

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:)	
)	
DOWNING PARTNERS LLC,)	
DOWNING INVESTMENT PARTNERS LP,)	
DOWNING HEALTH TECHNOLOGIES, LLC, f/k/a)	Docket No. E-2015-0171
DOWNING DIGITAL HEALTHCARE GROUP,)	
IVC HEALTHCOM LLC,)	
3SI INTERNATIONAL, LLC)	
SURGICAL SAFETY SOLUTIONS LLC,)	
DOWNING MEDICAL DEVICE GROUP, LLC and)	
DAVID W. WAGNER,)	
)	
RESPONDENTS.)	

ADMINISTRATIVE COMPLAINT

I. PRELIMINARY STATEMENT

The Enforcement Section of the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (the “Enforcement Section” and the “Division,” respectively) files this Administrative Complaint (the “Complaint”) to commence an adjudicatory proceeding against Downing Partners LLC, Downing Investment Partners LP, Downing Health Technologies, LLC, f/k/a Downing Digital Healthcare Group, IVC Healthcom LLC, 3si International, LLC, Surgical Safety Solutions LLC, Downing Medical Device Group, LLC, and David W. Wagner (collectively, “Respondents”) for violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00-14.413 (the “Regulations”). The Enforcement Section alleges that Respondents engaged in acts and practices in violation of Section 101 of the Act and Regulations.

Pursuant to its regulatory authority, the Enforcement Section seeks an order: 1) finding as fact the allegations set forth below; 2) finding that all sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors; 3) requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations; 4) censuring Respondents; 5) requiring Respondents to provide a verified accounting of those losses attributable to the alleged wrongdoing; 6) requiring Respondents to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing; 7) requiring Respondents to make rescission offers to all residents of the Commonwealth who purchased securities sold in violation of the Act; 8) requiring Respondents to disgorge all profits, direct or indirect compensation, and remuneration received in connection with the alleged wrongdoing; 9) imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 10) taking any such further actions which may be necessary or appropriate in the public interest for the protection of Massachusetts investors.

II. SUMMARY

This action arises out of David Wagner's ("Wagner") fraudulent business activities carried out through his companies¹ (the "Downing Companies") that took money from Massachusetts residents and others as part of a pay-to-play employment recruitment scheme. Within a three-year period beginning in September 2013, the recruitment scheme raised approximately \$10 million from at least 42 investor-employees ("Investor-Employees").

Investor-Employees were required to invest in the Downing Companies as a

¹ The Downing Companies are defined in paragraph 14 under Section VII, the Statement of Facts.

condition of employment. Along with certain individuals already employed by the Downing Companies (the “Management Team”), Wagner induced prospective Investor - Employees to invest anywhere from \$50,000 to \$500,000 in order to work for the Downing Companies. Wagner promised prospective Investor-Employees six-figure salaries and generous benefits which caused many of them to leave behind lucrative careers or forego equally lucrative job opportunities. In addition, many Investor-Employees emptied their personal retirement accounts and life savings to fund their investments in the Downing Companies. Many Investor-Employees received a partial ownership interest in the Downing Companies or subsidiaries of the Downing Companies in return for their initial investment. All Investor-Employees were led to believe that their initial investment in the Downing Companies would result in greater profits later.

In order to induce prospective Investor-Employees to invest, Wagner described the Downing Companies as promising, early-stage companies in the healthcare technology sector. Wagner and his Management Team falsely told prospective Investor-Employees that the Downing Companies were actively engaged in the development and commercialization of various medical technologies. In reality, the Downing Companies were experiencing significant financial difficulties and almost none of the funds raised from prospective Investor-Employees were used for the development and commercialization of products. Instead, the money raised from Investor-Employees was used to enrich Wagner and the Management Team as well as pay other Investor-Employees.

In addition, Wagner and his Management Team provided the prospective Investor-Employees with private placement memoranda and other offering documents

that contained materially false information regarding the Downing Companies. These offering documents grossly inflated the Downing Companies' business valuation, falsely stated that the Downing Companies' products were in the late stages of commercialization, and indicated that the Downing Companies had received financing from private equity firms and institutional investors. The offering documents also failed to disclose to Investor-Employees that the Downing Companies were struggling to pay even basic operating expenses. Furthermore, these offering documents failed to disclose to Investor-Employees that their investments, which were made as a condition of their employment, were the sole source of financing for the Downing Companies.

Once the Investor-Employees began working for the Downing Companies, the promised six-figure salaries and generous benefits did not materialize. In fact, the salaries paid to Investor-Employees actually came from other similarly situated Investor-Employees and not from the revenue or profits of the Downing Companies. In addition, Investor-Employees were denied access to basic financial and operating information and therefore never exercised practical or actual control over the management of the Downing Companies. Ultimately, Wagner was unable to further perpetuate the scheme.

With this action, the Enforcement Section of the Division seeks to stop Wagner and the other Respondents from further violations of securities laws in the Commonwealth, thereby advancing the public policy objective of investor protection.

III. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The Enforcement Section brings this action pursuant to the authority conferred

upon the Division by Section 407A of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations. This proceeding is brought in accordance with Sections 101 and 407A of the Act.

3. The Enforcement Section reserves the right to amend this Complaint and bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2013 to present (the “Relevant Time Period”).

V. RESPONDENTS

5. Downing Partners LLC (“Downing”) is both a limited liability company and a holding company organized in the state of Delaware. Downing had a business address in Boston, Massachusetts during the Relevant Time Period. Wagner is Downing’s managing member.

6. Downing Investment Partners LP (“Downing Investment Partners”) is a limited partnership and direct subsidiary of Downing. Downing Investment Partners organized in the state of Delaware. Downing Investment Partners’ principal place of business was located at 225 Franklin Street, 26th Floor, Boston, Massachusetts 02110 during the Relevant Time Period. The managing member of Downing Investment Partners is Downing Partners LLC.

7. Downing Health Technologies, LLC (“DHT”) is a d/b/a for Downing Digital

Healthcare Group, LLC (“DDHG”), a limited liability company and direct subsidiary of Downing Investment Partners organized in the state of Delaware. DHT’s principal place of business was located at 225 Franklin Street, 26th Floor, Boston, Massachusetts 02110 during the Relevant Time Period. Wagner is DHT’s managing member.

8. Downing Medical Device Group, LLC (“DMDG”) is a limited liability company and direct subsidiary of Downing Investment Partners organized in the state of Delaware. Wagner is DMDG’s managing member.

9. IVC Healthcom LLC (“IVC Healthcom”) is a limited liability company and direct subsidiary of Downing Investment Partners organized in the state of Delaware. IVC Healthcom’s principal place of business was located at 225 Franklin Street, 26th Floor, Boston, Massachusetts 02110 during the Relevant Time Period. Wagner is the managing member of IVC Healthcom.

10. Surgical Safety Solutions, LLC (“Surgical Safety Solutions” or “3si”), is doing business as 3si, and is a limited liability company and direct subsidiary of DHT organized in the state of Delaware. 3si’s principal place of business was located at 225 Franklin Street, 26th Floor, Boston, Massachusetts 02110 during the Relevant Time Period. Wagner is the managing member of Surgical Safety Solutions.

11. 3si International, LLC (“3si International”) is a limited liability company and direct subsidiary of DHT organized in the state of Delaware. Wagner is the managing member of 3si International.

12. David W. Wagner (“Wagner”) is the Chairman and Chief Executive Officer of Downing and its subsidiaries. Wagner’s last known address was at 55 Downing Street, East Greenwich, Rhode Island 02818. Wagner is not registered in any capacity with the

Division, the United States Securities and Exchange Commission (“SEC”), or the Financial Industry Regulatory Authority (“FINRA”). Wagner has been the owner of Downing and its subsidiaries since their respective organization dates.

VI. RELEVANT INDIVIDUALS

13. Investor-Employee Nos. 1 to 42 (individually “Investor-Employee” and collectively “Investor-Employees”) are employees or former employees of Downing or its subsidiaries. These Investor-Employees were each required, as a condition of employment with Respondents, to invest between \$50,000 and \$500,000 through convertible notes or private placements in Downing Partners or its subsidiaries between September 2013 and September 2015. Most Investor-Employees invested at least \$250,000.

VII. STATEMENT OF FACTS

A. The Downing Companies

14. Downing and its subsidiaries (the “Downing Subsidiaries”) (collectively, the “Downing Companies”) were or purported to be a closely affiliated group of early-stage companies in the healthcare technology sector. These companies consisted of Downing Investment Partners, DHT, DMDG, IVC Healthcom LLC, 3si, 3si International, and Surgical Safety Solutions.

15. According to Wagner, the Downing Companies’ objective was to develop and commercialize various medical technologies. This included but was not limited to medical devices and software.

16. Downing served as the holding company for the other Downing Subsidiaries and was wholly owned by Wagner.

17. Downing Investment Partners was a direct subsidiary of Downing. Wagner served as the sole General Partner and majority owner of Downing Investment Partners. DHT was a direct subsidiary of Downing Investment Partners and the holding company for the remaining Downing Subsidiaries. Wagner served as Chairman of the Board of DHT and its subsidiaries.

