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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12
13 SECURITIES AND EXCHANGE
COMMISSION,

14 Plaintiff,

15 vs.

16 TOON GOGGLES, INC., and IRA
17 WARKOL,

18 Defendants.
19

Case No. 2:19-cv-07687

COMPLAINT

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

21 **JURISDICTION AND VENUE**

22 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
24 77t(b), 77t(d)(1) & 77v(a) and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
25 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
26 78u(d)(3)(A), 78u(e) & 78aa(a).

27 2. Defendants have, directly or indirectly, made use of the means or
28

1 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
2 securities exchange in connection with the transactions, acts, practices and courses of
3 business alleged in this complaint.

4 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
5 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a).
6 Because certain of the transactions, acts, practices and courses of conduct constituting
7 violations of the federal securities laws occurred within this district. In addition,
8 venue is proper in this district because Defendant Ira Warkol resides in this district
9 and Defendant Toon Goggles, Inc.’s (“Toon Goggles”) principal place of business is
10 located in this district.

11 **SUMMARY**

12 4. This matter involves the unregistered offer and sale of over \$19 million
13 in securities by Toon Goggles, a privately held company that offers access to cartoons
14 through its online streaming service, and by the company’s recidivist founder, Ira
15 Warkol. The registration violations occurred from approximately August 2012
16 through late 2016, when Toon Goggles and Warkol (collectively, “defendants”)
17 conducted at least five private offerings through various entities, raising funds from
18 approximately 400 investors. None of the securities Warkol offered and sold to
19 investors on behalf of Toon Goggles during this time period were registered with the
20 SEC and none qualified for any of the exemptions from the registration requirements.

21 5. In addition, Warkol acted as an unregistered broker for these
22 unregistered offerings, setting up boiler rooms inside Toon Goggles’ offices,
23 purchasing lead sheets, and engaging sales agents who were paid commissions to
24 solicit investors. The sales agents then cold-called investors throughout the United
25 States, including California, New York, Arizona, Texas, Missouri, and Washington,
26 and solicited investments using scripts and offering documents Warkol provided.
27 Warkol used the funds that he raised from investors to pay large commissions and
28 transaction-based compensation to himself and the sales agents. In fact, it was not

1 uncommon for as much as 35% of investor funds to be used towards the payment of
2 commissions and finder's fees. Warkol did this without registering as a broker with
3 the SEC and without qualifying for any of the exceptions to the registration
4 requirements.

5 6. As a result of Toon Goggles' failure to properly register these offerings,
6 investors were deprived of information under Section 7(a) of the Securities Act,
7 which requires a registration statement to contain certain information spe, including
8 the net proceeds derived from the securities sold during the two years preceding the
9 offerings, the prices at which those securities were offered to the public, the amount
10 of money paid to promoters during that time period, and the profit and loss
11 statements of the issuer.

12 7. From August 2012 through at least late 2016, Toon Goggles was not a
13 profitable company and its revenue never exceeded \$200,000 a year.

14 8. Warkol and Toon Goggles failed to maintain accurate and complete
15 records regarding the identity of each investor, the number of shares sold to each
16 investor, and the amount of money raised from each investor. Toon Goggles still
17 does not know the total number of investors in Toon Goggles or the total amount of
18 capital raised from investors.

19 9. By engaging in this conduct, defendants violated, and may be continuing
20 to violate, the securities registration provisions of Sections 5(a) and 5(c) of the
21 Securities Act, 15 U.S.C. § 77f. Defendant Warkol also has violated, and may be
22 continuing to violate, the broker-dealer registration requirements of Section 15(a) of
23 the Exchange Act, 15 U.S.C. § 78o(a).

