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UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

Securities and Exchange Commission, Plaintiff, vs. David M. Loflin, Defendant.	No. **COMPLAINT**

Plaintiff Securities and Exchange Commission ("SEC") alleges:

SUMMARY

1. This case concerns a fraudulent "pump-and-dump" scheme by Defendant David M. Loflin ("Loflin"). As part of this scheme, Loflin obtained shares of stock of a small public company, Greenway Design Group, Inc. ("Greenway"), disseminated positive hype about the company to "pump" up its stock price and stimulate trading, and then sold the stock, or "dumped" it, at a profit. The stock price, as is typical in schemes like this, then fell, and those unsuspecting investors who continued to hold the stock lost money.

2. Loflin worked with a now-deceased co-fraudster ("Individual A") to obtain shares of Greenway stock using convertible promissory notes issued by the company. They converted portions of the convertible notes into Greenway stock between October 2014 and December 2016. For Loflin to be able to immediately sell the Greenway shares after converting the notes, he needed to obtain stock certificates without restrictive legends on them. Restrictive legends notify prospective purchasers that a registration statement for the sale of the stock must be filed with the SEC or, alternatively, that a regulatory exemption to that registration requirement exists. To obtain certificates without these restrictive legends, and to deposit the shares into his brokerage account for subsequent resale, Loflin misled his broker and Greenway's transfer agent, who issued the certificates, into believing that the stock sales were exempt from the SEC's registration requirements.

3. Loflin and Individual A then organized a "pump" of Greenway stock. They hired a promoter who organized a promotional campaign through stock touters. The touters in turn sent out blast emails to hype Greenway stock concurrent with Greenway press releases written by Loflin and Individual A. This pump coincided with a substantial increase in Greenway's share price and trading volume. Loflin and Individual A sold their Greenway stock between January 2015 and May 2017, and Loflin made about $152,800 from those sales.

4. In deceiving the transfer agent and the brokerage firm, Loflin also deceived Greenway investors. Transfer agents and brokerage firms are gatekeepers who must take steps to ensure that they do not participate in illegal offerings. They seek assurances that their customers can rely on a valid exemption before selling securities into the public market. Here, because Loflin deceived the brokerage firm into allowing him to make unregistered sales of Greenway shares, the purchasers of those shares were deprived of the information that they otherwise would have been entitled to receive in a registration statement filed with the SEC, including information regarding the fact that Greenway affiliates were dumping their stock.

1 5. By this conduct, Loflin violated Sections 5(a), 5(c), 17(a) of the
2 Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a);
3 Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C.
4 § 78j(b); and Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5.
5 6. With this complaint, the SEC seeks an order permanently enjoining
6 Loflin from future violations of the registration provisions of the Securities Act and
7 the antifraud provisions of the Securities Act and the Exchange Act, requiring him to
8 pay disgorgement plus prejudgment interest and a civil penalty, barring him from
9 acting as an officer or director of a public company, and barring him from offering or
10 selling penny stock.

11 **JURISDICTION AND VENUE**

12 7. The Court has jurisdiction over this action pursuant to Sections 20(b),
13 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a),
14 and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of the Exchange Act, 15 U.S.C.
15 §§ 78u(d)(1), 78u(d)(3)(A), 78u(e), and 78aa.
16 8. Defendant has, directly or indirectly, made use of the means or
17 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
18 securities exchange in connection with the transactions, acts, practices and courses of
19 business alleged in this complaint.
20 9. Venue is proper in this district pursuant Section 22(a) of the Securities
21 Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act 15 U.S.C. § 78aa.
22 because certain of the transactions, acts, practices and courses of conduct constituting
23 violations of the federal securities laws occurred within this district.

24 **THE DEFENDANT**

25 10. **David M. Loflin** resides in Baton Rouge, Louisiana. He has been a
26 CEO of public and private companies for eighteen years. He worked with
27 Individual A with respect to a number of public companies, including Greenway.
28 Individual A is now deceased.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

THE ISSUER

11. **Greenway Design Group, Inc.** is a Delaware corporation with headquarters until December 2017 in Phoenix, Arizona, at which time it moved to Upland, California. From 2010 to February 2018, Greenway's stock was quoted under the ticker symbol "GDGI" on OTC Link, operated by OTC Markets Group, Inc. ("OTC Markets"). It is a non-reporting company and makes submissions to OTC Markets. From 2010 to February 2018, Greenway purportedly produced and distributed consumer air conditioning cooling systems; it also entered the cannabis market in 2016. It was originally incorporated as Prescription Corporation of America in 1986 and changed its name to Voice Networkx, Inc. in 2009 and Greenway Design Group, Inc. in 2010. In December 2017, the company entered into a reverse merger and was renamed Redwood Scientific Technologies, Inc. in February 2018. Its stock is now quoted on OTC Link under the ticker symbol "RSCI."