18. Wagner exercised practical and actual control over the Downing Companies. He developed the Downing Companies' business strategy, including the companies' finances and hiring processes. Most importantly, Wagner created the Downing Companies' plan for raising money and the companies' allocation of investor funds.

19. Wagner hired a small team of management executives (the "Management Team") to assist him with implementing his business strategy for the Downing Companies.

20. The Management Team directly interacted with employees and prospective employees and was aware, to varying degrees, of the Downing Companies' financial situation.

B. The Downing Companies' Financial Condition

21. Each of the Downing Subsidiaries paid a management fee to Downing. Downing was entitled to this management fee regardless of the Downing Companies' financial performance.

22. The management fees were primarily used to pay the personal salaries of Wagner and the Management Team.

23. The Downing Companies paid Downing the management fees via wire, check and electronic funds transfer.

24. During the Relevant Time Period, Downing Investment Partners paid a monthly

management fee of \$20,000 in 2015; a monthly management fee of \$40,000 in 2016; and a monthly management fee of \$60,000 in 2017. Additionally, DDHG paid a monthly management fee of \$80,000, 3si paid a monthly management fee of \$60,000, and IVC paid a monthly management fee of \$60,000.

25. Wagner had exclusive access to the management fees due to his ownership of Downing.

26. Wagner directed the Management Team to prioritize the management fees over all other expenses. At Wagner's direction, the money received by the Downing Companies was to be used first to pay management fees, then to pay the salaries of the Management Team, and lastly to pay the Downing Companies' business expenses.

27. The business expenses that were to be paid last included employee salaries, sales commissions, employee benefits, employee expense reimbursements, and business expenses.

28. The prioritization of the management fees over the Downing Companies' business expenses resulted in significant financial difficulties for the companies. The Downing Companies struggled to pay even basic expenses such as rent, employee salaries, and internet and telecommunications services.

29. The Downing Companies routinely failed to pay Investor-Employees their salaries and often did not fully reimburse employees for business expenses.

30. Employees were sometimes asked to accept partial payments or advances as loans in lieu of the payments they were owed.

31. Additionally, operating expenses were not always met. At one point, the Downing Companies' healthcare plan was cancelled for non-payment. At another point, 3si could

not pay its rent and fell three months behind.

32. To address these financial difficulties, Wagner would occasionally “advance” funds to the Downing Subsidiaries to cover payroll and expenses in exchange for his increased ownership interest in the companies.

33. Although Wagner indicated that the “advances” came from his personal funds, the management fees paid to Downing were the actual source of the “advances.” The management fees were funded by Investor-Employees’ required initial investments.

34. Wagner and the Management Team were the only ones aware of the Downing Companies’ financial difficulties.

C. The Downing Companies Pay-to-Play Employment Recruitment Scheme

35. The Downing Companies’ primary source of capital came from Investor-Employees.

36. In order to raise capital for the Downing Companies, Wagner directed the Management Team to engage in aggressive recruitment efforts.

37. During the Relevant Time Period, at least 42 Investor-Employees invested approximately \$10,000,000 in the Downing Companies.

38. Wagner described these recruitment efforts as “an integral part of our business model.”

39. These recruitment efforts took precedence over the development and commercialization of the Downing Companies’ products.

40. Unlike a typical employee, Investor-Employees were required to invest in the Downing Companies as a condition of their employment.

41. Wagner and the Management Team based their hiring decisions on the

prospective Investor-Employee's ability and willingness to invest in the Downing Companies rather than on the qualifications of the Investor-Employee.

42. Wagner and his Management Team required the Investor-Employees to invest between \$50,000 to \$500,000, and in exchange, promised an executive position, six-figure salaries, and full benefits.

43. Investor-Employees, on average, invested approximately \$250,000 each in the Downing Companies.

44. Most Investor-Employees withdrew money from retirement accounts and personal investment accounts in order to satisfy the investment requirement.

45. The money invested by Investor-Employees in the Downing Companies as a condition of their employment represented all or nearly all of the capital for the Downing Companies. This money was first used to pay management fees, then used to pay the Management Team, and lastly to pay off the Downing Companies' business expenses.

46. Wagner used funds from newly recruited Investor-Employees to pay existing Investor-Employees' salary and benefits.

47. Wagner rewarded the Management Team and other executives based on their ability to successfully recruit Investor-Employees.

D. To Induce Investor-Employees to Invest, Respondents Made Material Misrepresentations and Failed to Disclose Material Information

48. In their efforts to recruit Investor-Employees, Respondents orally and in private placement memoranda and other offering documents (collectively the "Offering Materials") made materially false and misleading statements regarding the Downing Companies' state of technology, financial health, financial backing, and business valuation.

49. Respondents also failed to provide prospective Investor-Employees with material information regarding the Downing Companies.

a. The Offering Materials Contained False and Misleading Statements

50. Respondents created Offering Materials that contained inaccurate and incomplete information. The Offering Materials included pitch-decks and websites for each of the Downing Companies. These Offering Materials were provided to prospective Investor-Employees in meetings to discuss employment opportunities at the Downing Companies.

51. For example, the Offering Materials included the following statements:

- Started, developed and successfully exited 8 healthcare companies since 2001;
- 38 active contract discussions in US and UK;
- Five betas;
- Commercialization is now underway. Revenue generation commences 2015 for several portfolio companies. A clearly- articulated game plan is in place for each portfolio company's commercialization and exit;
- Since 2006, more than \$70M in equity capital has been invested in these portfolio companies;
- Proceeds from the sale of the Units will be used to: fund the standard operations of the Partnership and to support new investment requirements from the portfolio companies." "Management . . . believes that such proceeds will capitalize and sustain Downing Investment Partners, LP sufficiently to allow for the implementation of the Partnership's business plans; and
- The Company is not presently a party to any material litigation, nor to the knowledge of Management is any litigation threatened against the Company, which may materially affect the business of the Company or its assets.

52. Respondents did not create a tangible product and never received revenue from the sale of a product. Instead, Respondents redirected most funds raised from Investor-Employees towards management fees rather than towards commercialization.

53. Downing Investment Partners had not raised more than \$70,000,000 in equity

capital, contrary to statements in the Offering Materials.

54. The Offering Materials did not disclose that most, if not all, of the equity capital came from Investor-Employees who were required to invest in the Downing Companies as a condition of their employment.

55. The Offering Materials failed to disclose that the Downing Companies' "standard operations" included the payment of outstanding salaries, overdue payments to vendors, legal settlements, and return of principal to certain Investor-Employees.

56. The Offering Materials failed to disclose that the Downing Companies' business plan primarily consisted of aggressive recruitment efforts of new Investor-Employees.

57. The Offering Materials failed to disclose current and ongoing litigation, as well as impending litigation known to Wagner and his Management Team, all of which would have had a negative impact on the Downing companies' business operations and financial condition.

58. The Offering Materials made material misrepresentations and omissions regarding the Downing Companies' business valuation, exit values, portfolio companies, and beta sites.

59. The Offering Materials did not provide accurate business valuations for the Downing Companies; instead Wagner copied and pasted information from a Large Law Firm publication on venture financing (the "Law Firm Report") into the Downing Companies' PPMs. The Law Firm Report generally described the prospects of early stage companies at various stages of funding. Unlike the Downing Companies, the companies listed in the Law Firm Report had undergone a due diligence process and had already successfully raised capital from external investors during multiple funding rounds.

60. The Offering Materials contained exit values based on projected revenue rather than actual revenue and did not detail how projected revenue was estimated.

61. The Downing Investment Partners January 2015 private placement memorandum listed a medical technology company known as Medrobotics as a portfolio company. The private placement memorandum also stated that Wagner was the founding CEO of Medrobotics.

62. In fact, Medrobotics was not a portfolio company because Wagner only held a 1% equity stake in Medrobotics, and that equity stake pre-dated the creation of the Downing Companies. Furthermore, Wagner was not the founding CEO of Medrobotics.

63. The PPMs represented that the Downing Companies had multiple, fully operational beta testing sites. In reality, the Downing Companies only had one operational beta testing site. The beta testing at this site did not result in commercialization of the product.

b. Respondents Failed to Disclose the True Financial Condition of the Downing Companies

64. Wagner and the Management Team failed to accurately disclose to prospective Investor-Employees the financial condition of the Downing Companies. During meetings with prospective Investor-Employees, Wagner and the Management Team did not disclose that the Downing Companies had not generated any revenue for most if not all of the Relevant Time Period.

65. Wagner and the Management Team failed to disclose to prospective Investor-Employees that there had been repeated failures to pay basic operating costs such as rent, employee salaries, and internet and telecommunications services, and that payment of such operating costs were often made from Investor-Employees investments which were

a condition of their employment at the Downing Companies.

66. Wagner and the Management Team failed to disclose that management fees paid to Wagner would be made from Investor-Employees investments, which were a condition of their employment at the Downing Companies.