24 10. With this action, the SEC seeks permanent injunctive relief against
25 defendants to prevent future violations of the federal securities laws, disgorgement of
26 ill-gotten gains from defendants, along with prejudgment interest, and civil penalties
27 from defendants.
28

1 **THE DEFENDANTS**

2 11. **Ira Warkol (a.k.a. Ira Warren)** founded Toon Goggles in 2010 and
3 controlled the company until he terminated his relationship with Toon Goggles in
4 2017. Warkol is not, and has never been, registered with the SEC in any capacity.
5 On June 30, 2011, the California Department of Corporations issued a Desist and
6 Refrain Order against Warkol (who was then using the name “Ira Warren”),
7 prohibiting him from engaging in the offer or sale in California of securities of Toon
8 Goggles’ predecessor that were not qualified, and from the offer and sale of securities
9 through materially false or misleading communications (the “2011 D&R Order”). On
10 November 19, 2018, the California Department of Business Oversight issued another
11 Desist and Refrain Order against Warkol, prohibiting him from the further offer and
12 sale in California of non-exempt securities related to a cannabinoids business he
13 founded after terminating his relationship with Toon Goggles.

14 12. **Toon Goggles, Inc.** is a Nevada corporation with its principal place of
15 business in Los Angeles, California. The company markets itself as an on-demand
16 entertainment service for children that offers animated cartoons, live-action shows,
17 games, and music via the web and mobile applications.

18 **OTHER RELEVANT ENTITIES**

19 13. **NetKids LLC (“NetKids”)** was a Nevada limited liability company
20 established in August 2011. According to offering materials distributed by
21 defendants, its primary purpose was to handle the raising of capital for Toon Goggles
22 and Dinomite Apps, Inc. before being dissolved in July 2016.

23 14. **Dinomite Apps, Inc. (“Dinomite”)** was a Nevada corporation
24 established in 2013 to function as the videogame arm for Toon Goggles. Dinomite
25 dissolved in 2015.

26 15. **Yeti Productions LLC (“Yeti Productions”)** was established in 2014
27 to develop a cartoon series for Toon Goggles.
28

1 **THE ALLEGATIONS**

2 **A. Toon Goggles’ Streaming Business**

3 16. Warkol founded Toon Goggles in late 2010 as a media service provider
4 that offered licensing and online streaming of cartoons, games, news, and other
5 children’s entertainment services. Toon Goggles offered these services through its
6 website ToonGoggles.com and through mobile applications.

7 17. According to Warkol, Toon Goggles was founded based on the
8 observation that only a small percentage of professionally-produced cartoon series
9 end up on television, meaning most are not seen by children anywhere. Toon
10 Goggles sought to take advantage of that gap and marketed itself as the “YouTube or
11 Netflix for kids,” where tens of millions of children every month could watch
12 thousands of cartoons, most of them never seen before.

13 18. In its promotional materials, Toon Goggles claimed to have (i) the
14 ability to track visitors to its website, Toongoggles.com, (ii) the technology to permit
15 cartoon rights holders to upload their cartoons effortlessly onto its platform, and (iii)
16 developed mobile applications to allow its streaming services to be taken with anyone
17 anywhere and to be accessed on almost any mobile device.

18 **B. Toon Goggles’ Unregistered Securities Offerings**

19 19. From mid-2012 through at least 2016, Warkol raised over \$19 million
20 from at least 400 investors in multiple states on behalf of Toon Goggles without a
21 registration statement being filed or in effect and when no exemption from
22 registration applied.

23 20. Warkol engaged in a general solicitation of investors and failed to take
24 reasonable steps to verify that the individuals who purchased securities were
25 accredited investors.

26 21. Warkol purchased lead sheets and hired unregistered sales agents, who
27 set up boiler rooms inside Toon Goggles’ offices and cold-called investors
28 throughout the United States, soliciting investors in California, New York, Arizona,

1 Texas, Missouri, and Washington.

2 22. Warkol provided sales agents with sales pitches to use when soliciting
3 investors and approved commissions and other forms of transaction based
4 compensation for the sales agents, which they based on a percentage of the funds
5 raised from investors.

6 23. Warkol never disclosed the 2011 D&R Order to investors.

