

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.: _____

SECURITIES AND EXCHANGE COMMISSION,)
)
)
Plaintiff,)
)
v.)
)
CHRISTIAN J. BAQUERIZO, a/k/a “Teddy Stone,”)
)
and)
)
KEVIN CARDENAS, a/k/a “Jacob Rosenthal,”)
)
)
Defendants.)
)/

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

INTRODUCTION

1. The Commission brings this action against Defendants Christian J. Baquerizo and Kevin Cardenas, each of whom acted as an unregistered broker, for their participation in an offering fraud scheme on behalf of NIT Enterprises, Inc. (“NIT”), which defrauded retail investors nationwide and in Canada, most of whom were seniors, from 2015 through November 2019. Through the Defendants’ material misrepresentations and omissions, they unlawfully raised about \$684,000 from investors and received more than \$270,000 in undisclosed commissions. In total, NIT raised at least \$4.9 million from at least 100 investors.

2. In investor solicitations, the Defendants told investors that NIT would use investor funds for the company’s research, development, and efforts to go public, while concealing that they would receive 30%-50% in commissions from investor proceeds. Unbeknownst to these investors, in reality, NIT spent little of the funds raised on research, development, or on efforts to

go public. Instead, NIT's CEO misappropriated at least \$1.25 million, or 25% of investor proceeds, to pay for personal expenses, while NIT and the CEO paid unregistered brokers, like the Defendants, approximately 30%-50% in undisclosed commissions on the money they raised from investors.

3. The Defendants' roles in this multi-million dollar fraud was to cold-call potential investors and convince them to invest in NIT stock, utilizing a series of material misrepresentations and omissions. The Defendants, who were not registered to sell securities, often used aliases to conceal their identities and past criminal histories while soliciting investors.

4. The Defendants' solicitations of investors contained baseless and false representations regarding NIT's value and future profitability, while concealing that NIT was paying them approximately 30%-50% in commissions from investor proceeds. Investors were also told that NIT was preparing to engage in an initial public offering ("IPO") and soon would become a publicly traded company, which created an expectation that investors would double or triple their investment in a short amount of time.

5. By engaging in this conduct the Defendants each violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78o(a)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Unless enjoined, the Defendants are reasonably likely to continue to engage in violations of the federal securities laws.

THE DEFENDANTS

6. **Baquerizo**, age 39, resides in Boca Raton, Florida. Baquerizo worked for NIT as an unregistered broker and was paid approximately \$150,692 in commissions. Baquerizo has never been associated with any entity registered with the Commission and has no prior disciplinary

history with the Commission. In May 2000, Baquerizo was convicted of state felony charges of aggravated assault and was sentenced to probation. When he solicited investors on behalf of NIT, Baquerizo at times used aliases, among them “Teddy Stone,” in part to help conceal his criminal history.

7. **Cardenas**, age 33, resides in Fort Lauderdale, Florida. Cardenas worked for NIT as an unregistered broker and was paid approximately \$121,690 in commissions. Cardenas has never been associated with any entity registered with the Commission and has no prior disciplinary history with the Commission. In March 2015, Cardenas was convicted of state felony charges of burglary of an unoccupied dwelling and grand theft and was sentenced to probation. When he solicited investors on behalf of NIT, Cardenas used aliases, among them “Jacob Rosenthal,” in part to help conceal his criminal history.

RELATED ENTITY

8. **NIT** consisted of three entities: NIT Enterprises, Inc., incorporated in Delaware in May 2014, NIT Enterprises, Inc., incorporated in Florida in May 2014, and NIT Enterprises FL, Inc., incorporated in Florida in June 2016. NIT’s principal place of business was in Palm Beach Gardens, Florida. NIT and its investment offerings were not registered with the Commission in any capacity. During the relevant period, NIT’s securities qualified as a “penny stock” because they did not meet any of the exceptions from the definition of a “penny stock,” as defined by Section 3(a)(51) of the Exchange Act and Rule 3a51-1 thereunder. Among other things, the securities were equity securities: (1) that were not an “NMS stock,” as defined in 17 CFR 242.600(b)(47); (2) traded below five dollars per share during the relevant period; (3) whose issuer had net tangible assets and average revenue below the thresholds of Rule 3a51-1(g)(1); and (4) did

not meet any of the other exceptions from the definition of “penny stock” contained in Rule 3a51-1 under the Exchange Act.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)], and Sections 21(d), 21(e), and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa(a)].

10. This Court has personal jurisdiction over the Defendants and venue is proper in the Southern District of Florida because many of the Defendants’ acts and transactions constituting the violations of the Securities Act and Exchange Act occurred in the Southern District of Florida. Moreover, the Defendants reside in the Southern District of Florida.