67. Wagner and the Management Team failed to disclose to Investor-Employees that during the Relevant Time Period, Wagner made loans to Downing Subsidiaries.

c. Respondents Made False and Misleading Statements Regarding the Downing Companies' Financial Backing and Business Valuation

68. During meetings and conversations with prospective Investor-Employees, Wagner and the Management Team described the Downing Companies as well-funded startups that had received funding rounds from outside investors through several rounds of capital raising. In reality, the Downing Companies' funding came almost exclusively from its Investor-Employees.

69. Additionally, Wagner and the Management Team stated to prospective Investor-Employees that the Downing Companies had raised tens of millions of dollars in venture capital from private equity firms and institutional investors. However, Downing Companies never secured financing from any private equity firms or institutional investors.

70. Wagner told one prospective Investor-Employee that "the overall Downing Investment valuation is already very favorable at a valuation of about \$40 million – since it includes high majority ownership of several portfolio companies, each one of which is separately valued at about \$40 million." The Downing Companies never owned any portfolio companies valued near \$40 million. Moreover, no formal valuations were provided to Investor-Employees that valued Downing Investments at \$40 million.

71. Wagner told another prospective Investor-Employee that, “[w]e believe that the current value of the assets held by Downing Investments is > \$50 million and the short-term future value is > \$300 million -- but the offering we have structured for our executive insiders is deliberately priced at only \$20 million.” No formal valuations were provided to Investor-Employees that valued Downing Investments at \$20 million.

72. In or about April of 2014, Wagner instructed a member of the Management Team to communicate to prospective Investor-Employees that they expected to see gross company valuations of over \$1 billion within the next three years. The Downing Companies’ gross company valuations did not have an expectation of exceeding \$1 billion at any time.

d. Respondents Failed to Disclose Ongoing and Pending Litigation

73. Wagner and the Management Team failed to disclose to prospective Investor-Employees that the Downing Companies were the subject of several lawsuits, complaints, and repurchase requests.

74. During the Relevant Time Period, over half of the Investor-Employees resigned or were terminated from the Downing Companies. Many of these Investor-Employees sought the return of their investments through civil lawsuits and written demands.

75. In or around June 2016, 16 Investor-Employees had made written complaints to the Downing Companies and requested redemptions of their investments. Seven of these complaints resulted in lawsuits.

76. After these complaints and lawsuits were filed, Wagner and the Management Team continued to recruit additional Investor-Employees, but failed to disclose that portions of their investments would be used to repurchase the shares of certain former

Investor-Employees who had resigned, been terminated, or otherwise complained to Downing.

E. Investor-Employees Did Not Have Practical or Actual Control Over the Operations of the Downing Companies

77. During the Relevant Time Period, Wagner and the Management Team recruited at least 42 individuals to work for the Downing Companies in higher level employment positions such as executive, managerial, and control positions.

78. Investor-Employees were required to invest funds, \$250,000 on average, as a condition prior to employment with the Downing Companies.

79. Once employed, Investor-Employees were denied access to essential financial and operational information of the Downing Companies. That information was necessary for Investor-Employees to fully carry out their executive, managerial, or control positions.

F. Investor-Employee Harm

a. Investor-Employee 1

80. Investor-Employee 1, a South Carolina resident, formerly served as the Chief Financial Officer (“CFO”) of Downing.

81. On or about March 2014, Wagner approached Investor-Employee 1 and offered him the position of CFO with a 1.25% ownership interest in the Downing Companies in exchange for a \$250,000 investment.

82. Wagner represented to Investor-Employee 1 verbally and in writing that Downing was worth approximately \$50 million.

83. Investor-Employee 1 was offered an annual salary of \$200,000, a guaranteed term of employment of two years, and a guaranteed bonus of \$50,000.

84. On May 23, 2014, Investor-Employee 1 accepted the offer of employment and

agreed to invest \$250,000 in Downing Investment Partners.

85. In return for Investor-Employee 1's investment in 3si, he was informed that he would hold a 1.25% ownership interest in Downing Investment Partners. Further, stock options offered to Investor-Employee 1 would result in an additional 3.0% ownership. As a result, Investor-Employee 1 expected to have total ownership of approximately 4.25%.

86. On or about June 2014, Investor-Employee 1 began working at Downing.

87. After Investor-Employee 1 began working at Downing as CFO, Wagner told him that he would not have access to financial information including cash flows for the Downing Companies.

88. Investor-Employee 1 never had access to or control over the Downing Companies' financial information, including payroll and vendor expenses, even though he was the CFO.

89. During the time that Investor-Employee 1 was working as CFO, Wagner told him that the position of CFO was to be entirely eliminated.

90. Wagner then offered Investor-Employee 1 a position as Managing Director of the Downing Companies.

91. On or about January 26, 2015, Wagner terminated Investor-Employee 1.

92. In approximately March 2015, Investor-Employee 1 sued Downing, Wagner, and two members of the Management Team in Massachusetts Superior Court.

b. Investor-Employee 2

93. Investor-Employee 2, a Pennsylvania resident, formerly served as the Executive Vice President of North American Sales of 3si.

94. In approximately May 2014, a member of the Management Team offered

Investor-Employee 2 the Executive Vice President position in exchange for a \$250,000 investment.

95. Prior to Investor-Employee 2's investment, a member of the Management Team stated that 3si had enough funding to satisfy its business expenses and that Downing had signed a contract with the Mayo Clinic.

96. Investor-Employee 2 was offered an annual salary of \$175,000 and was informed that he would be participating in an annual performance bonus program.

97. On May 28, 2015, Investor-Employee 2 accepted the offer of employment and agreed to invest \$250,000 in 3si.

98. In return for Investor-Employee 2's investment in 3si, he was informed that he would receive a convertible note, which when exercised, would provide him with an ownership position of approximately 0.5% ownership of 3si. Further, stock options offered to Investor-Employee 2 would result in an additional 0.5% ownership. As a result, Investor-Employee 2 expected to have total ownership of approximately 1.0%.

99. After investing in Downing Companies and beginning work at 3si, Investor-Employee 2 learned that 3si had regularly failed to pay its employees' salaries and had also failed to pay its vendors, including its health insurance company, which caused the termination of coverage for its employees.

100. Investor-Employee 2 also learned that 3si had never entered into a contract with the Mayo Clinic.

101. During his employment, Investor-Employee 2 failed to receive his salary and was forced to obtain his own health insurance.

102. On or about September 2015, Investor-Employee 2 resigned from 3si and filed a

federal lawsuit in the Western District of Pennsylvania.

c. Investor-Employee 3

103. Investor-Employee 3, a California resident, was a former Executive Vice President of Development for Downing Health Technologies 3si Division.

104. On or about May 2015, Investor-Employee 3 was approached by Wagner to work for the Downing Companies.

105. Investor-Employee 3 was offered an annual salary of \$185,000 and was informed that he would be participating in the annual performance and stretch bonus programs.

106. On May 25, 2015, Investor-Employee 3 accepted an offer of employment and agreed to invest \$250,000 in 3si.

107. In return for Investor 3's investment in 3si, he was informed that he would receive a convertible note, which when exercised, would provide him with an ownership position of approximately 0.5% ownership of 3si. Further, stock options offered to Investor 3 would result in an additional 0.5% ownership. As a result, Investor-Employee 3 expected to have total ownership of approximately 1.0%

108. Wagner did not disclose to Investor-Employee 3 that the investment funds from Investor-Employee 3 would be used to reimburse himself \$42,000 for money he loaned to the Downing Companies, to settle a complaint regarding outstanding salary and reimbursement expenses of a former employee, and for general payroll expenses.

109. On June 1, 2016, Investor-Employee 3 and two other former Investor-Employees filed a federal lawsuit against Wagner, the Downing Companies, and certain members of the Management Team in the Southern District of New York.

d. Investor-Employee 4

110. Investor-Employee 4, a Massachusetts resident, formerly served as the Chief Technology Officer (“CTO”) of IVC Healthcom.

111. On or about May 2015, a member of the Management Team offered Investor-Employee 4 the CTO position in exchange for a \$250,000 investment in IVC Healthcom.

112. Investor-Employee 4 was offered an annual salary of \$185,000 and was informed that he would be participating in the annual performance and stretch bonus programs.

113. Prior to Investor-Employee 4’s investment, a member of the Management Team stated to Investor-Employee 4 that the Downing Companies had enough funding to last the companies for another year.

114. On May 21, 2015, Investor-Employee 4 accepted the offer of employment and agreed to invest \$250,000 in IVC Healthcom. Investor-Employee 4 withdrew money from his and his wife’s retirement accounts to fund this \$250,000 investment.

115. In return for Investor-Employee 4’s investment in IVC Healthcom, he was informed that he would hold a 2.0% ownership interest in IVC Healthcom. Further, stock options offered to Investor 4 would result in an additional 2.0% ownership.

116. Investor-Employee 4 was paid for the first two months of his employment at IVC Healthcom. On or about September 2015, Investor-Employee 4 began receiving late paychecks and did not receive a paycheck for October or November of 2015.