7 24. Warkol failed to maintain accurate and complete records regarding the
8 offerings, including an inability to identify: each investor, the number of shares sold
9 to each investor, and the amount of money raised from each investor.

10 25. Warkol relied on various forms of self-accreditation to determine if
11 investors were accredited, including having investors fill out questionnaires about
12 their financial background, and failed to take reasonable steps to verify that
13 information.

14 **1. The October 2011 NetKids Offering**

15 26. Beginning in or about October 2011 and continuing until approximately
16 April 28, 2016, Warkol offered investors units in NetKids (“the October 2011
17 NetKids offering”).

18 27. The offering materials for the October 2011 NetKids offering included a
19 Private Placement Memorandum (“PPM”).

20 28. The offering materials stated that the offering was exempt from SEC
21 registration requirements and that it was for “accredited purchasers only,” which the
22 offering documents described as generally including, among others, “any natural
23 person whose individual net worth, or joint net worth with that person’s spouse, at the
24 time of purchase, exceeds \$1,000,000.”

25 29. Warkol sought to raise a total of \$4,800,000 through the October 2011
26 NetKids offering, by offering investors a total of 80 units in NetKids at a cost of
27 \$60,000 per unit.

28 30. According to the offering materials, NetKids was “directly related” to

1 ToonGoggles.com and the purpose of the October 2011 NetKids offering was to
2 “continue behind the scenes development [of ToonGoggles.com], to acquire more
3 cartoon content from producers all over the world, to implement advertising and
4 market ToonGoggles.com all over the world, and to design a specific add campaign
5 to attract those currently on other children’s and parents’ websites.”

6 31. The offering materials stated that, if all 80 units were sold and
7 \$4,800,000 was raised, NetKids would acquire a 10% equity stake in Toon Goggles.

8 32. Investors who participated in the October 2011 NetKids offerings were
9 issued Toon Goggles stock certificates in exchange for their investment.

10 33. Defendants did not register the October 2011 NetKids offering with the
11 SEC.

12 34. The offering materials contained an “Offeree Questionnaire.” The
13 questionnaire requested information about investors’ investment experience, net
14 worth, and expected annual income. It also requested that investors sign the
15 questionnaires representing that the information provided in the questionnaire was to
16 the best of their knowledge complete, true, correct, and could be relied upon.

17 **2. The September 2013 Dinomite Offering**

18 35. Beginning in or about September 2013 and continuing until
19 approximately August 24, 2015, Warkol offered investors stock in Dinomite Apps,
20 Inc. (“Dinomite”) (“the September 2013 Dinomite offering”).

21 36. The offering materials for the September 2013 Dinomite offering
22 included an agreement between the prospective investor, Dinomite, and, for purposes
23 of certain provisions, Warkol.

24
25 37. Warkol described Dinomite in offering materials as a company formed
26 for the purpose of creating and/or publishing mobile games, some of which would be
27 based on cartoon series appearing on the Toon Goggles platform.

28 38. According to the offering materials, Dinomite stock was being offered to

1 raise approximately \$1.5 million in “seed capital” for Toon Goggles, which would be
2 used to begin the development of mobile games appearing on Toon Goggles.

3 39. Warkol offered shares of Dinomite stock at \$0.50 per share and gave
4 investors a one-time option to exchange their Dinomite stock for shares of Toon
5 Goggles that Warkol owned as a founder and principal of Toon Goggles. One of the
6 conditions to the exchange options was that investors had to do the exchange within
7 nine months of purchasing Dinomite stock.

8 40. Toon Goggles purports to have, as of approximately February 26, 2019,
9 issued shares of Toon Goggles in exchange for all known outstanding shares of
10 Dinomite stock.

11 41. Defendants did not register the September 2013 Dinomite offering with
12 the SEC.

13 42. The offering materials contained a provision that required investors to
14 represent and warrant as a part of the investment agreement they signed that they
15 were “accredited investors” under Rule 501 of Regulation D of the Securities Act.

