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

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13 **SECURITIES AND EXCHANGE**
COMMISSION,

14 Plaintiff,

15 vs.

16
17 **STEVEN VENTRE, DEDICATED**
SOUND AND AUDIO, INC., ERIC
18 **LOVY f/k/a ERIC BELTRAN**
and **CHOICE EQUITY,**

19 Defendants.

Case No.

COMPLAINT

20
21
22 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

23 **JURISDICTION AND VENUE**

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

1 in sales commissions to Choice Equity.

2 8. Choice Equity, which is not a registered broker-dealer, remitted \$870,850
3 of the \$1.56 million it received from DSA directly to Lovy, who was not a registered
4 broker-dealer or associated with a registered broker-dealer.

5 9. By lying to investors about the amounts of sales commissions they paid
6 and about the qualifications of the selling agents, Ventre and DSA violated the antifraud
7 provisions of Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange
8 Act and Rule 10b-5(b) thereunder, and Lovy aided and abetted those violations. In
9 addition, each of the defendants violated the securities registration provisions of
10 Sections 5(a) and 5(c) of the Securities Act. Lovy and Choice Equity also violated the
11 broker-dealer registration provisions of Section 15(a) of the Exchange Act.

12 10. With this action, the SEC seeks permanent injunctions, disgorgement of
13 ill-gotten gains with prejudgment interest, and civil penalties against all of the
14 defendants.

15 **THE DEFENDANTS**

16 11. **Steven Ventre**, age 52, is a resident of Lake Forest, California. Ventre
17 founded DSA and has been its president and CEO since sometime between September
18 2012 and 2013. He is not registered with the SEC in any capacity.

19 12. **Dedicated Sound and Audio, Inc.** is a California corporation formed in
20 September 2012 and located in Lake Forest, California.

21 13. **Eric Lovy f/k/a Eric Beltran**, age 45, is a resident of Huntington Beach,
22 California. Lovy solely controls Choice Equity and is the sole signatory on its bank
23 accounts. He is not registered with the SEC in any capacity and is not associated with a
24 registered broker-dealer. In 2002, the California Department of Corporations issued a
25 Desist-and-Refrain Order against Lovy (then known as Eric Beltran) for conducting a
26 general solicitation of the unregistered securities of an issuer and finding that he had
27 made misrepresentations to investors in the course of the offering. Lovy changed his
28 name after the issuance of the Desist-and-Refrain Order against him. In a separate

1 enforcement matter, Lovy, in 2014, consented to an order by the California Department
2 of Business Oversight that he desist and refrain from offering, selling, effecting any
3 transaction in, or inducing or attempting to induce the purchase or sale of any security,
4 in California, and further agreed to disgorge \$15,250 in ill-gotten profits.

5 14. **Choice Equity** is a Wyoming company located in Cheyenne, Wyoming
6 and controlled by Lovy. Choice Equity has never been registered with the SEC in any
7 capacity.

8 THE ALLEGATIONS

9 **A. The Defendants' Fraudulent Offer and Sale of DSA Securities**

10 15. Ventre formed DSA in 2012 to manufacture three product lines: flat panel
11 loudspeakers, home audio speakers with artwork facades suitable for framing, and
12 removable phone-case speaker phones. Due to economic constraints, DSA quickly
13 focused most of its attention on the home audio speakers, which were promoted under
14 the name "Sound Art."

15 16. Ventre was responsible for the day-to-day operations of DSA and he
16 exercised sole control over DSA's bank accounts, as the only person with signatory
17 authority.

18 17. In January 2013, DSA commenced the offer and sale of up to \$5 million of
19 its Series A Preferred Stock ("Preferred Stock"). Although Ventre personally contacted
20 several investors with whom he had a prior relationship, most of the offering was
21 conducted by Choice Equity, with which DSA contracted to cold-call potential
22 investors across the United States from telemarketing centers in southern California.

23 18. In the course of soliciting investments from residents of multiple states,
24 Choice Equity sent DSA's PPM to investors and potential investors via the U.S. mails.

25 19. The creation of DSA's PPM was a collaborative effort between Lovy and
26 Ventre. Both men played a substantial role in its drafting. Ventre and Lovy both
27 reviewed, commented upon, and had their comments implemented in drafts of DSA's
28 PPM.

1 20. The PPM used in connection with the offering of DSA's Preferred Stock
2 contained the following representation:

3 A 15% sales commission will be paid to participating
4 (FINRA) licensed broker/dealers and other qualified
5 Personnel. See 'Use of Proceeds.'