THE ALLEGATIONS

A. Loflin's and Individual A's General Scheme

12. In general, Loflin and Individual A conducted their pump-and-dump schemes using microcap companies, such as Greenway. Microcap companies are companies whose stock is traded publicly in the over-the-counter market, such as OTC Link, at less than $5 per share and often for less than a penny per share.

13. Individual A usually searched for a microcap company that was available for merger or appeared to be in need of funding. He would then acquire a controlling interest in the company by purchasing a large block of its stock through a nominee and operate the company through a CEO whom he controlled. Individual A then brought in Loflin to work with him in running the company, although Individual A directed all of Loflin's activities regarding the acquired microcap company.

14. Loflin and Individual A would then acquire convertible promissory notes

of the company; convert them into shares; convince the transfer agent issue stock certificates for the shares without restrictive legends; and deposit them with their brokerage firm. Loflin and Individual A then organized a promotional campaign to boost, or "pump," the share price of the company's stock. They then sold, or "dumped," their shares onto the public through the over-the-counter market.

B. SEC Registration Requirements and Rule 144

15. In order to sell the shares, Loflin and Individual A had to comply with Section 5 of the Securities Act. The Securities Act protects investors by ensuring that companies issuing securities fully disclose information relevant to a public offering. One of the most important aspects of the Securities Act is its registration requirement under Section 5, which, unless some exemption exists, requires offers and sales of securities to be registered with the SEC. That requirement is central to protecting public investors, because it is designed to assure that material facts bearing on the value of publicly-traded securities are made available and disclosed to the investing public.

16. Specific exemptions under the Securities Act allow some offers or sales of securities to be made without registering them with the SEC. One of those exemptions is found in Section 4(a)(1) of the Act. While Section 5 generally requires registration for the flow of securities from an issuer to investors, the premise of the Section 4(a)(1) exemption is that registration is no longer necessary for further sales once the shares come to rest with public investors.

17. Section 4(a)(1) exempts "transactions by any person other than an issuer, underwriter, or dealer." 15 U.S.C. § 77d(a)(1). An underwriter is defined to include anyone who purchased a security from "an issuer with a view to" later "distribut[e]" the security to others, or anyone who "offers or sells" securities "for an issuer" in connection with the distribution of those securities. For this definition of an underwriter, an "issuer" is additionally defined to include "any person directly or indirectly controlling or controlled by the issuer, or any person under direct or

1 indirect common control with the issuer."

2 18. Rule 144 of the Securities Act creates a "safe harbor" from the
3 underwriter definition for persons seeking to resell stock they acquired directly from
4 an issuer or an affiliate of an issuer – often called "restricted securities." 17 C.F.R.
5 § 230.144. Under Rule 144, an affiliate of an issuer "is a person that directly, or
6 indirectly through one or more intermediaries, controls, or is controlled by, or is
7 under common control with" the issuer. 17 C.F.R. § 230.144. A person satisfying
8 the applicable conditions of the Rule 144 safe harbor is deemed not to be an
9 underwriter for purposes of the Section 4(a)(1) registration exemption, and therefore
10 can sell the restricted securities without having to register the sale with the SEC.

11 19. One of the requirements for Rule 144's safe harbor is that the restricted
12 securities had to be held for more than a year before they could be resold again.
13 Rule 144 provides that the one-year holding period does not begin until the full
14 purchase price is paid by the person acquiring the securities from the issuer or from
15 an affiliate of the issuer. Under certain conditions, a seller can include, or "tack," the
16 holding period of the previous owner of the stock. Tacking is not permitted,
17 however, if the previous owner of the stock is an affiliate of the issuer.

18 20. Here, Greenway and Individual A, because Individual A controlled
19 Greenway, were both the issuers of the stock.

20 21. Also, Individual A used a nominee entity to acquire some of the
21 Greenway stock ("Stock Trading Company"). That entity was both an affiliate of the
22 issuers and an issuer itself, since it and Greenway were under the common control of
23 Individual A.