16 **3. The October 2013 NetKids Offering**

17 43. Beginning in or about October 2013 and continuing until approximately
18 April 28, 2016, Warkol offered investors additional units in NetKids (“the October
19 2013 NetKids offering”).

20 44. The offering materials for the October 2013 NetKids offering included a
21 PPM.

22 45. The offering documents stated that the offering was exempt from SEC
23 registration requirements and that it was for “accredited purchasers only,” which the
24 offering documents described as generally including, among others, “any natural
25 person whose individual net worth, or joint net worth with that person’s spouse, at the
26 time of purchase, exceeds \$1,000,000.”

27 46. Warkol sought to raise a total of \$4,500,000 with the October 2013
28 NetKids offering by offering investors a total of 75 units in NetKids, convertible to

1 shares of Toon Goggles, at a cost of \$60,000 per unit.

2 47. According to the offering documents, NetKids' ability to raise this
3 working capital was "relevant" to the continued operations of ToonGoggles.com and
4 the purpose of the October 2013 NetKids offering was to "continue behind the scenes
5 development [of ToonGoggles.com], to secure more cartoon content from producers
6 all over the world, to implement advertising and marketing plans for
7 ToonGoggles.com on a global basis, and to design a specific ad campaign to attract
8 kids currently on other children's and parents' websites."

9 48. The offering documents stated that each of the 75 units was designated
10 as convertible to 30,000 shares of Toon Goggles stock at \$2.00 per share and that the
11 proceeds were deemed to be an adequate level of working capital sufficient to sustain
12 the continued operations of ToonGoggles.com.

13 49. Investors who participated in the October 2013 NetKids offerings were
14 issued Toon Goggles stock certificates in exchange for their investment.

15 50. Defendants did not register the October 2013 NetKids offering with the
16 SEC.

17 51. The offering materials contained an "Offeree Questionnaire." The
18 questionnaires requested information about investors' investment experience, net
19 worth, and expected annual income. It also requested that investors sign the
20 questionnaires representing that the information provided in the questionnaire was to
21 the best of their knowledge complete, true, correct, and could be relied upon.

22 **4. The November 2013 NetKids Offering**

23 52. Beginning in or about November 2013 and continuing until
24 approximately April 28, 2016, Warkol offered investors more units in NetKids ("the
25 November 2013 NetKids offering").

26 53. The offering materials for the November 2013 NetKids offering included
27 a PPM.

28 54. The offering materials stated that the offering was exempt from SEC

1 registration requirements and that it was for “accredited purchasers only,” which the
2 offering documents described as generally including, among others, “any natural
3 person whose individual net worth, or joint net worth with that person’s spouse, at the
4 time of purchase, exceeds \$1,000,000.”

5 55. Warkol sought to raise a total of \$3,000,000 with the November 2013
6 NetKids offering, by offering investors a total of 50 units in NetKids, convertible to
7 stock in Dinomite, at a cost of \$60,000 per unit.

8 56. According to the offering documents, an additional principal function of
9 NetKids was also to handle the raising of capital for Dinomite, and the purpose of the
10 November 2013 NetKids offering was to support Dinomite’s “development of video
11 games, some based on cartoons resident on certain Internet sites, to create marketing
12 plans, and to design an intensive global advertising and promotion campaign to
13 attract kids now on other children’s and gaming sites.”

14 57. The offering documents stated that Dinomite had entered into an
15 “exclusive arrangement” with Toon Goggles to allow Dinomite to access its array of
16 cartoon content and to advertise on Toon Goggles for free in exchange for giving
17 Toon Goggles 15% of the revenue Dinomite generated from the video games it was
18 developing.

19 58. The November 2013 NetKids offering documents stated that each of the
20 50 units being offered was designated as convertible to 120,000 shares of Dinomite
21 stock (6,000,000 shares total) at \$0.50 per share and that the proceeds were deemed
22 to be an adequate level of working capital sufficient to sustain the continued
23 operations of Dinomite.