117. Investor-Employee 4 resigned on December 1, 2015 and transferred his ownership interest in shares of Downing Investment Partners to the Downing Companies

e. Investor-Employee 5

118. Investor-Employee 5, a Georgia resident, formerly served as the Vice President of

Marketing for the Downing Companies.

119. In approximately June 2015, a member of the Management Team offered Investor-Employee 5 the CTO position and a four percent ownership interest in the Downing Companies in exchange for a \$150,000 investment.

120. Prior to investing, a member of the Management Team told Investor-Employee 5 that the Downing Companies had enough funding to commercialize the 3si product and was hiring new sales people. Investor-Employee 5 was also told that the Downing Companies had ready access to a substantial amount of cash reserves.

121. Investor-Employee 5 resigned from his current job and accepted a position at the Downing Companies.

122. Investor-Employee 5 began the process of transferring \$150,000 of his retirement funds to the Downing Companies. Investor-Employee 5 initially transferred \$50,000 to the Downing Companies prior to beginning work.

123. After Investor-Employee 5 began working for the Downing Companies, he learned that the Downing Companies had failed to consistently pay employees' salaries, or reimburse employees for business expenses, and that the Downing Companies were behind on payments to vendors.

124. Investor-Employee 5 also learned that several lawsuits had been filed by former Investor-Employees.

125. After learning this information, Investor-Employee 5 informed the Management Team that he would not make any further investments in the Downing Companies until he had been paid the salary owed to him.

126. The Downing Companies subsequently terminated Investor-Employee 5 and

offered him a 90-day promissory note in exchange for a release of claims.

127. Investor-Employee 5 never received his full salary or reimbursement of expenses, and his initial investment of \$50,000 was never returned.

f. Investor-Employee 6

128. Investor-Employee 6, a New Hampshire resident, formerly served as the Vice President of Marketing and Strategy of Downing.

129. On or about November 2013, a member of the Management Team offered Investor-Employee 6 the position of Vice President of Marketing and Strategy in exchange for a \$500,000 investment.

130. Investor-Employee 6 accepted the offer and began working at Downing on November 13, 2013.

131. In early 2015, Investor-Employee 6 was promoted to President and General Manager of IVC Healthcom.

132. While working at IVC Healthcom, Investor-Employee 6 was not provided with access to IVC Healthcom's financial information including employee salaries, employee reimbursements, and invoice information.

133. On at least one occasion, Investor-Employee 6 requested that Wagner provide him with IVC Healthcom's financial information. That request was denied.

134. Investor-Employee 6 also told Wagner that he was concerned that some of the financial estimates cited in IVC Healthcom's presentations and marketing materials could be misleading to investors. Wagner told Investor-Employee 6 that the financial information was accurate.

135. On October 23, 2015, IVC Healthcom merged with DHT.

136. On November 16, 2015, Investor-Employee 6 resigned from IVC Healthcom and filed a lawsuit against the Downing Companies.

g. Investor-Employee 7

137. Investor-Employee 7, a Pennsylvania resident, formerly served as the CTO for IVC Healthcom.

138. On or about January 2015, a member of the Management Team offered Investor-Employee 7 the CTO position in exchange for a \$500,000 investment in Downing Investment Partners.

139. Investor-Employee 7 was offered an annual salary of \$175,000 and was informed that he would be participating in the performance bonus program.

140. On January 18, 2015, Investor-Employee 7 accepted an offer of employment and agreed to invest \$250,000 in Downing Investment Partners.

141. In return for Investor-Employee 7's investment in Downing Investment Partners, he was informed that he held a 1.25% ownership interest in the Downing Companies. Further stock options made available to Investor-Employee 7 would result in an additional 2.5% ownership interest in IVC Healthcom.

142. In August 2015, Investor-Employee 7 assumed a second role as Senior Technology Partner of IVC Healthcom.

143. Downing Investment Partners subsequently failed to pay Investor-Employee 7 his salary.

144. On October 2, 2015, Investor-Employee 7 sent a books and records request to Downing.

145. In response to this request, Wagner told Investor-Employee 7 that Downing

Partners would be engaging in a reverse merger in the near future. Wagner told Investor-Employee 7 this transaction would produce \$15 million in funding and result in a favorable valuation for the Downing Companies. Wagner also informed Investor-Employee 7 that he expected Downing to receive a bridge loan of approximately \$500,000.

146. On November 17, 2015 Investor-Employee 7 resigned from IVC Healthcom. At the time of his resignation, the Downing Companies owed Investor-Employee 7 over \$30,000 in unreimbursed expenses.

147. Shortly after his resignation, Investor-Employee 7 filed a complaint against Respondents.

h. Investor-Employee 8

148. Investor-Employee 8, a Texas resident, formerly served as the President of Downing Investment Partners.

149. In approximately November 2013, a member of the Management Team offered Investor-Employee 8 the position of President for a \$250,000 investment in Downing Investment Partners.

150. Investor-Employee 8 was offered an annual salary of \$200,000 and was informed that he would be participating in the annual performance program.

151. In November of 2013, Investor-Employee 8 accepted an offer of employment and agreed to invest \$250,000 in Downing Investment Partners.

152. In return for Investor-Employee 8's investment in Downing Investment Partners, he was informed that he held a 1.5% ownership interest in the Downing Investment Partners. Further, stock options offered to Investor-Employee 8 would result in an

additional 1.5% ownership in Downing Investment Partners. As a result, Investor-Employee 8 would have a total ownership position of 3.0%.

153. On or about March 2014, Investor-Employee 8 transitioned to the role of President of DDHG.

154. While working as President of DDHG, Investor-Employee 8 became concerned about the Downing Companies' inability to make on-time payments to its vendors and to meet its other financial obligations.

155. On June 13, 2014, Investor-Employee 8 contacted Wagner and requested that he be allowed to attend the next board meeting in order to learn more about the Downing Companies' ownership structure and financial situation. Wagner denied the request

156. Investor-Employee 8 sent Wagner a follow-up request but Wagner also denied that request.

157. Shortly after Investor-Employee 8 made these requests and was denied, Investor-Employee 8 was told by Wagner that he owed \$400,000 to the Downing Companies.

158. Investor-Employee 8 requested that he be bought out of DDHG and Downing Investment Partners.

159. In exchange for releasing claims against the Downing Companies, Downing Investment Partners bought back Investor-Employee 8's investment and paid his past due salary and expenses.

i. Investor-Employee 9

160. Investor-Employee 9, a Minnesota resident, formerly served as the Vice President of Operations for DDHG.

161. In approximately May 2014, a member of the Management Team offered

Investor-Employee 9 the position of Vice President of Operations in exchange for a \$250,000 investment in Downing Investment Partners.

162. Investor-Employee 9 was offered an annual salary of \$240,000 and was informed that she would be participating in the annual performance bonus program.

163. Before investing, Investor-Employee 9 asked about the Downing Companies' healthcare plan. Wagner assured Investor-Employee 9 that she would be covered by the Downing Companies' healthcare plan.

164. In May of 2014, Investor-Employee 9 accepted an offer of employment and agreed to invest \$250,000 in Downing Investment Partners.

165. In return for Investor-Employee 9's \$250,000 investment in Downing Investment Partners, she was informed that she would hold a 1.25% ownership interest in Downing Investment Partners. Further stock options offered to Investor-Employee 9 would result in 1.0% ownership in Downing Digital, a portfolio company allegedly owned by Downing Investment Partners. Investor-Employee 9's agreement stated she would have total ownership of approximately 3.25% across both Downing Investment Partners and Downing Digital.

166. Less than three months after Investor-Employee 9 began working at DDHG, she received a notice that her health insurance would be terminated due to the Downing Companies' failure to pay the premium.

167. On August 27, 2015, the Downing Companies terminated Investor-Employee 9.

j. Investor-Employee 10

168. Investor-Employee 10, a Virginia resident, formerly served as the Vice Chairman and CEO of DHT.

169. In approximately May 2015, a recruiter contacted Investor-Employee 10 and told him that the CEO position and ownership interest in the Downing Companies was conditioned on the receipt of a personal investment by Investor-Employee 10.

170. The recruiter also told Investor-Employee 10 that DHT had financing in place and held equity stakes in 3si, IVC Healthcom, IME (“IME”), and Mercury Biomed (“Mercury”).

171. In approximately June of 2015, Investor-Employee 10 met with Wagner and a member of the Management Team to discuss the CEO position. At that meeting, Investor-Employee 10 was told that DHT had \$1,000,000 in cash and was spending about \$250,000 monthly and that DHT owned between four and eight companies.

172. Wagner and the member of the Management Team did not disclose to Investor-Employee 10 that the outstanding debts of DHT and Downing would be paid from his investment.

173. Wagner told Investor-Employee 10 that DHT had received funding from foreign investors and that a recent funding round for DHT had raised \$4,000,000.

174. Investor-Employee 10’s offer letter promised him an annual salary of \$250,000.

175. Based on this information from Wagner and the member of the Management Team, Investor-Employee 10 accepted an offer of employment and agreed to invest \$250,000 in DHT.