6 21. The PPM's 'Use of Proceeds' section attributed up to \$750,000 of the \$5
7 million in offering proceeds to "Selling Expenses" and contained a footnote that stated:

8 Sales commissions to not exceed 15% may be paid to
9 registered broker/dealers or other qualified individuals.

10 22. Through September 2014, DSA raised more than \$4.6 million from more
11 than 85 investors in at least 19 states, primarily through the sale of its Preferred Stock
12 and also through the issuance of promissory notes, almost all of which were convertible,
13 and most of which were in fact converted, into Preferred Stock.

14 23. During that same period, Ventre caused DSA to pay Choice Equity \$1.56
15 million, or roughly 33.5% of the amount that was raised from its sale of DSA's
16 securities. Choice Equity remitted \$870,850 of that amount to Lovy.

17 24. DSA's PPM contained two material misrepresentations: First, DSA paid
18 Choice Equity a sales commission of more than 33%, not 15% as represented in the
19 PPM. Second, contrary to the representations in the PPM, neither Choice Equity nor
20 Lovy were registered broker-dealers, and neither Lovy nor any of Choice Equity's
21 employees were associated with a registered broker-dealer.

22 25. The defendants' misrepresentations were material, as they were central
23 to investor's decisions to invest, and to their decisions to keep their money invested
24 in DSA. Investors would have considered it important to their investment decision to
25 know that Ventre and DSA were paying more in sales commissions than had been
26 represented to investors, and that defendants' sales agents lacked the qualifications or
27 licensing that the PPM described.

28 26. Ventre and DSA acted with scienter. Ventre and DSA knew, or were

1 reckless in not knowing, that the representations contained in the PPM concerning the
2 size of the sales commissions and the qualifications of the individuals offering and
3 selling DSA securities were materially false and misleading.

4 27. In addition, Ventre and DSA failed to exercise reasonable care by making
5 materially misleading representations about the size of the sales commissions and the
6 qualifications of the individuals offering and selling DSA securities.

7 **B. DSA and Ventre Obtained Money By Means of the Fraud**

8 28. Ventre and DSA received money by means of the materially false
9 statements alleged above in the offer and sale of DSA securities.

10 29. DSA received money from investors through the sale of its securities.

11 30. Ventre personally profited from the defendants' fraudulent conduct.

12 During the relevant period, checks of more than \$55,000 payable to Ventre and checks
13 of more than \$87,000 payable to cash were drawn on DSA accounts, and more than
14 \$115,000 was transferred from DSA's accounts to Ventre's accounts. During the same
15 period, almost \$100,000 was withdrawn from DSA's accounts in cash. Moreover,
16 DSA's accounts reflected more than \$700,000 in debit card purchases, many of which
17 were for fast food, gasoline, and other items of a personal, rather than business, nature.

18 **C. Lovy Aided and Abetted DSA's and Ventre's Antifraud Violations**

19 31. Lovy knew, or was reckless in not knowing, that his role was part of
20 DSA's and Ventre's improper activity. Lovy co-drafted DSA's PPM with Ventre,
21 knowing that he would disseminate the PPM to investors. Lovy received commissions
22 that he knew or was reckless in not knowing exceeded the amount disclosed in the
23 PPM. He also knew or was reckless in not knowing that the PPM's description of the
24 sales agents' licensing and qualifications were materially misleading.

25 32. As the conduit through which most of DSA's securities were offered and
26 sold to the public, and through which DSA's PPM was disseminated to investors and
27 potential investors, Lovy substantially assisted DSA and Ventre in their violations of
28 the antifraud provisions of the federal securities laws.

1 **D. The Defendants' Registration Violations**

2 33. DSA's Preferred Stock and its promissory notes are securities under the
3 federal securities laws. Investor monies were pooled for the purpose of funding
4 DSA's audio component production operations. DSA's PPM stated that the
5 company's success was "substantially dependent" on the performance of its
6 management. Its promissory notes, which the PPM referred to as "securities,"
7 promised interest of 9% annually, and were offered to investors in numerous states.
8 Prospective investors were cold called by Lovy and Choice Equity using lead lists.

9 34. Both DSA's Preferred Stock and its notes offering were part of a single
10 financing scheme to fund DSA's audio component production operations. The
11 offerings ran concurrently and the proceeds raised by the offerings were commingled.

12 35. The defendants were each necessary participants in, and played a
13 substantial role in, the offer and sale of DSA's securities. Ventre and Lovy co-wrote
14 the PPM that was sent to prospective investors. Lovy and Choice Equity directly
15 solicited most of the investors and Ventre solicited the remainder. DSA, as the issuer,
16 directly offered and sold the securities.

17 36. The defendants' offer and sale of DSA's Preferred Stock and promissory
18 notes were never registered with the SEC.

19 37. During the period of the offer and sale of DSA's securities, Choice Equity
20 was not registered with the SEC as a broker or dealer.