24 59. Investors who participated in the November 2013 NetKids offerings
25 were issued Toon Goggles stock certificates in exchange for their investment.

26 60. Defendants did not register the November 2013 NetKids offering with
27 the SEC.

28 61. The offering materials contained an “Offeree Questionnaire.” The

1 questionnaire requested information about investors' investment experience, net
2 worth, and expected annual income. It also requested that investors to sign the
3 questionnaire representing that the information provided in the questionnaire was to
4 the best of their knowledge complete, true, correct, and could be relied upon.

5 **5. The Yeti Offering**

6 62. Beginning in or about mid-2015 and continuing until approximately
7 November 16, 2016, Warkol offered investors membership interests in Yeti
8 Productions, LLC ("Yeti") ("the Yeti offering").

9 63. The offering materials for the Yeti offering included an agreement
10 between the prospective investor and Toon Goggles.

11 64. The Yeti offering documents that were provided to investors state that
12 Yeti was formed to create, distribute, license and/or publish a cartoon series,
13 merchandise and videogames based on an existing concept co-produced with another
14 content provider entitled "Eddie is a Yeti."

15 65. According to the offering documents, Mondo TV had entered into an
16 agreement with Toon Goggles for the development of the "Eddie is a Yeti" project
17 and the parties to the investment agreement would be the investor and Toon Goggles.

18 66. The offering of Yeti membership interests was to raise approximately
19 \$1.5 million in "seed capital" in order to continue the creation, distribution, licensing,
20 publishing, and merchandising of "Eddie is a Yeti."

21 67. Defendants did not register the Yeti offering with the SEC.

22 68. The offering documents contained a provision that required investors to
23 represent and warrant as a part of their investment agreement that they had "sufficient
24 liquid assets" to invest in Yeti's investment program.

25 **C. Defendants' Securities Registration Violations**

26 69. All of the units, stock, and membership interests that Warkol offered and
27 sold to investors in NetKids, Dinomite, and Yeti respectively, were securities.

28 70. Each investor invested money in a common enterprise, namely the

1 continued operations of Toon Goggles, NetKids, Dinomite, and Yeti, with the
2 expectation that any profits or revenues derived from those operations would come
3 solely through the efforts of defendants and others.

4 71. All of the units, stock, and membership interests that Warkol offered
5 investors in NetKids, Dinomite, and Yeti respectively, were integrated and part of a
6 single plan of financing.

7 72. Each of the offerings was for the same general purpose in that they were
8 to continue the operations of Toon Goggles through the raising of capital for the
9 creation, distribution, licensing, and merchandising of media content to be used on its
10 website and mobile applications.

11 73. Each of the offerings was for the same type of consideration in that
12 investors received their units, stock, and membership interests in exchange for
13 money.

14 74. Each of the offerings occurred at or around the same time in that they
15 took place between August 2012 and late 2016, if not consecutive to one another.

16 75. Toon Goggles was the issuer for each of the offerings.

17 76. Although Warkol used NetKids, Dinomite, and Yeti to conduct the
18 offerings, Warkol, acting on behalf of Toon Goggles, controlled all of the offerings
19 and had the authority, which he regularly exercised, to convert and exchange the
20 units, stock, and membership interests of NetKids, Dinomite and Yeti into shares of
21 Toon Goggles.

22 77. Toon Goggles, NetKids, Dinomite, and Yeti were all engaged in the
23 same type of business and their business operations overlapped.

24 78. For example, Toon Goggles entered into an agreement to develop Eddie
25 is a Yeti and Dinomite agreed to give Toon Goggles 15% of its revenue in exchange
26 for free advertising.

27 79. Many of the employees of Toon Goggles also worked on the Dinomite
28 and Yeti projects.

1 80. NetKids, Dinomite and Yeti shared Toon Goggle’s office space.

2 81. Toon Goggles, Netkids, Dinomite, and Yeti had over 25 bank accounts
3 combined and investor funds from each of the five offerings were regularly
4 commingled and transferred between these accounts.