176. On June 23, 2015, Investor-Employee 10 took \$250,000 from his children’s college fund to invest in Downing Investment Partners.

177. After investing in DHT, Investor-Employee 10 learned that DHT’s agreements with Mercury Biomed and IME had fallen through.

178. Investor-Employee 10 also became aware that DHT was having additional financial difficulties. During the time that Investor-Employee 10 was employed by DHT, his health insurance lapsed. He also noticed that no products were sold by DHT, 3si, or any of their affiliates.

179. Investor-Employee 10 received his first paycheck for \$2,884.50 from an organization called "OASIS." After this first paycheck, Investor-Employee 10 did not receive on-time paychecks. As a result, Investor-Employee 10 retained a lawyer. Shortly after retaining a lawyer, Downing Companies provided him with a check for \$13,639.61.

180. Subsequently, Investor-Employee 10 repeatedly requested balance sheets and financial information related to DHT, but these requests were denied.

181. Despite his position as CEO, Investor-Employee 10 was repeatedly excluded from board meetings.

182. In or about August 2015, Wagner informed Investor-Employee 10 that payroll would be delayed. Investor-Employee 10 subsequently resigned.

183. On August 14, 2015, Investor-Employee 10 submitted a complaint to Downing regarding his investment. Downing never returned Investor 10's investment.

184. In February 2016, Investor 10 received a promissory note, a non-disclosure agreement, and a release from DHT.

k. Investor-Employee 11

185. Investor-Employee 11, a Pennsylvania resident, formerly served as President and GM of DHT.

186. On or about March or April of 2015, a recruiter contacted Investor-Employee 11 about the position of President at DHT. The recruiter led Investor-Employee 11 to believe

that DHT was a venture capital firm that invested in early stage healthcare technology.

187. The recruiter also told Investor-Employee 11 that the position would pay an annual salary of \$250,000 as well as a performance bonus.

188. Between March and April 2015, a member of the Management Team spoke with Investor-Employee 11 at least twice. The member of the Management Team told Investor-Employee 11 that the position of president at DHT and the ownership interest in the Downing Companies was conditioned on Investor 11 making a personal investment.

189. Investor-Employee 11 was also informed by a member of the Management Team that Downing funded DHT and this funding allowed DHT to invest in several other companies. These companies included 3si, IVC Healthcom, IME, and Mercury. Further, Investor-Employee 11 was informed that DHT was in the process of investing in more companies. Allegedly, Investor-Employee 11 was advised that his personal investment would be used to invest in these companies.

190. The member of the Management Team further told Investor-Employee 11 that 3si had completed beta testing and was ready to place a product on the market.

191. The member of the Management Team also provided Investor-Employee 11 with a pitch deck and a spreadsheet. The spreadsheet outlined all of the companies owned by DHT.

192. On April 13, 2015, Investor-Employee 11 accepted an offer of employment and agreed to invest \$250,000 in DHT.

193. In order to fund this investment, Investor-Employee 11 liquidated \$60,000 in stocks and rolled over his investment retirement account.

194. In return for Investor-Employee 11's \$250,000 investment, he was informed that

he would hold a 0.83% ownership position in DHT. Investor-Employee 11 was also told that he would be offered a warrant, which would result in an additional 0.96% ownership position. Further stock options made available to him would result in an additional 0.50% ownership position. According to Investor-Employee's agreement, this would result in a total ownership position of 1.46%.

195. In approximately April 2015, Investor-Employee 11 attended a meeting at the 3si headquarters in Burlington, Massachusetts. The 3si headquarters occupied a single section of one floor in the building. Although the purpose of the meeting was to discuss software, no software was presented at the meeting. At the meeting, Investor-Employee 11 learned 3si did not own any patents or intellectual property.

196. In June 2015, Investor-Employee 11 attended a meeting in Nashville, Tennessee. The purpose of this meeting was to observe a presentation for a 3si product. During this meeting, the presenter informed attendees that he had never used the product but that the product was being used in a VA hospital in the Boston area. The presenter informed attendees that the product was in the "Alpha" stage of development. A member of the Management Team instructed Investor-Employee 11 and other employees to sell the concept of the product. The member of the Management Team stated that the first employee to successfully sell the 3si concept would receive a \$10,000 bonus.

197. During his employment at DHT, Investor-Employee 11 received several complaints from employees. Many of the complaints concerned DHT's failure to pay them in a timely fashion. Investor-Employee 11 forwarded these complaints to a member of the Management Team and was told that these issues would be resolved if DHT hired more Investor-Employees.

198. In approximately May 2015, Investor-Employee 11 asked for the locations of the beta sites. Investor-Employee 11 never received a response.

199. In or about July 2015, Investor-Employee 11 learned that DHT would not make payroll. Nevertheless, Investor-Employee 11 still felt pressure from the Management Team to recruit new Investor-Employees.

200. While employed at DHT, Investor-Employee 11 learned that an agreement between DHT, IME, and Mercury Biomed had failed due to DHT's inability to provide adequate financing.

201. Investor-Employee 11 subsequently demanded financial information from Wagner and the Management Team. In response, he was told that DHT had enough cash to sustain its operations and also had interested foreign investors.

202. On August 22, 2015, a member of the Management Team terminated Investor-Employee 11 over the telephone. The member of the Management Team explained that the company was reorganizing and did not have enough money to pay him.

203. After the termination, Investor-Employee 11 received a two-year promissory note, a nondisclosure agreement, and a release.

204. Investor-Employee 11 was paid through July 15, 2015, however, an additional \$50,000 in salary and expenses was not paid.

205. Investor-Employee 11 never recovered his original \$250,000 investment.

1. Investor-Employee 12

206. Investor-Employee 12, a Massachusetts resident, formerly served as the Vice President of Business Development for the Mid-South Region of DHT.

207. On or about April 2015, a member of the Management Team contacted Investor-

Employee 12 and offered him the position of Vice President of Business Development in exchange for a .83% ownership interest in DHT and a \$250,000 investment.

208. In approximately April 2015, Investor-Employee 11 accepted an offer of employment and agreed to invest \$250,000 in DHT.

209. In return for his investment, Investor-Employee 12 was told he would have a .83% ownership interest in DHT.

210. After less than three months on the job, Investor-Employee 12 requested a full refund of his investment.

211. On August of 2015, Investor-Employee 12 was terminated.

212. After the termination, Investor-Employee 12 received a promissory note stating that the Downing Companies would pay back his investment by November 12, 2015.

m. Investor-Employee 13

213. Investor-Employee 13, a Pennsylvania resident, formerly served as the Vice President of Business Development for DDHG in the Northeast Region.

214. In approximately September 2014, a member of the Management Team offered Investor-Employee 13 the Vice President of Business Development position and a .5% ownership interest in DDHG in exchange for an investment of \$150,000.

215. Investor-Employee 13 was offered an annual salary of \$215,000 and was informed that he would be participating in the annual performance bonus program. He was informed that \$25,000 of the bonus was guaranteed.

216. On September 14, 2014, Investor-Employee 13 accepted an offer of employment and agreed to invest \$150,000 in DDHG.

217. In return for Investor-Employee 13's investment in DDHG, he was informed that

he would hold a 0.5% ownership interest in DDHG. Investor-Employee 13 was further informed that he could purchase an additional 9,390 shares at \$10.65 per share.

218. Prior to making his investment, Investor-Employee 13 informed Wagner and the Management Team that he was in a financially fragile situation.

219. On April 30, 2015, Investor-Employee 13 was promoted to Executive Vice President of Client Services at 3si.

220. After Investor-Employee 13 stopped receiving a regular paycheck, he sent an e-mail to Wagner stating that his investment in DDHG and DDHG's subsequent failure to pay him had adversely affected his already fragile financial situation. Investor-Employee 13 then requested that DDHG pay him all of his outstanding salary. Investor-Employee 13 received no response to this e-mail.

221. Investor-Employee 13 then sent another e-mail to a member of the Management Team. In this e-mail, Investor-Employee 13 stated that DDHG's failure to pay him on time had caused him to be unable to pay his mortgage and his daughter's high school tuition payments.

222. On December 11, 2015, the Downing Companies terminated Investor-Employee 13.

n. Investor-Employee 14

223. Investor-Employee 14, a Colorado resident, formerly served as the Vice President of Business Development for DDHG.

224. On or about June 2014, a recruiter contacted Investor-Employee 14 regarding the position of Vice President of Business Development for DDHG.

225. The recruiter required Investor-Employee 14 to sign a document attesting to the

fact that he had \$250,000 in cash. The recruiter informed him that this attestation was a condition of Investor-Employee 14's introduction to DDHG.

226. On June 18, 2014, a member of the Management Team met with Investor-Employee 14 and offered the position of Vice President of Business Development and a .08% ownership interest in exchange for a \$250,000 investment.

227. The member of the Management Team told Investor-Employee 14 that 3si, Surgerylink, IRX, Carelink, 360, Flex Life ("FlexLife"), and Magaw Medical ("Magaw Medical") produced earnings of over \$100 million annually.

