technology without success for nearly twenty years, and that as things then stood, its
8 prototype mill suffered from serious deficiencies that had yet to be resolved.

9 62. Even in 2011, it was apparent no later than that spring that building ten
10 mills in the near term was not a realistic goal. Most significantly, the company's
11 December 31, 2011 termination of the project manager overseeing the development
12 effort rendered the defendants' goal of ten mills – or even one commercially-viable
13 mill – exceedingly remote, if not an impossibility.

14 63. By 2013, the prospect of successfully commercializing the company's
15 technology and placing one mill in service by the second quarter of 2014 – which is
16 what the projections were assuming at that point – was equally unrealistic.

17 **b. The unreasonable assumption regarding tax credits**

18 64. The second assumption was that Enviro Board would be able to
19 complete a complicated tax transaction that would make it eligible to receive the tax
20 credits that the company planned to sell.

21 65. In the financial projections distributed to investors from about February
22 2011 to January 2012, approximately \$22.8 million was forecasted from the sale of
23 federal New Market Tax Credits, in its first year of operation.

24 66. In the financial projections distributed to investors from about June 2012
25 to September 2013, approximately \$11.4 million was forecasted from the sale of
26 federal New Market Tax Credits, in its first year of operation.

27 67. In financial projections distributed to investors in October 2013 and
28 thereafter, approximately \$12.5 million was forecasted from the sale of federal New

1 Market Tax Credits, in its first year of operation.

2 68. A PPM described these federal New Market Tax Credits, or “NMTCs,”
3 as follows:

4 NMTCs are intended by the Federal Government to spur Qualified
5 Low Income Community Investments and jobs. The investor is
6 permitted to take a credit against Federal Income Taxes in the
7 amount of 39% of the qualified investment.

8 69. Enviro Board, Camp and Peiffer claimed that once Enviro Board made
9 plans to acquire land and construct a manufacturing plant that would run its mills in
10 an economically-disadvantaged area, that “qualified investment” under the federal
11 NMTC program would be entitled to certain tax credits, which the company could
12 then sell to banks through syndicators. Specifically, the PPMs stated that “[t]here are
13 significant Federal and State Tax credits available to the Company relating to certain
14 investments, including environmental investments.”

15 70. With respect to their progress in effectuating those transactions, the
16 PPMs and/or business plans at times claimed that the company qualified for the
17 federal tax program, and had “engaged legal counsel, an accounting firm, and a tax
18 syndicator to process and sell \$55 million of such tax credits beginning in 2012.”

19 71. However, to meet its projections of \$11.4 million, \$12.5 million, or
20 \$22.8 million in revenue from the sale of federal NMTCs in year one, Enviro Board
21 needed a “qualified investment” in the range of \$100 million. It did not.

22 72. For example, financial projections in PPMs and/or business plans
23 distributed to investors from February 2011 to at least January 2012 forecasted \$45.7
24 million in federal NMTCs in the first quarter of year one, with the company realizing
25 \$22.87 million in revenue net of selling costs and discounts. Because under the
26 federal NMTC program, qualified investments are entitled to a 39% tax credit, the
27 forecasted \$45.7 million credit required a \$117.2 million qualified investment (.39 x
28 \$117.2 million = \$45.7 million).

1 73. To be a qualified investment, Enviro Board’s proposed plant and mill
2 equipment had to be located and operated in an economically-disadvantaged region.

3 74. Under the Defendants’ plan, the more than \$100 million qualified
4 investment in their business would have to be primarily financed by third-party
5 capital loans.

6 75. However, in order to obtain capital financing of more than \$100 million,
7 Enviro Board had to provide collateral in the form of the plant and equipment. And
8 that collateral would not be acceptable to any potential lender without an independent
9 valuation or *bona fide* sales contract establishing the economic viability of Enviro
10 Board’s proposed mill operation.

11 76. At no time when the Defendants were providing investors with their
12 financial projects did Enviro Board have anywhere near sufficient collateral to secure
13 such a large financing. Nor did they have the needed independent valuation of that
14 collateral or *bona fide* sales contract.