24 22. Likewise, Loflin was an affiliate of the issuers because he too was under
25 common control of Individual A, who directed all of Loflin's activities with respect
26 to Greenway.

27 23. Moreover, Loflin was an underwriter when he sold the Greenway shares
28 he had acquired. That is because he had acquired all of his Greenway shares of stock

from an issuer – either from Greenway itself or from Individual A's Stock Trading Company. Also, Loflin had acquired the Greenway shares with a view to later distribute the stock to others in the public market as part of the pump-and-dump scheme.

24. Because Loflin was an underwriter for any sales of Greenway stock out of his brokerage account, he was required to register those sales with the SEC, unless he came within the Rule 144 safe harbor. But Loflin had not held the Greenway stock for a year, and so the safe harbor could not apply.

25. Moreover, Loflin could not "tack" on the time the stock was held by the previous owners of the stock in order to meet the one-year holding period if the previous owner was an affiliate of the issuer (such as the Stock Trading Company). So, as alleged in more detail below, he misled the transfer agent and his broker about his affiliate status and the amount of time that he had held his Greenway shares.

C. The Greenway Pump-and-Dump

1. The acquisition of Greenway

26. In 2013, Individual A approached Greenway's CEO about acquiring the company. The CEO was interested in selling Greenway because he was broke and the company had no assets. During the negotiations, the CEO informed Individual A that Greenway owed money on a loan made in 2011, which was documented in a promissory note. Individual A expressed interest in buying the note if it could be recast as a convertible promissory note, and the CEO secured the lender's willingness to do so. Individual A then offered to buy a controlling interest in Greenway by paying the CEO $40,000 for his control block of Greenway stock. Individual A said that the CEO could remain in that position, but only if he ran the company as Individual A instructed. The CEO agreed.

27. Individual A also offered to buy some or all of the 2011 promissory note, once it was made convertible, from the lender. Individual A would then sell portions of the note to Loflin so that they could each convert their respective portions

of the note into shares and sell them.

28. Neither Loflin or Individual A, however, wanted to disclose Individual A's ownership of or control over Greenway or the convertible promissory note – because that would reveal that Individual A and his Stock Trading Company were affiliates of the company. If it was known that Individual A and the Stock Trading Company were affiliates, then "tacking" of the one-year holding period under Rule 144 would not be allowed for Loflin's note purchases from the Stock Trading Company. As such, Loflin would not be deemed to have held the Greenway stock for one year and, therefore, would not be able to immediately sell his Greenway shares of stock under Rule 144.

29. For that reason, Individual A decided to acquire controlling ownership of Greenway using a private company to conceal his ownership and control of the company. At Loflin's suggestion, Individual A convinced Loflin's colleague ("Individual B") to create the private holding company and to use money supplied by Individual A to purchase the controlling block of shares held by the puppet CEO. Individual B completed the purchase using the private holding company in 2013.

2. Loflin's acquisition of convertible promissory notes

30. In 2013, Individual A put Greenway's CEO in touch with Loflin, who prepared a backdated convertible promissory note to replace the 2011 note. Loflin also prepared an agreement for the sale of the note from the lender and original holder of the note to the Stock Trading Company.

31. From September 2014 through 2016, Loflin and Individual A acquired portions of the backdated convertible promissory note. Individual A also had the Stock Trading Company make loans to Greenway in return for additional convertible promissory notes. Additionally, Loflin received another convertible promissory note as compensation for services allegedly to be rendered under a consulting agreement that he entered into with Greenway.

32. For each note purchase, Loflin prepared a sales agreement. It was

signed by the seller (the lender under the backdated note, Loflin, or Individual A for the Stock Trading Company), purchaser (Loflin or Individual A for the Stock Trading Company), and Greenway by its CEO, as an interested third party consenting to the transaction. Loflin also prepared the consulting agreement between himself and Greenway. And Loflin also prepared each of the convertible promissory notes.

33. Loflin's whole and partial convertible promissory note acquisitions were as follows:

a. On December 19, 2014, Loflin paid $2,500 for a portion of the note backdated to 2011.

b. On July 12, 2015, Loflin agreed to provide consulting services to Greenway until January 12, 2016, in return for a convertible promissory note in the amount of $15,000.

c. On September 30, 2015, Loflin purchased a portion of one of the Stock Trading Company's convertible promissory notes.