228. The member of the Management Team also told Investor-Employee 14 that DDHG owned 70% of 3si, that Flex Life had produced a prototype, and that Magaw Medical had an actual product.

229. On June 20, 2014, Investor-Employee 14 received an offer letter from a member of the Management Team indicating that his annual salary would be \$150,000.

230. On or about July 3, 2014, Investor-Employee 14 accepted an offer of employment and agreed to invest \$250,000 in DDHG.

231. Investor-Employee 14 was informed that in return for his investment, he would receive an ownership interest in DDHG.

232. On September 5, 2014, Investor-Employee 14 was promoted to Chief Development Officer of DDHG. His offer letter indicated his annual salary would be increased to \$200,000 and he would participate in a commission plan.

233. On September 5, 2014 Investor-Employee 14 was informed that he would be offered stock options in DDHG for an additional 1.0% ownership.

234. During Investor-Employee 14's employment he learned that FlexLife had no

product.

235. During Investor-Employee 14's employment, he requested financial information for DDHG, but the requested information was not provided.

236. On December 3, 2015, Investor-Employee 14 resigned from DDHG.

237. Subsequently, Investor-Employee 14 received a promissory note for his original \$250,000 investment and a payment of \$45,000.

238. On December 23, 2015, Investor-Employee 14 signed a repurchase agreement to sell back his ownership stake to the Downing Companies.

o. Investor-Employee 15

239. Investor-Employee 15, an Ohio resident, first served as the Chief Development Officer and later as Vice President of Business Development for DDHG.

240. In approximately September 2014, a member of the Management Team told Investor-Employee 15 that an investment of funds was a condition of employment.

241. Investor-Employee 15 spoke with at least two different members of the Management Team prior to his investment. One member told him that DDHG had developed technologically advanced products that the company intended to sell. Another member told him that revenues or AUM could not be disclosed due to a nondisclosure agreement.

242. Both members of the Management Team told Investor-Employee 15 that Wagner owned 100% of Medrobotics which was valued at over \$300 million. In fact, Wagner owned less than 1% of Medrobotics.

243. On September 25, 2014, Investor-Employee 15 received a slide which included a "return on capital" spreadsheet. Investor-Employee 15 relied on this spreadsheet in

making his investment in the Downing Companies. Investor 15 specifically relied on the representation that 3si had received a \$9 million investment.

244. On September 26, 2014, a slide deck was sent to Investor-Employee 15 that included a chart listing companies owned by DDHG. EHR and Clinical Workflow were among the companies listed as being owned by DDHG. Upon information and belief, the current value of EHR and Clinical Workflow was overstated.

Additionally, upon information and belief the exit value was also significantly overstated. The slide deck also claimed that Downing had an exit value of \$9.5 million.

245. Investor-Employee 15 was offered an annual salary of \$225,000 and was informed that he would be participating in a commission plan.

246. On October 6, 2014, Investor-Employee 15 accepted the offer of employment and agreed to invest \$250,000 in DDHG.

247. This \$250,000 represented the majority of Investor-Employee 15's life savings.

248. In return for Investor-Employee 15's investment, he was informed that he would hold an ownership position of 0.833% in DDHG. Additionally, he was informed that he would have options, which upon vesting, would result in additional 0.833%. As a result, Investor-Employee would have a total ownership position of 1.67%.

249. Investor-Employee 15 was to be paid on the 15th and 30th of each month. On November 15, 2014, DDHG failed to pay Investor-Employee 15. Investor-Employee contacted a member of the Management Team regarding the missed payment and was told that there were "huge paycheck issues at DDHG."

250. Although Investor-Employee 15 received his November 2014 and December 2014 salary, both of these payments were several weeks late. He also noticed that some

of the payments were wired from the accounts of members of the Management Team. For these payments, Investor-Employee did not receive a pay stub and taxes were not deducted.

251. Investor-Employee 15 did not receive all of his agreed upon compensation for his employment with the Downing Companies.

252. On December 1, 2014, Investor-Employee 15 received a letter informing him that his healthcare plan was scheduled to be cancelled as a result of the Downing Companies' failure to pay the premium.

253. Subsequently, Investor-Employee 15 was demoted to Vice President of Business Development.

254. On August 25, 2015, Investor-Employee 15 sent a letter to Wagner and several members of the Management Team demanding payment for wages owed to him.

255. On August 26, 2015, Investor-Employee 15 received a termination letter.

256. Following his termination, Investor-Employee 15 received a promissory note and a nondisclosure agreement/general release.

p. Investor-Employee 16

257. Investor-Employee 16, a Georgia resident, formerly served as the CTO for DDHG.

258. In approximately May 2014, a member of the Management Team contacted Investor-Employee 16 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 16 would be required to invest \$250,000 in Downing.

259. Investor-Employee 16 was told that his position would include an annual salary of

\$250,000.

260. Investor-Employee 16 was also told that DDHG's stated strategy was to invest in early stage companies, help them grow, and sell the companies for a profit.

261. On May 5, 2014, Investor-Employee 16 accepted the offer of employment and agreed to invest \$250,000 in Downing. This \$250,000 represented the majority of Investor-Employee 16's life savings.

262. In return for Investor-Employee 16's investment, he was informed that he would hold an ownership position of 1.25% in Downing. Additionally, he was informed that he would have options, which upon vesting, would result in 1.0% ownership interest in Downing Digital.

263. In approximately May 2014, Investor-Employee 16 wired \$100,000 to Downing on the condition that the \$100,000 would be returned within three months if Investor-Employee 16 was not satisfied.

264. In approximately June or July 2014, Investor-Employee 16 attended a meeting in Nevada and learned that 3si had no product.

265. On September 12, 2014, Investor-Employee 16 decided to exercise his option to have his investment returned. Investor-Employee 16 retained a lawyer to assist him. DDHG agreed to repay Investor 16 \$25,000 per quarter worked in addition to a late fee.

q. Investor-Employee 17

266. Investor-Employee 17, a New Jersey resident, formerly served as the Vice President of Marketing for 3si.

267. In approximately January 2014, a member of the Management Team contacted Investor-Employee 17 and stated that in exchange for becoming an employee of the

Downing Companies, Investor-Employee 17 would be required to invest \$250,000.

268. Investor-Employee 17 was offered an annual salary of \$180,000 and was informed that she would be participating in the annual performance bonus program.

269. On January 17, 2014, Investor-Employee 17 accepted the offer of employment and agreed to invest \$250,000 in 3si.

270. In return for Investor-Employee 17's \$250,000 investment, she was told she would receive a convertible note, which when exercised, would result in a 2.5% ownership position of 3si. Further stock options made available to her would result in an additional 1.0% ownership position. This would result in a total ownership position of 3.5%.

r. Investor-Employee 18

271. Investor-Employee 18, a Georgia resident, formerly served as the Vice President of Sales for 3si.

272. In or about March 2014, a member of the Management Team contacted Investor-Employee 18 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 18 would be required to invest \$250,000.

273. Investor-Employee 18 was offered an annual salary of \$160,000 and was informed that he would be participating in the annual performance bonus program.

274. On March 28, 2014, Investor-Employee 18 accepted the offer of employment and agreed to invest \$250,000 in 3si.

275. In return for Investor-Employee 18's investment, he was told he would receive a convertible note, which when exercised, would result in a 2.5% ownership position of 3si. Further stock options made available to him would result in an additional 1.0%

ownership position. This would result in a total ownership position of 3.5%

s. Investor-Employee 19

276. Investor-Employee 19, a New Jersey resident, formerly served as the Vice President of Marketing for 3si.

277. In approximately July 2015, a member of the Management Team contacted Investor-Employee 19 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 19 would be required to invest \$150,000.

278. Investor-Employee 19 was offered an annual salary of \$195,000 and was informed that he would be participating in the annual performance bonus program.

279. On July 24, 2015, Investor-Employee 19 accepted the offer of employment and agreed to invest \$150,000 in 3si.

280. In return for Investor-Employee 19's investment, he was told he would receive a convertible note, which when exercised, would result in a 0.5% ownership position of 3si. Further stock options made available to him would result in an additional 1.0% ownership position. This would result in a total ownership position of 1.5%.

t. Investor-Employee 20

281. Investor-Employee 20, a New Mexico resident, formerly served as the Chief Technology Officer for 3si.

282. In approximately September 2014, a member of the Management Team contacted Investor-Employee 20 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 20 would be required to invest \$250,000 in 3si.

283. Investor-Employee 20 was offered an annual salary of \$155,000 and was informed that he would be participating in the annual performance bonus program.

284. On September 2, 2014, Investor-Employee 20 accepted the offer of employment and agreed to invest \$250,000 in 3si.

285. In return for Investor-Employee 20's \$250,000 investment, he was told he would receive a convertible note, which when exercised, would result in a 1.0% ownership position in 3si. Further stock options made available to him would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.5%

u. Investor Employee 21

286. Investor-Employee 21, a Massachusetts resident, formerly served as the Executive Vice President of Northeast Sales for 3si.