11. In connection with the conduct alleged in this Complaint, the Defendants, directly or indirectly, singly or in concert with others, made use of the means or instruments of transportation and communication in interstate commerce, and the mails.

FACTUAL ALLEGATIONS

A. NIT Fraudulent Scheme

12. Beginning at least as early as March 2015, NIT, the Defendants, and others executed a fraudulent scheme through which they obtained at least \$4.9 million from investors in the Southern District of Florida and nationwide. The NIT fraud scheme did not cease until November 2019, when the Commission filed a complaint charging NIT, its CEO and two other unregistered brokers, with securities fraud on an emergency basis in order to stop the ongoing fraud. *SEC v. NIT Enterprises, et.al.*, 19-CV-24822-CMA (S.D. Fla.).

13. NIT claimed to be developing “genetic material solutions” in order to, among other things, produce lightweight protection garments that would protect against exposure to damaging radiation, with medical and military applications. NIT claimed to have several agreements or

partnerships with other entities that were assisting with the testing and production of its protection garments. In offering materials intended to lure prospective investors into investing, NIT made it appear that funds raised from investors would be directed to research and development efforts. For example, in 2018 and 2019, NIT sent investors several updates that referenced the need to raise additional capital for design production efforts and materials, “until profits break even with costs as production grows.”

14. NIT followed up on investor solicitations by providing prospective investors with an NIT Executive Summary, a stock subscription agreement and a link to further information on NIT’s website. The Executive Summary purported to provide general information about the company, its directors and management, NIT’s technology and various business relationships to further its research and development, and ultimate production, of its protection garments and materials.

15. NIT’s website and Executive Summary made inconsistent representations regarding NIT’s timing for going public. For example, a June 2016 investor update stated that NIT “plans to enter the public market, filing Form S-1 (IPO) in Q-2, 2016.” As late as November 2019, NIT’s website stated the company “has prepared an S-1 registration for the SEC. With this filing expected in 2018, NIT would become an independent full reporting, audited, public company.”

16. NIT’s subscription agreement stated that the investor had a substantive and pre-existing relationship with NIT before investing, however, this was far from the truth. In fact, most investors solicited had never heard of NIT before the initial cold-call solicitation they received from the Defendants or another NIT unregistered broker.

B. The Defendants’ Solicitation of Investors

17. The Defendants were hired by NIT's CEO to solicit potential investors on behalf of NIT. The CEO provided the Defendants with "cold call" scripts as well as sales materials to use when soliciting investors. The Defendants acted as unregistered brokers by soliciting investors, participating in the sale of NIT stock, and receiving undisclosed commissions.

C. Material Misrepresentations and Omissions to Investors and Other Deceptive Conduct

18. The Defendants sold NIT stock to investors using high-pressure sales tactics that misrepresented NIT's value and business prospects, such as claims that an NIT IPO was imminent. The Defendants made baseless claims that the NIT shares were discounted for varying reasons and that the true value of the shares were much higher, when in fact, they were not.

19. In their solicitations of investors, the Defendants misrepresented that an NIT IPO would occur in the near future. This misrepresentation was made by NIT, its CEO, and unregistered brokers like the Defendants orally and through the use of written offering materials, which the Defendants had NIT send to investors after the Defendants had solicited them. In fact, NIT made no effort to take the company public and never filed an S-1 registration statement with the Commission.

20. NIT's website and the Executive Summary provided to investors also contained inconsistent representations regarding NIT's timing for going public. For example, in October 2019, NIT's website (which was not updated), stated the company "has prepared an S-1 registration for the SEC. With this filing expected in **2018**, NIT would become an independent full reporting, audited, public company." (emphasis added). The NIT 2017 Executive Summary sent to investors contained the same statement with a 2017 expected filing date. Ultimately, NIT never filed a registration statement with the Commission for a public offering of securities, much less had such a registration statement declared effective.

21. The Defendants also made baseless price projections in conjunction with their misrepresentations about the timing of NIT's purported IPO. Numerous investors were falsely told that they needed to purchase shares immediately because NIT was about to go public and the price would go up to between \$2.00 and \$3.00 per share. Baquerizo informed at least one investor that NIT would be "going public" in six months at which time the current \$1.00 per share price would increase to between \$3.00 and \$5.00. For his part, Cardenas told at least one investor that he stood to make a lot of money when NIT went public in the near future.

22. NIT and its CEO paid the Defendants transaction-based compensation in the form of commissions of approximately 30% (to Cardenas) and approximately 50% (to Baquerizo) of the investor funds they raised. Defendants did not disclose to investors that they would be receiving such large commissions. Furthermore, the Defendants used aliases to conceal their prior criminal convictions when soliciting investors.