34. In the sales agreement for Loflin's September 30, 2015 convertible promissory note purchase, the Stock Trading Company, which sold the note, stated that it was not an affiliate of Greenway. This statement was false and misleading. The Stock Trading Company was an affiliate because it and Greenway were under Individual A's control. Loflin, therefore, could not tack the seller's holding period to his own.

3. Loflin's conversion of portions of his convertible notes

35. From October 2014 to December 2016, Loflin and Individual A converted their interests in the notes into Greenway shares of stock. Loflin's conversions were as follows:

a. On the same day that he acquired it, December 19, 2014, Loflin converted the entire portion of the convertible promissory note backdated to 2011. Because he converted it the same day he purchased it, he held the shares for much less than the required

Rule 144 one-year holding period.

b. On August 10, 2016, Loflin converted $1,200 of the $15,000 convertible promissory note he had acquired in July 2015 for his alleged consulting services. Loflin's alleged consulting services were for a term ending January 12, 2016, which would have been the date that the one-year holding period would have begun. Therefore, Loflin only held the shares for eight months.

c. On September 30, 2015, Loflin converted $200 of the portion of the convertible promissory note he purchased from the Stock Trading Company that same day. Therefore, he had held it, and the shares that could be converted from it, for just one day rather than one year. Because the Stock Trading Company was an affiliate (Individual A controlled it and Greenway), Loflin could not tack on the Stock Trading Company's holding period.

36. For the conversion of the backdated 2011 note, Loflin and Greenway entered into an agreement under which Loflin agreed to cancel the amount of the debt being converted in return for Greenway shares of stock. In the agreement, Loflin stated that he was not an affiliate of Greenway. This statement was false and misleading because Individual A controlled Loflin and Greenway.

4. Loflin obtains false attorney opinion letters

37. Loflin and the Stock Trading Company then retained counsel to prepare opinion letters for each conversion opining that their future sales of their respective Greenway stock complied with the safe harbor of Rule 144. Without such an opinion letter, transfer agents will not issue a stock certificate without a restrictive legend, and brokerage firms will not accept a stock certificate for deposit into a customer account, much less allow the subsequent sale of those shares from that account.

38. Loflin prepared a package ("note conversion package") for the attorney of each note conversion. The packages consisted of documents prepared by Loflin:

the sales agreement for acquisition of the portion of the note, except for one which contained Loflin's consulting agreement; a representation letter by Loflin that he was not an affiliate of Greenway; a Greenway board resolution authorizing the issuance of shares pursuant to the conversion; and a letter to the transfer agent instructing it to issue the requested shares.

39. Loflin's representation letters, however, were false and misleading. Because he was planning on immediately reselling the stock he purchased from the issuers (or an affiliate of an issuer), and thus was an underwriter, Loflin needed to be able to convince the transfer agent and the broker that he could "tack" on the holding periods of the prior stock owners to satisfy Rule 144's one-year holding requirement. To do that, he had to claim that he had not acquired the stock from any affiliates.

40. Each representation letter Loflin included in the note conversion packages falsely stated that he was not a Greenway affiliate, even though he, and Greenway, were controlled by Individual A.

41. The attorney opinion letters stated that the transfer agent could issue, without restrictive legend, the share certificates requested by Loflin because he had complied with the Rule 144 safe harbor. The opinion letters, however, were based upon the false statements that Loflin was not an affiliate and that Loflin had met the one-year holding period.

42. For the shares from the backdated 2011 note that Loflin purchased, the attorney opinion letter concluded that the one-year holding period had been met, but the note never had a convertible feature and was backdated to give that false impression. Consequently, the shares never existed under the note and the holding-period never began.

43. For the shares from the note that Loflin purchased from the Stock Trading Company, the attorney opinion letter concluded that Loflin could tack the time that the Stock Trading Company's holding period. Loflin, however, could not tack that time because the Stock Trading Company was an affiliate. For the shares

under the consulting agreement, the letter incorrectly claimed that the holding period began on the day that the Greenway issued the note.

5. Loflin obtains stock certificates without restrictive legends

44. After Loflin received each attorney opinion letter for his shares, he combined it with the associated note conversion package and sent it to Greenway's transfer agent with instructions to issue a stock certificate without a restrictive legend for the number of shares converted. The transfer agent then issued the stock certificate as requested and sent it to Loflin.

45. On January 7, 2015, October 7, 2015, and August 24, 2016, Loflin submitted a deposit security request ("DSR") for each stock certificate to his broker so that the shares could be deposited into his brokerage account. Each DSR consisted of a deposit application on the brokerage firm's form, the stock certificate, the note conversion package, and the attorney opinion letter. Loflin signed each deposit application under penalty of perjury, but each one contained false and misleading statements besides the ones contained in the note conversion packages.