15 77. As of June 2011, Defendants Enviro Board, Camp, and Peiffer no longer
16 had any reasonable expectation of being able to place ten commercially-viable mills
17 in service by the end of 2011, and thereafter, Enviro Board’s development work
18 slowed dramatically.

19 78. Without a working mill, Enviro Board did not have sufficient collateral,
20 and could not obtain the independent valuation or enter into a *bona fide* sales contract
21 required to secure third-party financing, either. Without financing, Enviro Board
22 could not establish a “qualified investment” under the federal NMTC program. And
23 without a “qualified investment,” there was no possibility of Enviro Board meeting
24 its projections of \$11.4 million, \$12.5 million, or \$22.8 million in revenue from the
25 sale of federal NMTCs in year one.

26 79. Peiffer was further advised by a third-party tax credit consultant that the
27 company’s alternative plan – Enviro Board would instead place the value of ten mills
28 at more than \$100 million through a related-party transaction with an affiliated entity

1 at a marked-up price – would never work to secure the necessary capital financing.

2 80. In dealing with Enviro Board and Peiffer, that third-party tax credit
3 consultant was never able to understand the company’s plan for financing, and
4 ultimately concluded that Enviro Board’s business “was all vapor.”

5 **c. False and misleading, and no reasonable basis**

6 81. As a result, the financial projections provided investors were false and
7 misleading, and Defendants Enviro Board, Peiffer and Camp had no reasonable basis
8 to believe in the accuracy of those projections.

9 82. Defendants Enviro Board, Peiffer, and Camp had no reasonable basis to
10 believe in the accuracy of their two assumptions about the projected sale of
11 commercially-viable products or about the tax credits. Instead, they were aware of
12 facts never disclosed to investors that tended to seriously undermine the accuracy of
13 the company’s financial projections.

14 83. Specifically, Defendants Enviro Board, Camp and Peiffer failed to
15 disclose to potential investors facts relevant to the company’s inquiry into or
16 knowledge concerning its financial projections, which investors needed to know in
17 order to evaluate the Enviro Board financial projections in context, including that: (a)
18 throughout its history of operations, the company had only managed to design
19 prototype E-Board mills, all of which suffered from serious in-service issues that
20 made their use in commercial operations unworkable; (b) the basic assumption on
21 which Enviro Board’s financial projections were all based – that the company would
22 be able to place ten commercially-viable E-Board mills in service in the near term –
23 would not occur given the failure of Enviro Board’s commercialization efforts at the
24 end of 2011; and (c) Enviro Board had engaged in only preliminary, unproductive
25 discussions with a third-party tax credit consultant about its plan to achieve eight-
26 figure revenues from the sale of federal NMTCs.

27 84. A reasonable investor in the offerings would have considered it
28 important in making their investment to know, among other things, the foregoing

1 undisclosed facts.

2 **2. False and misleading statements concerning the status of Enviro**
3 **Board’s commercialization efforts**

4 85. The Enviro Board offering materials sent to investors also contained
5 further false and misleading statements about the state of its commercialization
6 efforts.

7 86. Defendants’ offering materials falsely claimed that the company had
8 “successfully designed and installed its first production line,” and that it had
9 “developed” a green manufacturing process. In truth, its prototype mills were wholly
10 incapable of commercial operations.

11 87. Defendants’ offering materials falsely claimed that it had previously
12 designed and installed a production line, when in fact the company had only
13 developed prototypes with serious “in-service” issues which precluded their
14 commercial use.

15 88. Defendants’ offering materials falsely claimed that its E-Board panels
16 “are used” in construction, panels “are available” in two sizes (namely, E-Board and
17 E-Wall panels), “are mass produced,” and were in every way superior to traditional
18 construction materials. None of these assertions was true. Moreover, Defendants
19 failed to disclose that the company had never fabricated a mill capable of
20 manufacturing E-Wall, or that the manufacturing process for E-Wall was completely
21 different than the one used to produce E-Board panels.

22 89. Defendants’ offering materials falsely claimed that it had a track record
23 of using its panels to “build residentially and commercially,” and featured a model
24 home and warehouse that were purportedly built using E-Board or from “straw
25 panels.” To the contrary, Defendants failed to disclose that the model home and
26 warehouse were in fact constructed with similar materials purchased from another
27 manufacturer.

