

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

Civil Action No.

**ADAM TRACY and SECURITIES
COMPLIANCE GROUP, LTD.,**

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission (the “Commission”), files this Complaint and alleges as follows:

OVERVIEW

1. From approximately April 2015 through October 2015, Defendants Adam Tracy (“Tracy”) and his law firm, Securities Compliance Group, Ltd. (“Securities Compliance”) (collectively, “the Defendants”), knowingly and/or severely recklessly prepared and filed materially false registration statements with the Commission on behalf of Sonant Communications Corp. (“Sonant”).

2. At the time, Sonant was a telecommunications firm, created to provide telecommunications services to small and medium-sized companies. It is no longer in business.

3. The registration statements that were filed with the Commission in connection with Sonant's offering of 10 million shares of common stock concealed from the investing public that the person who actually operated and controlled the company was a felon who had previously been convicted of securities fraud. Specifically, the filings misrepresented that certain other individuals were the principal officers and control persons of the company and did not even mention the convicted felon's name or his role with the company.

VIOLATIONS

4. By their actions, Defendants have aided and abetted, and unless restrained and enjoined by this Court, will continue to aid and abet violations of Sections 17(a)(1) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)(1) and (3)].

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] to enjoin the Defendants from

engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties and for other equitable relief.

6. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v].

7. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce to effect transactions, or to induce or to attempt to induce the purchase or sale of securities alleged in this complaint.

8. Venue is proper in this Court as certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act occurred in the Northern District of Georgia.

9. The Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this Complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANTS AND RELEVANT OTHERS

10. Tracy, age 40, resides in Wheaton, Illinois, and is a member of the Illinois State Bar.

11. Securities Compliance Group, Ltd. is a law firm based in Wheaton, Illinois, that provides advice to individuals and entities regarding federal securities laws. Defendant Tracy is Defendant Securities Compliance's founder, president and managing attorney.

12. Sonant Communications Corp. is an inactive Wyoming corporation with its principal place of business in Pompano Beach, Florida. Sonant was formed in May 2015 to provide telecommunications services to small and medium-sized businesses. According to the Wyoming Secretary of State's website, Sonant was administratively dissolved on July 9, 2016.

13. The convicted felon formed Sonant and controlled it until his death in December 2015. In June 2005, the convicted felon pled guilty in the United States District Court for the Southern District of New York to one count of conspiracy to commit securities fraud, mail fraud and wire fraud, and one count of securities fraud. He was thereafter sentenced to a term of incarceration in a federal correctional facility and ordered to pay restitution.

THE FRAUDULENT SCHEME

A. The Inception of the Scheme

14. In April 2015, the convicted felon communicated with the Defendants and sought their legal assistance in (a) preparing and filing Sonant's Form S-1 registration statement with the Commission, which would enable Sonant to offer its equity securities to investors, and (b) listing the company's equity securities on the OTC marketplace.

15. During their exchanges, the convicted felon advised the Defendants on more than one occasion that he had previously been arrested, and, because of his conviction, did not want to be named as an officer or director of Sonant and did not want it to appear that he was associated with Sonant in public filings.

16. For example, in one email to Defendants, the convicted felon stated, "I cannot be an officer of the company but will be management at a later date. I had an arrest about 10 years ago that maybe [*sic*] a conflict and I just don't think we should deal with my past issues here."

17. In a subsequent email to Defendants, the convicted felon stated, "I had an arrest like 10 years ago and it may be a conflict so leave me off of

anything. I don't think we need to deal with my past here for this. Its [*sic*] not necessary.”

18. Based upon their direct dealings with the convicted felon, the Defendants knew that the convicted felon – and no other person – was controlling Sonant and that the convicted felon would continue to be the true principal officer for and operate and control Sonant.

19. In May 2015, the Defendants were involved in Sonant's incorporation in the State of Wyoming. Sonant's Articles of Incorporation listed the name of the company's purported Chief Executive Officer and included his purported signature. Sonant's bylaws listed the name of the company's purported Secretary and included his purported signature. However, neither person had agreed to serve as an officer or director of Sonant, and their signatures on these documents were forged.

B. The Filing of Sonant's Materially False Registration Statement and the Defendants' Opinion Letter with the Commission

20. In August 2015, the Defendants filed Sonant's false Form S-1 registration statement with the Commission, which they had previously prepared.

It provided that Sonant planned to issue 10 million shares of securities at an offering price of \$0.30 per share, for a total offering price of \$3 million.

21. Sonant's Form S-1 listed three individuals as its officers and directors, and was purportedly signed by two of them. However, none of them served in the positions listed for them in the Form S-1, and their signatures were forged.