287. In approximately July 2014, a member of the Management Team contacted Investor-Employee 21 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 21 would be required to invest \$250,000 in 3si.

288. Investor-Employee 21 was offered an annual salary of \$160,000 and was informed that he would be participating in the annual performance bonus program.

289. On July 7, 2014, Investor-Employee 21 accepted the offer of employment and agreed to invest \$250,000 in 3si.

290. In return for Investor-Employee 21's \$250,000 investment, he was told he would receive a convertible note, which when exercised, would result in a 1.0% ownership position in 3si. Further stock options made available to him would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.5%

v. Investor-Employee 22

291. Investor-Employee 22, an Ohio resident, formerly served as the Executive Vice President of Midwest Sales for 3si.

292. In or about August 2014, a member of the Management Team contacted Investor-Employee 22 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 22 would be required to invest \$250,000 in 3si.

293. Investor-Employee 22 was offered an annual salary of \$140,000 and was informed that he would be participating in the annual performance bonus program.

294. On August 18, 2014, Investor-Employee 22 accepted the offer of employment and agreed to invest \$250,000 in 3si.

295. In return for Investor-Employee 22's \$250,000 investment, he was told he would be offered stock options in 3si, which would provide him with 0.5% ownership.

w. Investor-Employee 23

296. Investor-Employee 23, a Florida resident, formerly served as the Vice President of Sales for 3si.

297. In approximately June 2014, a member of the Management Team contacted Investor-Employee 23 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 23 would be required to invest \$250,000 in 3si.

298. Investor-Employee 23 was offered an annual salary of \$135,000 and was informed that he would be participating in the annual performance bonus program.

299. On June 4, 2014, Investor-Employee 23 accepted the offer of employment and agreed to invest \$250,000 in 3si.

300. In return for Investor-Employee 23's \$250,000 investment, he was told he would receive a convertible note, which when exercised, would result in a 1.0% ownership position in 3si. Further stock options made available to him would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.5%.

x. Investor-Employee 24

301. Investor-Employee 24, a South Carolina resident, formerly served as the Executive Vice President of Operations for 3si.

302. In or about October 2014, a member of the Management Team contacted Investor-Employee 24 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 24 would be required to invest \$250,000 in 3si.

303. Investor-Employee 24 was offered an annual salary of \$180,000 and was informed that he would be participating in the annual performance bonus program.

304. On October 4, 2014, Investor-Employee 24 accepted the offer of employment and agreed to invest \$250,000 in 3si.

305. In return for Investor-Employee 24's \$250,000 investment, he was told he would receive a convertible note, which when exercised, would result in a 1.0% ownership position in 3si. Further stock options made available to him would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.5%.

y. Investor-Employee 25

306. Investor-Employee 25, a Colorado resident, formerly served as the Vice President of Business Development, Southwest Region for DDHG.

307. In approximately January 2015, a member of the Management Team contacted Investor-Employee 25 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 25 would be required to invest \$150,000 in DDHG.

308. Investor-Employee 25 was offered an annual salary of \$175,000 and was

informed that she would be participating in the commission plan.

309. On January 12, 2015, Investor-Employee 25 accepted the offer of employment and agreed to invest \$150,000 in DDHG.

310. In return for Investor-Employee 25's \$150,000 investment, she was told she held an ownership position of 0.50% in DDHG. Further stock options made available to her would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.0%.

z. Investor-Employee 26

311. Investor-Employee 26, an Ohio resident, formerly served as the Vice President of Business Development, Midwest Region for DDHG.

312. In approximately January 2015, a member of the Management Team contacted Investor-Employee 26 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 26 would be required to invest \$250,000 in DDHG.

313. Investor-Employee 26 was offered an annual salary of \$150,000 and was informed that he would be participating in the commission plan.

314. On January 16, 2015, Investor-Employee 26 accepted the offer of employment and agreed to invest \$250,000 in DDHG.

315. In return for Investor-Employee 26's \$250,000 investment, he was told he would have a 0.833% ownership position in DDHG. Further stock options made available to him would result in an additional 0.417% ownership position. This would result in a total ownership position of 1.25%.

aa. Investor-Employee 27

316. Investor-Employee 27, a Florida resident, formerly served as the Vice President of Sales for DDHG.

317. In approximately May 2015, a member of the Management Team contacted Investor-Employee 27 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 27 would be required to invest \$250,000 in 3si.

318. Investor-Employee 27 was offered an annual salary of \$175,000 and was informed that he would be participating in the commission plan.

319. On May 19, 2015, Investor-Employee 27 accepted the offer of employment and agreed to invest \$250,000 in 3si.

320. In return for Investor-Employee 27's \$250,000 investment, he was told he would have an ownership position of 0.6943% in DDHG. Additionally, Investor-Employee 27 received a convertible note, which when exercised, would result in a .7985% ownership position in DDHG. Further stock options made available to him would result in a total ownership position of 1.769%.

bb. Investor-Employee 28

321. Investor-Employee 28, a Colorado resident, formerly served as the Vice President Business Development, Rocky Mountain Region Sales for DHT.

322. In approximately May 2015, a member of the Management Team contacted Investor-Employee 28 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 28 would be required to invest \$250,000 in DHT.

323. Investor-Employee 28 was offered an annual salary of \$150,000 and was informed that he would be participating in the commission plan.

324. On May 5, 2015, Investor-Employee 28 accepted the offer of employment and agreed to invest \$250,000 in DHT.

325. In return for Investor-Employee 28's \$250,000 investment, he was told he would hold a .83% ownership position in DHT. Further stock options made available to him would result in an additional 0.5% ownership position. This would result in a total ownership position of 1.33%.

cc. Investor-Employee 29

326. Investor-Employee 29, a Connecticut resident, formerly served as the Vice President of Development, North East Region for DHT.

327. In approximately March 2015, a member of the Management Team contacted Investor-Employee 29 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 29 would be required to invest \$250,000 in DHT.

328. Investor-Employee 29 was offered an annual salary of \$145,000 and was informed that he would be participating in the commission plan.

329. On March 13, 2015, Investor-Employee 29 accepted the offer of employment and agreed to invest \$250,000 in DHT.

330. In return for Investor-Employee 29's \$250,000 investment, he was told he would hold a 0.833% ownership interest in DHT. Further stock options made available to him would result in an additional 0.25% ownership position. This would result in a total ownership position of 1.083%.

dd. Investor-Employee 30

331. Investor-Employee 30, an Illinois resident, formerly served as the Vice President,

Business Development for DMDG.

332. In approximately October 2014, a member of the Management Team contacted Investor-Employee 30 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 30 would be required to invest \$250,000 in DMDG.

333. Investor-Employee 30 was offered an annual salary of \$200,000 and was informed that he would be participating in the annual performance and commissions programs.

334. On October 1, 2014, Investor-Employee 30 accepted the offer of employment and agreed to invest \$250,000 in DMDG.

335. In return for Investor-Employee 30's \$250,000 investment, he was told he would hold a 0.833% ownership interest in DMDG. Further stock options made available to him would result in an additional 0.833% ownership position. This would result in a total ownership position of approximately 1.67%.

ee. Investor-Employee 31

336. Investor-Employee 31, a North Carolina resident, formerly served as Vice President of Business Development, Southeast Region for DDHG.

337. In approximately August 2014, a member of the Management Team contacted Investor-Employee 31 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 31 would be required to invest \$250,000 in DDHG.

338. Investor-Employee 31 was offered an annual salary of \$170,000 and was informed that he would be participating in the commission plan.

339. On August 24, 2014, Investor-Employee 31 accepted the offer of employment and agreed to invest \$250,000 in DDHG.

340. In return for Investor-Employee 31's \$250,000 investment, he was told he would hold a 0.833% ownership interest in DDDHG.

ff. Investor-Employee 32

341. Investor-Employee 32, a New York resident, formerly served as the Vice President Business Development Officer of DMDG.

342. In approximately March 2015, a member of the Management Team contacted Investor-Employee 32 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 32 would be required to invest \$250,000 in DHT.

343. Investor-Employee 32 was offered an annual salary of \$145,000 and was informed that he would be participating in the commission plan.

344. On March 20, 2015, Investor-Employee 32 accepted the offer of employment and agreed to invest \$250,000 in DHT.

345. In return for Investor-Employee 32's \$250,000 investment, he was told he held a 0.833% ownership interest in DHT. Further stock options made available to him would result in an additional 0.25% ownership position. This would result in a total ownership position of approximately 1.083%.

gg. Investor-Employee 33

346. Investor-Employee 33, a Connecticut resident, formerly served as the Vice President Business Development, Northeast Region of DDHG.

347. In approximately February 2015, a member of the Management Team contacted

Investor-Employee 33 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 33 would be required to invest \$150,000 in DDHG.

348. Investor-Employee 33 was offered an annual salary of \$150,000 and was informed that he would be participating in the commission plan.