28 90. Defendants’ offering materials falsely claimed that the company had

1 plans to “expand production”; yet, the company failed to disclose that commercial
2 production had not even begun, given the commercial unsuitability of its existing
3 prototype mills.

4 91. Defendants at times disseminated a 2007 History Channel video clip that
5 showed Enviro Board’s mill in operation, claimed the mill could manufacture 600
6 panels a day, and asserted that Enviro Board had “perfected” the technology. All of
7 these representations were false.

8 **3. False and misleading statements concerning Enviro Board’s access to**
9 **financing**

10 92. Defendants’ offering materials falsely claimed to have secured \$161
11 million in “vendor financing” with off-balance sheet partnerships.

12 93. Investors, however, were never told by Defendants that the “vendor”
13 was a related-party that Peiffer had created and controlled which in any event lacked
14 the financial ability to loan any significant amount of funds to Enviro Board.

15 **4. False and misleading statements concerning Enviro Board’s secured**
16 **bonds**

17 94. Enviro Board issued bonds in 2011 to 2014 which Defendants falsely
18 claimed to be secured by a state tax credit issued by the Oregon Department of
19 Energy.

20 95. No such tax credit had been issued, as Enviro Board had only received a
21 preliminary certificate.

22 96. Defendant Enviro Board, Camp, and Peiffer’s statements concerning the
23 status of Enviro Board’s commercialization effort, the efficacy and marketability of
24 its technology, its access to available financing, and whether certain state tax credits
25 had in fact been issued were materially false and misleading. A reasonable investor
26 in the offerings would have considered it important in making their investment to
27 know, among other things, that the company had never constructed a working mill
28 capable of meeting the production specifications required for commercial

1 deployment, that the building materials created by Enviro Board's technology had
2 never been widely distributed and used in the construction of residential and
3 commercial buildings or used to construct its model home and warehouse, that Enviro
4 Board's claimed \$161 million in available capital was illusory, and that state tax
5 credits that the company offered as security for its bonds had not been given final
6 approval.

7 **D. Defendants' Roles in the Fraud**

8 97. At all relevant times, Camp and Peiffer knew, or were reckless in not
9 knowing, that the foregoing statements were false and misleading when made.

10 98. At all relevant times, Camp and Peiffer were negligent in making the
11 foregoing false and misleading statements.

12 99. As the co-founders, co-chairmen, and co-chief executive officers of
13 Enviro board, Camp and Peiffer's states of mind are imputed to Enviro Board.

14 100. Camp and Peiffer each had intimate knowledge and familiarity with
15 Enviro Board's operations and the state of its technology through the relevant period.
16 Both Camp and Peiffer knew of manufacturing problems that persisted for years,
17 which needed to be corrected before Enviro Board would be able to place a
18 commercially-viable mill in service. Both Camp and Peiffer knew, were reckless in
19 not knowing, or acted negligently when failing to disclose, that without a mill in
20 commercial production, Enviro Board's financial projections had no reasonable basis
21 and were therefore false and misleading, and that the various statements in the
22 company's offering materials touting the commercial progress made by Enviro Board
23 and the extent to which its products were already in use were false and misleading.

24 **E. Enviro Board Spends Almost Half of Investor Proceeds on Executive**
25 **Compensation and Commissions**

26 101. Despite raising approximately \$6 million from investors between 2011
27 and 2014, capital flow was a recurring issue for the company, which failed to make
28 required payments to employees, outside vendors crucial to its commercialization

1 efforts, and the company's bond and note holders.

2 102. Instead, Camp, Peiffer and Mosshart received about \$2.6 million in
3 compensation and commission payments in 2011 and 2012 alone.

4 103. In 2011 and 2012, Camp received as much as \$1.125 million in
5 compensation, paid from investor proceeds.

6 104. In 2011 and 2012, Peiffer received as much as \$940,000 in
7 compensation, paid from investor proceeds.

8 105. In 2011 and 2012, Mosshart received approximately \$540,000 in
9 commissions and salary, paid from investor proceeds.