5 82. Defendants each directly and indirectly participated in the unregistered
6 offer and sale of Toon Goggles’ securities to investors.

7 83. Toon Goggles, as the issuer of the securities, directly offered and sold its
8 securities in the unregistered offering.

9 84. Warkol offered and sold Toon Goggles’ securities when he engaged
10 sales agents to solicit investors, purchased lead sheets for the sales agents, paid and
11 directed others to pay commissions and finder fees to sales agents, gave himself
12 “transaction-based” compensation, and reviewed offering materials that were
13 distributed to investors, all of which made Warkol a necessary participant and
14 substantial factor in Toon Goggles’ offering.

15 85. None of the offerings qualified for an exemption from the securities
16 registration requirements.

17 86. Neither Warkol nor Toon Goggles maintained complete and accurate
18 records of the number of securities sold to investors, amount of funds raised from
19 investors, subscription agreements signed by investors, and the stock certificates
20 issued to investors. The defendants also failed to maintain complete records of the
21 stock that investors converted or exchanged. As a result, defendants do not know the
22 current number of investors in Toon Goggles or the total amount of capital raised
23 from investors.

24 87. Although some of the offering documents claimed that the offerings
25 were for “accredited purchasers only” and others purportedly required investors to
26 “represent and warrant” that they were “accredited investors” and had “sufficient
27 liquid assets” to invest, Warkol failed to take reasonable steps to verify that the
28 investors they sold securities to in connection with the offerings were accredited and

1 at least 8 investors were unaccredited.

2 88. Warkol never required investors to provide any Internal Revenue Service
3 forms reporting the investor's income, bank statements, brokerage statements,
4 certificates of deposit, tax assessments, or an appraisal report issued by an
5 independent third party to verify their accredited status.

6 89. Warkol never disclosed to investors a reasonable time prior to sale of the
7 securities that on June 30, 2011, the California Department of Corporations issued a
8 Desist and Refrain Order against Warkol (who was then using the name "Ira
9 Warren"), prohibiting him from the offer or sale in California of securities that were
10 not qualified and from the offer and sale of securities through materially false or
11 misleading communications.

12 90. Because Warkol controlled Toon Goggles and was acting within the
13 scope of his authority and on behalf of Toon Goggles when he conducted the
14 offerings, his conduct can be imputed to Toon Goggles.

15 **D. Defendant Warkol Acted as an Unregistered Broker**

16 91. Between in or about August 2012 through early 2017, Warkol acted as
17 an unregistered broker for Toon Goggles' five integrated offerings identified above.

18 92. Warkol raised over \$19 million from at least 400 investors in connection
19 with these offerings and personally received at least approximately \$1,748,985.42 in
20 transaction-based compensation.

21 93. Warkol directly and indirectly participated in these offerings and in the
22 business of offering, selling, or otherwise effecting transactions in securities for the
23 accounts of others.

24 94. Warkol purchased lead sheets for the five offerings identified above and
25 hired sales agents to solicit investors and to answer questions investors had about the
26 offerings.

27 95. Warkol oversaw a general solicitation of investors located throughout
28 the United States, including California, New York, Arizona, Texas, Missouri, and

1 Washington.

2 96. Warkol setup a boiler room inside Toon Goggles' offices and received
3 transaction-based compensation for himself and paid the sales agents a large
4 commission when securities were sold to investors. It was not uncommon for as
5 much as 35% of investor funds from the five offerings to be used towards the
6 payment of commissions and finder's fees.

7 97. Warkol reviewed the offering documents that the sales agents used to
8 solicit investors and various marking materials.

9 98. Warkol typically signed and issued the stock certificates that investors
10 received when they purchased securities.

11 99. Warkol was the signatory on at least ten of the bank accounts that
12 received investor funds and directed how investor money should be spent.

13 100. Warkol never registered as a broker-dealer with the SEC in accordance
14 with Section 15(b) of the Exchange Act and was never associated with a registered
15 broker-dealer during any of the five offerings identified above.