46. First, Loflin falsely swore that he was not an affiliate of Greenway, even though he was because he and the company were under Individual A's control. The brokerage firm would not have accepted Loflin's DSR had it known his true affiliate status.

47. Second and for the DSR related to the backdated 2011 note, Loflin swore falsely that the note was convertible, even though it was not. The brokerage firm would not have accepted the Loflin's DSR had it known that its customer was trying to deposit shares that were not *bona fide* and had been procured by deceit.

48. Third, Loflin falsely swore in each DSR that he was not acting in concert with anyone regarding Greenway stock, even though he was executing a plan with Individual A to acquire shares of the company's stock, organize a promotional campaign, and sell the shares into the artificially inflated market that Loflin and Individual A created. The brokerage firm would not have accepted Loflin's DSRs

had it been given the true facts.

49. Based upon the DSR, Loflin's broker accepted each of his Greenway stock certificates and placed the stock into his brokerage account. Consequently, Loflin could sell the shares of stock through the public market. Individual A followed the same process for the Stock Trading Company's shares thereby also making its shares available for public sale.

6. Loflin and Individual A "pump" Greenway stock

50. In order to increase Greenway's stock price, Loflin and Individual A orchestrated a promotional campaign. They hired Individual B, who had at least 15 years' experience promoting companies and their securities. Individual B used approximately 11 stock touters to send mass emails hyping Greenway as an investment. Individual A also prepared press releases for Greenway, which Loflin reviewed and edited. Greenway issued the press releases during the same period that the stock touters sent their email blasts.

51. The promotional campaign began on January 29, 2015, and was concentrated into four periods. The email blasts spoke of a Greenway investment in glowing terms. For instance, one email characterized Greenway stock as "a sub penny play with tons of upside potential." Another stated "We are putting Greenway on steroid alert for Friday's [sic] Trading."

52. The promotional campaign coincided with increases in Greenway's stock price and trading volume and Loflin's and the Stock Trading Company's stock sales as follows:

a. First, between January 29 and 30, 2015, four email blasts and one Greenway press release were issued talking positively about the company. During that time, the stock price increased 57% and trading volume increased 5,700%. Then, between January 30 and February 11, 2015, Loflin then sold 50 million shares he had acquired for $21,900.

b. Second, between May 13 and 15, 2015, four email blasts and one Greenway press release were issued talking positively about the company. During that time, the stock price increased 125% and trading volume increased 1,134%. Then, between May 14 and June 29, 2015, Loflin sold 34.85 million shares he had acquired for $21,600.

c. Third, between September 16 and 17, 2015, two email blasts were issued talking positively about the company. During that time, the stock price increased 16.7% and trading volume increased more than 19,300%. Then, between September 17 and 18, 2015, Loflin sold 68 million shares for $12,400.

d. Fourth, between October 26 and 28, 2015, 13 email blasts were issued talking positively about the company. During that time, the stock price increased 233% and trading volume increased more than 23,000%. Then, between November 2 and 17, 2015, Loflin sold 20 million shares he had acquired for $3,900.

53. Loflin continued to trade his shares from December 30, 2015 to May 2, 2017 for proceeds of about $93,000. Overall, Loflin received about $152,800 in trading proceeds.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c)

54. The SEC realleges and incorporates by reference paragraphs 1 through 53 above.

55. As alleged above, Loflin engaged in a fraudulent pump-and-dump scheme that allowed him to quickly profit from the sale of Greenway shares without registering the sale of those shares as required by the federal securities laws. In particular, and as alleged in more detail above, Loflin concealed Individual A's

control of and affiliation with Greenway, prepared false and misleading documents, to give the appearance that Loflin was not an Greenway affiliate, obtained a false and misleading attorney opinion letters, lied to and misled his broker and the Greenway transfer agent to facilitate the conversion of the notes to tradeable shares, organized a promotional campaign to drive the stock price up, and then sold his shares for profit into the public market.

56. By engaging in the conduct described above, Loflin, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

57. Loflin knew, or was reckless in not knowing, that he employed devices, schemes or artifices to defraud and engaged in acts, practices, or courses of business that operated as a fraud upon other persons by the conduct described in detail above.