10 106. Because Enviro Board used a large share of all investor proceeds raised
11 from 2011 to 2014 to enrich the individual defendants, the company's difficulties in
12 commercializing its technology were exacerbated. The company operated in a near-
13 continual cash crunch in that time period. For example, at various points in its
14 development effort, Enviro Board failed to make required payments to the third-party
15 manufacturing firm it had retained to construct the necessary mills, and in May 2012,
16 the firm suspended work on the project for almost four months.

17 **F. Defendants' Offer and Sale of Securities Without Registration or**
18 **Exemption**

19 107. Defendants did not register with the SEC any of the transactions or
20 securities Enviro Board, Camp and Mosshart offered or sold for the company.

21 108. Defendants Enviro Board, Camp and Mosshart engaged in the offer and
22 sale of investments without Enviro Board registering those transactions or securities
23 with the SEC, and the offers and sales were not exempt from registration.

24 109. Camp and Mosshart personally solicited most of Enviro Board's
25 investors, spoke with offerees via telephone, met them in person, and sent them
26 offering materials and other information by e-mail.

27 110. By directly soliciting investors who purchased securities offered by
28 Enviro Board, Defendants Enviro Board, Camp and Mosshart were necessary

1 participants and each played a substantial factor in the offer and sale of Enviro Board
2 securities.

3 **G. Mosshart's Illegal Broker-Dealer Activities**

4 111. Mosshart was hired to raise capital for Enviro Board.

5 112. Beginning in May 2011, Mosshart referred at least 18 individuals to
6 Enviro Board, who then purchased nearly \$5 million of the company's securities.

7 113. Mosshart solicited Enviro Board investors, provided those investors with
8 Enviro Board's offering materials, and/or participated in taking investors' orders,
9 thereby inducing the purchase or sale of securities.

10 114. Mosshart was paid transaction-based compensation in the form of
11 commissions on sales of Enviro Board securities.

12 115. Accordingly, Mosshart regularly participated in Enviro Board's offer
13 and sale of securities at key points in the chain of distribution.

14 116. Although Mosshart was associated with LPL Financial LLC ("LPL"), a
15 registered broker-dealer, in the relevant period, he was not acting within the scope of
16 his employment with LPL because the firm was unaware and did not approve of
17 Mosshart's conduct, and was not supervising him for purposes of his sale of Enviro
18 Board's securities.

19 117. Indeed, Mosshart was ultimately barred by FINRA from association with
20 any FINRA member in any capacity, for his conduct in raising capital for Enviro
21 Board.

22 **FIRST CLAIM FOR RELIEF**

23 **Fraud in the Connection with the Purchase and Sale of Securities**

24 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

25 **(against Defendants Enviro Board, Camp and Peiffer, and, alternatively, against**

26 **Camp and Peiffer as control persons under Section 20(a) of the Exchange Act)**

27 118. The SEC realleges and incorporates by reference paragraphs 1 through
28 117 above.

1 119. By engaging in the conduct described above, Defendant Enviro Board,
2 Camp and Peiffer, and each of them, directly or indirectly, in connection with the
3 purchase or sale of a security, by the use of means or instrumentalities of interstate
4 commerce, of the mails, or of the facilities of a national securities exchange: made
5 untrue statements of a material fact or omitted to state a material fact necessary in
6 order to make the statements made, in the light of the circumstances under which they
7 were made, not misleading.

8 120. Defendants Enviro Board, Camp and Peiffer, and each of them, knew, or
9 was reckless in not knowing, that he or it made untrue statements of a material fact or
10 omitted to state a material fact necessary in order to make the statements made, in the
11 light of the circumstances under which they were made, not misleading.

12 121. By engaging in the conduct described above, Defendants Enviro Board,
13 Camp, and Peiffer violated, and unless restrained and enjoined will continue to
14 violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b)
15 thereunder, 17 C.F.R. § 240. 10b-5(b).