16 **TOLLING OF THE STATUTE OF LIMITATIONS**

17 101. Pursuant to a tolling agreement between Toon Goggles and the SEC, the
18 statute of limitations applicable to the SEC's claims against Toon Goggles was tolled
19 and suspended for the period beginning on August 10, 2017 through February 12,
20 2020.

21 102. Pursuant to a tolling agreement between Warkol and the SEC, the statute
22 of limitations applicable to the SEC's claims against Warkol was tolled and
23 suspended for the period beginning on August 10, 2017 through August 10, 2019.

24 **FIRST CLAIM FOR RELIEF**

25 **Unregistered Offer and Sale of Securities**

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

27 **(against all Defendants)**

28 103. The SEC realleges and incorporates by reference paragraphs 1 through

1 102 above.

2 104. None of the five offerings defendants conducted through NetKids,
3 Dinomite, and Yeti were registered with the SEC, and no exemption from the
4 registration requirements applied to them.

5 105. By engaging in the conduct described above, Defendants Warkol and
6 Toon Goggles, and each of them, directly or indirectly, singly and in concert with
7 others, has made use of the means or instruments of transportation or communication
8 in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried
9 or caused to be carried through the mails or in interstate commerce, by means or
10 instruments of transportation, securities for the purpose of sale or for delivery after
11 sale, when no registration statement had been filed or was in effect as to such
12 securities, and when no exemption from registration was applicable.

13 106. By engaging in the conduct described above, Defendant Warkol and
14 Toon Goggles have violated, and unless restrained and enjoined, are reasonably likely
15 to continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§
16 77e(a) & 77e(c).

17 **SECOND CLAIM FOR RELIEF**

18 **Unregistered Broker-Dealer**

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

20 **(against Defendant Warkol)**

21 107. The SEC realleges and incorporates by reference paragraphs 1 through
22 102 above.

23 108. Defendant Warkol acted as an unregistered broker by, among other
24 things, purchasing lead sheets, hiring sales representatives to solicit investors, paying
25 sale agents' commissions and receiving transaction-based compensation for selling
26 securities, reviewing offering documents sent out to investors, and generating stock
27 certificates issued to investors.

28 109. By engaging in the conduct described above, Defendant Warkol made

1 use of the mails and means or instrumentalities of interstate commerce to effect
2 transactions in, and induced and attempted to induce the purchase or sale of,
3 securities (other than exempted securities or commercial paper, bankers' acceptances,
4 or commercial bills) without being registered with the SEC in accordance with
5 Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without complying with
6 any exemptions promulgated pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

7 110. By engaging in the conduct described above, Defendant Warkol has
8 violated, and unless restrained and enjoined, is reasonably likely to continue to
9 violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

10 **PRAYER FOR RELIEF**

11 WHEREFORE, the SEC respectfully requests that the Court:

12 **I.**

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

15 **II.**

16 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
17 Civil Procedure, permanently enjoining Defendants Warkol and Toon Goggles, and
18 their officers, agents, servants, employees and attorneys, and those persons in active
19 concert or participation with any of them, who receive actual notice of the judgment
20 by personal service or otherwise, and each of them, from violating Sections 5(a) and
21 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

22 **III.**

23 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
24 Civil Procedure, permanently enjoining Defendant Warkol, and his officers, agents,
25 servants, employees and attorneys, and those persons in active concert or
26 participation with any of them, who receive actual notice of the judgment by personal
27 service or otherwise, and each of them, from violating Section 15(a) of the Exchange
28 Act [15 U.S.C. §§ 78o(a)].

1 **IV.**

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

4 **V.**

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 **VI.**

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 **VII.**

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

16
17 Dated: September 5, 2019

18 */s/ Douglas M. Miller*

19 Douglas M. Miller

20 Yolanda Ochoa

21 Attorneys for Plaintiff

22 Securities and Exchange Commission
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