21 38. During the period of the offer and sale of DSA's securities, Lovy was not
22 associated with a broker or dealer and was not registered as a broker-dealer with the
23 SEC.

24 39. Choice Equity and Lovy both effected or induced the sale of securities
25 while not registered with the SEC as a broker or dealer or affiliated with a broker-dealer
26 registered with the SEC.

27 40. Choice Equity and Lovy were actively engaged in promoting and selling
28 DSA's securities to investors by calling and emailing potential investors, and by

1 advising investors to purchase DSA's securities.

2 41. Choice Equity and Lovy were paid transaction-based compensation for
3 selling DSA's securities.

4 **FIRST CLAIM FOR RELIEF**

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

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

7 **(Against Defendants Ventre and DSA and, alternatively, against Defendant Ventre**
8 **as a control person under Section 20(a) of the Exchange Act)**

9 42. The SEC realleges and incorporates by reference paragraphs 1 through 41
10 above.

11 43. As alleged above in paragraphs 4 through 27, among other allegations,
12 Defendants Ventre and DSA made material misrepresentations and omissions to
13 investors and prospective investors regarding the payment of commissions to Choice
14 Equity and Lovy, and the fact that neither Choice Equity nor Lovy was a registered
15 broker-dealer, and neither Lovy nor any of Choice Equity's employees was associated
16 with a registered broker-dealer.

17 44. By engaging in the conduct described above, Defendants Ventre and DSA,
18 directly or indirectly, in connection with the purchase or sale of a security, and by the
19 use of means or instrumentalities of interstate commerce, of the mails, or of the
20 facilities of a national securities exchange, with scienter, made untrue statements of a
21 material fact or omitted to state a material fact necessary in order to make the
22 statements made, in the light of the circumstances under which they were made, not
23 misleading.

24 45. By engaging in the conduct described above, Defendants Ventre and DSA
25 violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange
26 Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b).

27 46. Defendant Ventre is a control person of Defendant DSA, because he
28 possesses, directly or indirectly, the power to direct or cause the direction of the

1 management and policies of DSA. Accordingly, pursuant to Section 20(a) of the
2 Exchange Act, 15 U.S.C. § 78t(a), Defendant Ventre is liable to same extent as
3 Defendant DSA is liable for its violations of Section 10(b) of the Exchange Act and
4 Rule 10b-5(b) thereunder.

5 **SECOND CLAIM FOR RELIEF**

6 **Fraud in the Offer or Sale of Securities**

7 **Violations of Section 17(a)(2) of the Securities Act**

8 **(Against Defendants Ventre and DSA)**

9 47. The SEC realleges and incorporates by reference paragraphs 1 through 41
10 above.

11 48. As alleged above in paragraphs 4 through 30, among other allegations,
12 Defendants Ventre and DSA received money by means of untrue statements and
13 omissions regarding the payment of commissions to Choice Equity and Lovy, and the
14 fact that neither Choice Equity nor Lovy was a registered broker-dealer, and neither
15 Lovy nor any of Choice Equity's employees was associated with a registered broker-
16 dealer.

17 49. By engaging in the conduct described above, Defendants Ventre and DSA,
18 directly or indirectly, in the offer or sale of securities, and by the use of means or
19 instruments of transportation or communication in interstate commerce or by use of the
20 mails directly or indirectly, with scienter or negligently, obtained money or property by
21 means of untrue statements of a material fact or by omitting to state a material fact
22 necessary in order to make the statements made, in light of the circumstances under
23 which they were made, not misleading.

24 50. By engaging in the conduct described above, Defendants Ventre and DSA
25 violated, and unless enjoined will continue to violate, Section 17(a)(2) of the Securities
26 Act, 15 U.S.C. § 77q(a)(2).

1 other allegations, Defendants Lovy and Choice Equity acted as unregistered broker-
2 dealers by, among other things, soliciting investors and effectuating transactions in
3 DSA securities for transaction-based compensation.

4 57. By engaging in the conduct described above, Defendants Lovy and Choice
5 Equity, and each of them, made use of the mails and means or instrumentalities of
6 interstate commerce to effect transactions in, and induced and attempted to induce the
7 purchase or sale of, securities (other than exempted securities or commercial paper,
8 bankers' acceptances, or commercial bills) without being registered with the SEC in
9 accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without
10 complying with any exemptions promulgated pursuant to Section 15(a)(2) of the
11 Exchange Act, 15 U.S.C. § 78o(a)(2).

12 58. By engaging in the conduct described above, Defendants Lovy and Choice
13 Equity have violated, and unless enjoined will continue to violate, Section 15(a) of the
14 Exchange Act, 15 U.S.C. § 78o(a).