16 122. Defendant Camp is a control person of Defendant Enviro Board, because
17 he possesses, directly or indirectly, the power to direct or cause the direction of the
18 management and policies of Enviro Board. Accordingly, pursuant to Section 20(a) of
19 the Exchange Act, 15 U.S.C. § 78t(a), Defendant Camp is liable to the SEC to same
20 extent as Defendant Enviro Board would be liable for its respective violations of
21 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

22 123. Defendant Peiffer is a control person of Defendant Enviro Board,
23 because he possesses, directly or indirectly, the power to direct or cause the direction
24 of the management and policies of Enviro Board. Accordingly, pursuant to Section
25 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), Defendant Peiffer is liable to the SEC
26 to same extent as Defendant Enviro Board would be liable for its respective
27 violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
28

SECOND CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

Violations of Section 17(a) of the Securities Act

(against Defendants Enviro Board, Camp and Peiffer)

124. The SEC realleges and incorporates by reference paragraphs 1 through 117 above.

125. By engaging in the conduct described above, Defendants Enviro Board, Camp and Peiffer, and each of them, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly, obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

126. Each of Defendants Enviro Board, Camp and Peiffer knew that he or it, or was reckless in not knowing that he or it, or with negligence, obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

127. By engaging in the conduct described above, each of Defendants Enviro Board, Camp and Peiffer violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

THIRD CLAIM FOR RELIEF

Unregistered Offer and Sale of Securities

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

(against Defendants Enviro Board, Camp and Mosshart)

128. The SEC realleges and incorporates by reference paragraphs 1 through 117 above.

129. By engaging in the conduct described above, Defendants Enviro Board,

1 Camp and Mosshart, and each of them, directly or indirectly, singly and in concert
2 with others, has made use of the means or instruments of transportation or
3 communication in interstate commerce, or of the mails, to offer to sell or to sell
4 securities, or carried or caused to be carried through the mails or in interstate
5 commerce, by means or instruments of transportation, securities for the purpose of
6 sale or for delivery after sale, when no registration statement had been filed or was in
7 effect as to such securities, and when no exemption from registration was applicable.

8 130. By engaging in the conduct described above, each of Defendants Enviro
9 Board, Camp and Mosshart has violated, and unless restrained and enjoined, is
10 reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act,
11 15 U.S.C. §§ 77e(a) & 77e(c).

12 **FOURTH CLAIM FOR RELIEF**

13 **Unregistered Broker-Dealer**

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

15 **(against Defendant Mosshart)**

16 131. The SEC realleges and incorporates by reference paragraphs 1 through
17 117 above.

18 132. By engaging in the conduct described above, Defendant Mosshart made
19 use of the mails and means or instrumentalities of interstate commerce to effect
20 transactions in, and induced and attempted to induce the purchase or sale of,
21 securities (other than exempted securities or commercial paper, bankers' acceptances,
22 or commercial bills) without being registered with the SEC in accordance with
23 Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without complying with
24 any exemptions promulgated pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

25 133. By engaging in the conduct described above, Defendant Mosshart has
26 violated, and unless restrained and enjoined, is reasonably likely to continue to
27 violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

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

II.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendants Enviro Board, Camp and Peiffer, and their 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].

III.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendants Enviro Board, Camp and Mosshart, and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

IV.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Mosshart and his agents, servants, employees, and attorneys, and those persons in active concert or participation with him, 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 [15 U.S.C. §§ 78o(a)].

1 **V.**

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

4 **VI.**

5 Order Defendants to pay civil penalties under Section 20(d) of the Securities
6 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §
7 78u(d)(3)].

8 **VII.**

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

13 **VIII.**

14 Enter an order against Defendants Camp and Peiffer pursuant to Section 20(e)
15 of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act,
16 15 U.S.C. § 78u(d)(2), prohibiting them from acting as an officer or director of any
17 issuer that has a class of securities registered pursuant to Section 12 of the Exchange
18 Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the
19 Exchange Act, 15 U.S.C. § 78o(d).

20 **IX.**

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

23 Dated: August 26, 2016

24 */s/ Gary Y. Leung*

25 GARY Y. LEUNG

26 WILLIAM S. FISKE

27 Attorneys for Plaintiff

28 Securities and Exchange Commission