CLAIMS FOR RELIEF

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

23. The Commission repeats and realleges Paragraphs 1 through 22 of this Complaint as if fully set forth herein.

24. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities and transactions described in this Complaint and no exemption from registration existed with respect to these securities and transactions.

25. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly:

(a) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise;

(b) carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or

(c) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise, as described herein, without a registration statement having been filed or being in effect with the Commission as to such securities.

26. By reason of the foregoing, the Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C §§ 77e(a) and 77e(c)].

COUNT II
Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act

27. The Commission repeats and realleges Paragraphs 1 through 22 of this Complaint as if fully set forth herein.

28. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or of the mails, knowingly or recklessly employed devices, schemes or artifices to defraud.

29. By reason of the foregoing, the Defendants violated, and, unless enjoined are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III
Fraud in the Offer or Sale of Securities in
Violation of Section 17(a)(2) of the Securities Act

30. The Commission repeats and realleges Paragraphs 1 through 22 of this Complaint as if fully set forth herein.

31. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or of the mails, negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

32. By reason of the foregoing, the Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT IV
Fraud in the Offer or Sale of Securities in
Violation of Section 17(a)(3) of the Securities Act

33. The Commission repeats and realleges Paragraphs 1 through 22 of this Complaint as if fully set forth herein.

34. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly, in the offer or sale of securities, by use of any means or instruments of transportation

or communication in interstate commerce or by use of the mails, negligently engaged in transactions, practices, or courses of business which have operated, are now operating or will operate as a fraud or deceit upon the purchasers.

35. By reason of the foregoing the Defendants violated and, unless enjoined, are reasonably likely to continue to violate Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

COUNT V
**Fraud in Connection with the Purchase or Sale of Securities in
Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act**

36. The Commission repeats and realleges Paragraphs 1 through 22 of this Complaint as if fully set forth herein.

37. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly, in connection with the purchase or sale of securities by use of any means and instrumentalities of interstate commerce or by use of the mails, knowingly or recklessly employed devices, schemes, or artifices to defraud in connection with the purchase or sale of securities.

38. By reason of the foregoing, the Defendants violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(a) [17 C.F.R. § 240.10b-5(a)].

COUNT VI
**Fraud in Connection with the Purchase or Sale of Securities in Violation of
Section 10(b) and Rule 10b-5(b) of the Exchange Act**

39. The Commission realleges and incorporates paragraphs 1 through 22 of this Complaint as if fully set forth herein.

40. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants directly

and indirectly, in connection with the purchase or sale of securities by use of any means and instrumentalities of interstate commerce or of the mails, knowingly or recklessly made untrue statements of material facts or omitted to state material facts in order to make the statements made, in light of the circumstance in which they were made, not misleading.

41. By reason of the foregoing, the Defendants violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)].

COUNT VII

Fraud in Connection with the Purchase or Sale of Securities in Violation of Section 10(b) and Rule 10b-5(c) of the Exchange Act

42. The Commission repeats and realleges paragraphs 1 through 22 of this Complaint as if fully set forth herein.

43. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants directly or indirectly, in connection with the purchase or sale of securities by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly engaged in acts, practices, and course of business which have operated, are now operating, and will operate as a fraud upon the purchasers of such securities.

44. By reason of the foregoing, the Defendants violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].

COUNT VIII

Unregistered Broker-Dealer Conduct in Violation of Section 15(a)(1) of the Exchange Act

45. The Commission repeats and realleges paragraphs 1 through 22 of this Complaint as if fully set forth herein.

46. Beginning in or about February 2017 and continuing through September 2018, for Cardenas, and in or about April 2019 through August 2019, for Baquerizo, the Defendants, directly and indirectly, by the use of the mails or the means and instrumentalities of interstate commerce, effected transactions in, or induced or attempted to induce the purchase and sale of securities, while they were not registered with the Commission as a broker or dealer or when they were not associated with an entity registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

47. By reason of the foregoing, the Defendants violated and, unless enjoined, are reasonably likely to continue to violate, Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find the Defendants committed the violations alleged, and:

I.
Permanent Injunction

Issue a Permanent Injunction, restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Sections 10(b) and 15(a)(1) of the Exchange Act [15 U.S.C. §§ 78j(b), 78o(a)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.
Civil Money Penalties

Issue an Order directing each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78(d)].

III.
Disgorgement and Prejudgment Interest

Issue an Order directing the Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts and/or courses of conduct complained of herein.

IV.
Further Relief

Grant such other and further relief as may be necessary and appropriate.

V.
Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: September 29, 2020

Respectfully submitted,

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