22. Defendants knew or were severely reckless in not knowing that the three individuals listed as officers as directors in the Form S-1 had not agreed to serve as such for Sonant.

23. Notwithstanding these facts, the Defendants also prepared and filed an opinion letter with the Commission, in which Defendant Tracy stated that he had "examined the registration statement, the articles of incorporation and bylaws, the minutes of meetings of its board of directors, as well as all other documents necessary to render an opinion," and that the "common shares being sold pursuant to the registration statement are duly authorized."

24. When one of the individuals listed in Sonant's Form S-1 registration statement whose signature was forged learned of its existence, he advised the Commission that he had never performed any work for Sonant, was not associated

with it and had not authorized it to use his name in connection with the Form S-1. He also contacted the convicted felon, and demanded that Sonant file an amended Form S-1 registration statement with the Commission to remove his name from any association with the company.

C. The Filing of Sonant's False Amended Registration Statement and the Defendants' Failure to Cure.

25. In September 2015, the Defendants filed Sonant's false Form S-1/A registration statement with the Commission that they had prepared. It listed two individuals as its officers and directors, and was purportedly signed by one of them. Although the Form S-1/A removed the name of the individual who complained to the convicted felon, the filing still failed to disclose the convicted felon's association with and control of Sonant.

26. When one of the individuals listed on Sonant's Form S-1/A registration statement learned of its existence, he advised Defendant Tracy that he had been erroneously identified on it without his permission and had not authorized the use of his electronic signature on it. He requested that Defendant Tracy notify the Commission of these facts and amend the Form S-1/A to clarify that he had no association with Sonant.

27. Although Defendant Tracy advised this individual that he would do as instructed, he failed to do so. Instead, on October 15, 2015, the Defendants requested that the Commission withdraw Sonant's registration statement.

28. On October 19, 2015, the Defendants notified the Commission that Sonant was rescinding its request to withdraw its registration statement.

COUNT I

Aiding and Abetting Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

29. Paragraphs 1 through 28 are hereby re-alleged and are incorporated herein by reference.

30. From approximately April 2015 through October 2015, the Defendants aided and abetted Sonant's and the convicted felon's violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)] by knowingly or recklessly providing substantial assistance to an issuer and its principal that, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud the purchasers of such securities.

31. By reason of the foregoing, Defendants, directly and indirectly, have aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

**Aiding and Abetting Violations of
Section 17(a)(3) of the Securities Act
[15 U.S.C. § 77q(a)(3)]**

32. Paragraphs 1 through 28 are hereby re-alleged and are incorporated herein by reference.

33. From approximately April 2015 through October 2015, the Defendants aided and abetted Sonant's and the convicted felon's violations of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1)] by knowingly or recklessly providing substantial assistance to an issuer and its principal that, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities.

34. By reason of the foregoing, Defendants, directly and indirectly, have aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

I.

Enter Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendants committed the violations alleged herein.

II.

Enter injunctions, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, enjoining the Defendants from violating, directly or indirectly, the violations of the law and rules alleged in this complaint.

III.

Order the Defendants to disgorge all ill-gotten gains in the form of any benefits of any kind derived from the illegal conduct alleged in this Complaint, plus prejudgment interest.

IV.

Order the Defendants to pay civil penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] in an amount to be determined by the Court.

V.

Impose a penny stock bar against Defendant Tracy, pursuant to Section 20(g) of the Securities Act.

VI.

Order such other relief as is necessary and appropriate.

JURY TRIAL DEMAND

The Commission hereby demands a jury trial as to all issues so triable.

Dated: May 1, 2018

Respectfully submitted,

/s/ Robert F. Schroeder

Robert F. Schroeder

Senior Trial Counsel

Georgia Bar No. 001390

Email: schroederr@sec.gov

Tel: (404) 942-0688

M. Graham Loomis
Regional Trial Counsel
Georgia Bar No. 457868
Email: loomism@sec.gov
Tel: (404) 842-2762

COUNSEL FOR PLAINTIFF
U.S. Securities and Exchange Commission
950 East Paces Ferry Road NE, Suite 900
Atlanta, Georgia 30326-1382
Tel: (404) 842-7600
Fax: (404) 842-7666

CERTIFICATE OF COMPLIANCE

Pursuant to Local Rule 4.1.2 of the Electronic Filing Rules and Procedures, counsel for the Commission certifies that the PDF scanned version of this document accurately represents the written version of this document.

Date: May 1, 2018

/s/ Robert F. Schroeder

Robert F. Schroeder