58. By engaging in the conduct described above, Loflin, violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c).

SECOND CLAIM FOR RELIEF

Violations of Sections 17(a)(1) and (3) of the Securities Act

59. The SEC realleges and incorporates by reference paragraphs 1 through 53 above.

60. As alleged above, Loflin engaged in a fraudulent pump-and-dump scheme that allowed him to quickly profit from the sale of Greenway shares without registering the sale of those shares as required by the federal securities laws. In particular, and as alleged in more detail above, Loflin concealed Individual A's control of and affiliation with Greenway, prepared false and misleading documents to

give the appearance that Loflin was not an Greenway affiliate, obtained a false and misleading attorney opinion letters, lied to and misled his broker and the Greenway transfer agent to facilitate the conversion of the notes to tradeable shares, organized a promotional campaign to drive the stock price up, and then sold his shares for profit into the public market.

61. By engaging in the conduct described above, Loflin, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, employed devices, schemes, or artifices to defraud; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

62. Loflin knew, or was reckless or negligent in not knowing, that he employed devices, schemes or artifices to defraud and engaged in acts, practices, or courses of business that operated as a fraud upon other persons by the conduct described in detail above.

63. By engaging in the conduct described above, Loflin violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1), and 77q(a)(3).

THIRD CLAIM FOR RELIEF

Fraud in the Connection with the Purchase or Sale of Securities

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

64. The SEC realleges and incorporates by reference paragraphs 1 through 53 above.

65. As alleged above, Loflin made materially false and misleading statements that: (a) he was not an affiliate of Greenway, even though Individual A controlled his Greenway-related activities and Greenway itself; (b) the backdated 2011 note was convertible, even though it was not and consequently could not be the basis of obtaining or depositing stock certificates; and (c) he was not acting in concert

with anyone regarding Greenway stock, even though he worked with Individual A to acquire shares of the company's stock, organize a promotional campaign, and sell shares into the artificially inflated market that Loflin and Individual A created.

66. By engaging in the conduct described above, Loflin, directly or indirectly, in connection with the purchase or sale of a security, and by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

67. Loflin knew, or was reckless in not knowing, that he made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

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

FOURTH CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

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

69. The SEC realleges and incorporates by reference paragraphs 1 through 53 above.

70. As alleged above, Loflin obtained money by means of materially false and misleading statements that: (a) he was not an affiliate of Greenway, even though Individual A controlled his Greenway-related activities and Greenway itself; (b) the backdated 2011 note was convertible, even though it was not and consequently could not be the basis of obtaining or depositing stock certificates; and (c) he was not acting in concert with anyone regarding Greenway stock, even though he worked with Individual A to acquire shares of the company's stock, organize a promotional

campaign, and sell shares into the artificially inflated market that Loflin and Individual A created. By means of these statements, Loflin was able to deposit the Greenway shares into his brokerage account, sell them in the open market, and obtain money in the form of trading proceeds.

71. By engaging in the conduct described above, Loflin, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

72. Loflin knew, or was reckless or negligent in not knowing, that he obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

73. By engaging in the conduct described above, Loflin violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

FIFTH CLAIM FOR RELIEF

Unregistered Offer and Sale of Securities

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

74. The SEC realleges and incorporates by reference paragraphs 1 through 53 above.

75. As alleged above, Loflin's sale of Greenway shares was not registered with the SEC, and no exemption to the registration requirements was available. Loflin was an underwriter, so his sales were not exempt under Section 4(a)(1) of the Securities Act. Additionally, Loflin was not able to rely on the Rule 144 safe harbor for his sales because he was an affiliate of Greenway who had not held his shares for one year before selling them.

76. By engaging in the conduct described above, Loflin, directly or indirectly, singly and in concert with others, has made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried or caused to be carried through the mails or in interstate commerce, by means of instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement had been filed or was in effect as to such securities, and when no exemption from registration was applicable.

77. By engaging in the conduct described above, Loflin violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendant committed the alleged violations.

II.

Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Loflin and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, 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 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

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

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IV.

Order Defendant to pay a civil penalty under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Enter an order against Defendant pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 77t(e) and 15 U.S.C. § 78u(d)(2), prohibiting him from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 78 U.S.C. § 78o(d).

VI.

Enter an order against Defendant prohibiting him from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6).

VII.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or 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: April 19, 2019

/s/ Roberto A. Tercero

Roberto A. Tercero
Attorney for Plaintiff
Securities and Exchange Commission