15 **FIFTH CLAIM FOR RELIEF**

16 **Aiding and Abetting Violations of**

17 **Section 17(a)(2) of the Securities Act and**

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

19 **(against Defendant Lovy)**

20 59. The SEC realleges and incorporates by reference paragraphs 1 through
21 41 above.

22 60. As alleged above in paragraphs 4 through 30, among other allegations,
23 Defendants Ventre and DSA received money by means of untrue statements and
24 omissions regarding the payment of commissions to Choice Equity and Lovy, and the
25 facts that neither Choice Equity nor Lovy was a registered broker-dealer and neither
26 Lovy nor any of Choice Equity's employees was associated with a registered broker-
27 dealer.

28 61. As alleged above in paragraphs 4 through 32, among other allegations,

1 pursuant to Section 15(b) of the Securities Act, 15 U.S.C. § 77o(b), Defendant Lovy
2 knowingly or recklessly provided substantial assistance to, and thereby aided and
3 abetted DSA and Ventre in their violations of, and unless enjoined will continue to
4 aid and abet violations of, Section 17(a)(2) of the Securities Act, 15 U.S.C. §
5 77q(a)(2).

6 62. As alleged above in paragraphs 4 through 27, among other allegations,
7 Defendants Ventre and DSA made material misrepresentations and omissions to
8 investors and prospective investors regarding the payment of commissions to Choice
9 Equity and Lovy, and the fact that neither Choice Equity nor Lovy was a registered
10 broker-dealer, and neither Lovy nor any of Choice Equity's employees was
11 associated with a registered broker-dealer.

12 63. As alleged above in paragraphs 4 through 27, 31, and 32, among other
13 allegations, pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e),
14 Defendant Lovy knowingly or recklessly provided substantial assistance to, and
15 thereby aided and abetted DSA and Ventre in their violations of, and unless enjoined
16 will continue to aid and abet violations of, Section 10(b) of the Exchange Act, 15
17 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b).

18 **PRAYER FOR RELIEF**

19 WHEREFORE, the SEC respectfully requests that the Court:

20 **I.**

21 Issue findings of fact and conclusions of law that Defendants Ventre, DSA, Lovy,
22 and Choice Equity committed the alleged violations.

23 **II.**

24 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
25 Civil Procedure, permanently enjoining Defendants Ventre, DSA, and Lovy, and their
26 officers, agents, servants, employees, and attorneys, and those persons in active concert
27 or participation with any of them, who receive actual notice of the judgment by personal
28 service or otherwise, and each of them, from violating Section 17(a) of the Securities

1 Act [15 U.S.C. §77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
2 and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

3 **III.**

4 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
5 Civil Procedure, permanently enjoining Defendants Ventre, DSA, Lovy, and Choice
6 Equity, and their officers, agents, servants, employees, and attorneys, and those persons
7 in active concert or participation with any of them, who receive actual notice of the
8 judgment by personal service or otherwise, and each of them, from violating Sections
9 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) & 77e(c)].

10 **IV.**

11 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
12 Civil Procedure, permanently enjoining Defendants Lovy and Choice Equity, and their
13 officers, agents, servants, employees, and attorneys, and those persons in active concert
14 or participation with any of them, who receive actual notice of the judgment by personal
15 service or otherwise, and each of them, from violating Section 15(a) of the Exchange
16 Act [15 U.S.C. § 78o(a)].

17 **V.**

18 Order Defendants Ventre, DSA, Lovy, and Choice Equity to disgorge all funds
19 received from their illegal conduct, together with prejudgment interest thereon.

20 **VI.**

21 Order Defendants Ventre, DSA, Lovy, and Choice Equity to pay civil penalties
22 under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of
23 the Exchange Act [15 U.S.C. § 78u(d)(3)].

24 **VII.**

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

VIII.

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

Dated: February 26, 2018

/s/ Peter Del Greco

David J. Van Havermaat

Peter Del Greco

Attorneys for Plaintiff

Securities and Exchange Commission

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Complaints and Other Initiating Documents

[8:18-cv-00323 Securities and Exchange Commission v. Ventre et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Notice of Electronic Filing

The following transaction was entered by Van Havermaat, David on 2/26/2018 at 9:55 AM PST and filed on 2/26/2018

Case Name: Securities and Exchange Commission v. Ventre et al

Case Number: [8:18-cv-00323](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney David J Van Havermaat added to party Securities and Exchange Commission(pty:pla))(Van Havermaat, David)

8:18-cv-00323 Notice has been electronically mailed to:

David J Van Havermaat vanhavermaatd@sec.gov, irwinma@sec.gov, LAROFiling@sec.gov, longoa@sec.gov

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