349. On February 18, 2015, Investor-Employee 33 accepted the offer of employment and agreed to invest \$150,000 in DDHG.

350. In return for Investor-Employee 33's \$150,000 investment, he would hold a 0.50% ownership interest in DDHG. Further stock options made available to him would result in an additional 0.55% ownership position. This would result in a total ownership position of approximately 1.05%.

hh. Investor-Employee 34

351. Investor-Employee 34, a Georgia resident, formerly served as the President and COO of DHT.

352. In approximately July 2015, a member of the Management Team contacted Investor-Employee 34 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 34 would be required to invest \$250,000 in DHT.

353. Investor-Employee 34 was offered an annual salary of \$250,000 and was informed that he would be participating in the annual performance program.

354. On July 20, 2015, Investor-Employee 34 accepted the offer of employment and agreed to invest \$250,000 in DHT.

355. In return for Investor-Employee 34's \$250,000 investment, he was told he would

hold a 0.6943% ownership interest in DHT. Investor-Employee 34 was also offered a warrant resulting in an additional 0.7985% ownership interest. Further stock options made available to him would result in an additional 3.0% ownership position. This would result in a total ownership position of approximately 4.4928%.

ii. Investor-Employee 35

356. Investor-Employee 35, a New York resident, formerly served as the Chief Information Officer of DDHG.

357. In approximately October 2014, a member of the Management Team contacted Investor-Employee 35 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 35 would be required to invest \$250,000 in DDHG.

358. Investor-Employee 35 was offered an annual salary of \$200,000 and was informed that he would be participating in the commission plan.

359. On March 20, 2015, Investor-Employee 35 accepted the offer of employment and agreed to invest \$250,000 in DDHG.

360. In return for Investor-Employee 35's \$250,000 investment, he was told he would hold a 0.83% ownership interest in DDHG. Further stock options made available to him would result in an additional 1.0% ownership position. This would result in a total ownership position of approximately 1.83%.

jj. Investor-Employee 36

361. Investor-Employee 36, a New York resident, formerly served as the Chief Information Officer of DDHG.

362. In approximately October 2014, a member of the Management Team contacted

Investor-Employee 36 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 36 would be required to invest \$250,000 in DDHG.

363. On March 20, 2015, Investor-Employee 36 accepted the offer of employment and agreed to invest \$250,000 in DDHG.

364. In return for Investor-Employee 36's \$250,000 investment, he was told he would hold a 0.83% ownership interest in DDHG. Further stock options made available to him would result in an additional 1.0% ownership position. This would result in a total ownership position of approximately 1.83%.

kk. Investor-Employee 37

365. Investor-Employee 37, a Georgia resident, formerly served as the Vice President Business Development, Southeast Region of DDHG.

366. In approximately November 2014, a member of the Management Team contacted Investor-Employee 37 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 37 would be required to invest \$150,000 in DDHG.

367. Investor-Employee 37 was offered an annual salary of \$150,000 and was informed that he would be participating in the commission plan.

368. On November 25, 2014, Investor-Employee 37 accepted the offer of employment and agreed to invest \$150,000 in DDHG.

369. In return for Investor-Employee 37's \$150,000 investment, he was told he would hold a 0.50% ownership interest in DDHG. Further stock options made available to him would result in an additional 0.50% ownership position. Investor-Employee 37's

Employment Agreement states he was eligible for a total ownership position of approximately 1.33%.

II. Investor-Employee 38

370. Investor-Employee 38, a Pennsylvania resident, formerly served as the Senior Vice President of Corporate Development for Downing.

371. In approximately September 2015, a member of the Management Team contacted Investor-Employee 38 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 38 would be required to invest \$200,000 in Downing Investment Partners.

372. Investor-Employee 38 was offered an annual salary of \$215,000 and was informed that he would be participating in the annual performance bonus program.

373. On September 16, 2015, Investor-Employee 38 accepted the offer of employment and agreed to invest \$200,000 in Downing Investment Partners.

374. In return for Investor-Employee 38's \$200,000 investment, he was told he would hold a 0.83% ownership interest in Downing Investment Partners. Further stock options made available to him would result in an additional 1.50% ownership position. This would result in a total ownership position of approximately 1.00%.

mm. Investor-Employee 39

375. Investor-Employee 39, a New Jersey resident, formerly served as the President & GM of Downing.

376. In or about April 2015, a member of the Management Team contacted Investor-Employee 39 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 39 would be required to invest \$200,000 in Downing

Investment Partners.

377. Investor-Employee 39 was offered an annual salary of \$250,000 and was informed that he would be participating in the annual performance bonus program.

378. On April 29, 2015, Investor-Employee 39 accepted the offer of employment and agreed to invest \$200,000 in Downing Investment Partners.

379. In return for Investor-Employee 39's \$200,000 investment, he was told he would hold a 0.83% ownership interest in Downing Investment Partners. Further stock options made available to him would result in an additional 1.50% ownership position. This would result in a total ownership position of approximately 1.00%.

nn. Investor-Employee 40

380. Investor-Employee 40 formerly served as the Chief Operating Officer of Downing Investment Partners.

381. In approximately July 2014, a member of the Management Team contacted Investor-Employee 40 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 40 would be required to invest \$150,000 in Downing Investment Partners and \$100,000 in DDHG.

382. Investor-Employee 40 was offered an annual salary of \$250,000 and was informed that he would be participating in performance bonus program.

383. On July 10, 2014, Investor-Employee 40 accepted the offer of employment and agreed to invest \$150,000 in Downing Investment Partners and \$100,000 in DDHG.

384. In return for Investor-Employee 40's \$250,000 investment, he was told he would hold a 0.75% ownership interest in Downing Investment Partners and a 0.33% ownership position in DDHG. Further stock options made available to him would result in an

additional .42% ownership position in Downing Investment Partners and an additional .42% ownership position in DDHG.

oo. Investor-Employee 41

385. Investor-Employee 41, a Texas resident, formerly served as the Senior Vice President of Clinical and Regulatory Affairs and Quality Assurance for Downing Investment Partners.

386. In approximately September 2014, a member of the Management Team contacted Investor-Employee 41 and stated that in exchange for becoming an employee of the Downing Companies, Investor-Employee 41 would be required to invest \$250,000 in Downing Investment Partners.

387. Investor-Employee 41 was offered an annual salary of \$200,000 and was informed that he would be participating in the performance bonus program.

388. On September 25, 2014, Investor-Employee 41 accepted the offer of employment and agreed to invest \$250,000 in Downing Investment Partners.

389. In return for Investor-Employee 41's \$250,000 investment, he was told he would hold a 1.25% ownership interest in Downing Investment Partners. Further stock options made available to him would result in an additional 1.25% ownership position. This would result in a total ownership position of approximately 2.50%.

pp. Investor-Employee 42

390. Investor-Employee 42, a California resident, formerly served as the Chief Strategy Officer for IVC Healthcom.

391. In approximately May 2015, a member of the Management Team contacted Investor-Employee 42 and stated that in exchange for becoming an employee of the

Downing Companies, Investor-Employee 42 would be required to invest \$250,000 in Downing Investment Partners.

392. Investor-Employee 42 was offered an annual salary of \$175,000 and was informed that he would be participating in the performance bonus program.

393. On May 11, 2015, Investor-Employee 42 accepted the offer of employment and agreed to invest \$250,000 in IVC Healthcom.

394. In return for Investor-Employee 42's \$250,000 investment, he was told he would hold a 2.0% ownership interest in IVC Healthcom. Further stock options made available to him would result in an additional 2.0% ownership position in IVC Healthcom.

395. At least 42 Investor-Employees invested in the Downing Companies. These Investor-Employees relied upon Respondents' misrepresentations and omissions of material information to make investments in the Downing Companies and associated entities. These Investor-Employees were led to believe that their initial investment in the Downing Companies would result in greater profits.

VIII. VIOLATIONS OF LAW

396. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly

(1) to employ any device, scheme, or artifice to defraud,

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or

(3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

MASS. GEN. LAWS ch. 110A, § 101.

397. The Enforcement Section herein re-alleges and restates the allegations of fact set

forth in Section VII above.

398. The conduct of Respondents, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 101.

IX. STATUTORY BASIS FOR RELIEF

Section 407A of the Act provides, in pertinent part:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

X. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

XI. RELIEF REQUESTED

The Enforcement Section of the Division requests that an order be entered:

- A. Finding as fact all allegations set forth in Section VII of the Complaint;
- B. Finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- C. Requiring Respondents to permanently cease and desist from further conduct in violation of the Act and Regulations;

- D. Censuring Respondents;
- E. Requiring Respondents to provide a verified accounting of those losses attributable to the alleged wrongdoing;
- F. Requiring Respondents to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing;
- G. Requiring Respondents to make rescission offers to all residents of the Commonwealth who purchased securities sold in violation of the Act;
- H. Requiring Respondents to disgorge all profits, direct or indirect compensation, and remuneration received in connection with the alleged wrongdoing;
- I. Imposing an administrative fine on Respondents in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- J. Taking any such further action which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**

By and through its attorneys,



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