

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

CASE NO.: _____

SECURITIES AND EXCHANGE COMMISSION,)
)
 Plaintiff,)
)
 v.)
)
 MASON D. NEWMAN, a/k/a Barry Weiss)
)
 Defendant.)
 _____/

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

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

INTRODUCTION

1. The Commission brings this action against the Defendant Mason D. Newman for his 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 at least November 2019. Through his material misrepresentations and omissions, Newman deceived investors into believing that NIT was a good investment while unlawfully raising approximately \$984,000 from investors and received nearly \$217,000 in undisclosed commissions. In total, NIT raised \$4.9 million at least from 100 investors.

2. In investor solicitations, Newman told investors that NIT would use investor funds for the company’s research, development, and efforts to go public, while concealing that he would receive 30% in commissions from investor proceeds. Unbeknownst to Newman’s customers, 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 Newman up to at least 30% or more in undisclosed commissions on the money they raised from investors.

3. Newman's role 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. Newman is a recidivist securities law violator, who continued to solicit investors and sell NIT shares even after the Commission in September 2016 prohibited him from associating with a broker or dealer and from participating in penny stock offerings. Newman used an alias to conceal the fact that the Commission had so prohibited him.

4. Newman's solicitations of investors contained baseless and false representations regarding NIT's value and future profitability. Newman also concealed that NIT was paying him approximately 30%-50% in commissions from investor proceeds. Newman also told investors 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 Newman 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), 15(a) and 15(b)(6)(B) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78o(a), and 78o(b)(6)(B)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Unless enjoined, Newman is reasonably likely to continue to violate the federal securities laws.

THE DEFENDANT

6. **Newman**, age 51, resides in Hollywood, Florida. Newman worked for NIT as an unregistered broker and was paid approximately \$216,787 in commissions. From 1991 to 2005, Newman was a registered representative associated with various registered broker-dealers. In

2005, without admitting or denying allegations, Newman settled NASD charges relating to sales practice violations, received a one-year suspension and was ordered to pay \$10,000. In 2016, the Commission charged Newman with violations of Section 15(a) of the Exchange Act for acting as an unregistered broker-dealer in the offer and sale of securities of microcap issuer eCareer Holdings, Inc. (*In the Matter of Mason D. Newman*, AP File No. 3-17599, Sept. 29, 2016.) Newman agreed to settle the charges and was ordered to pay disgorgement of \$169,000, prejudgment interest of \$3,110, a civil penalty of \$7,500 and was subject to a collateral bar, a penny stock bar, and an investment company prohibition. Newman has not paid the judgment amounts. During the time that Newman solicited investors on behalf of NIT, he used the alias “Barry Weiss” to conceal his prior Commission sanctions.

RELATED ENTITY

7. 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 C.F.R. 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

8. 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)].

9. This Court has personal jurisdiction over the Defendant and venue is proper in the Southern District of Florida because many of Newman's acts and transactions constituting the violations of the Securities Act and Exchange Act occurred in the Southern District of Florida. Moreover, Newman resides in the Southern District of Florida.

10. In connection with the conduct alleged in this Complaint, Newman, 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

11. Beginning at least as early as March 2015, NIT, Newman and others executed a fraudulent scheme through which they raised 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.).

12. 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.”

13. 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.

14. 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.”

15. 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. Most investors solicited had never heard of NIT before the initial cold-call solicitation they received from Newman or another NIT sales agent.

B. Newman’s Solicitation of Investors

16. Newman was hired by NIT’s CEO to solicit investors. Newman was provided with “cold call” scripts as well as sales materials to use when soliciting investors. Newman acted as an

unregistered broker by soliciting investors, participating in the sale of NIT stock, and receiving commissions. After the Commission prohibited Newman from associating with a broker or dealer and from participating in penny stock offerings in September 2016, Newman continued to engage in the prohibited conduct while masking his true identity using the alias “Barry Weiss.”

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

17. Newman 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. Newman 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.

18. Newman solicited investors who had invested with him in prior private offerings and cold-called investors from lead lists. At times, Newman offered investors who had invested with him in previous private offerings “free” shares in NIT to make up for past losses. Once the investor received the “free” NIT shares, Newman would solicit the investor to further invest in NIT utilizing misrepresentations and omissions.

19. Throughout his years soliciting investors for NIT, Newman continually misrepresented that an NIT IPO would occur in the near future. This misrepresentation was made by NIT, its CEO, and unregistered sales agents like Newman, orally and through the use of written offering materials, which Newman would have NIT send to investors after the solicitation. 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 Executive Summary provided to investors contained at times 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.” 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. Numerous investors were falsely told by Newman that NIT was a good investment because the company would be conducting an IPO. 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. Newman also made baseless and contradictory price projections in conjunction with his misrepresentations about the timing of NIT’s purported IPO. To at least one investor, Newman offered NIT shares at a rate of 2 shares for the price of 1.

22. NIT and its CEO paid Newman transaction-based compensation in the form of commissions of approximately 30% of the investor funds he raised. Newman did not disclose to investors that he would be receiving such large commissions.

23. In September 2016, the Commission barred Newman, which, as he knew, included bars prohibiting him from acting as or associating with a broker or dealer or participating in penny stock offerings. Nevertheless, shortly after the institution of his bars, Newman continued to act as a broker or dealer by soliciting investors to purchase NIT stock, a penny stock, in violation of the Commission’s bar order. Newman deliberately omitted disclosing his disciplinary history and concealed his true identity from investors by using the name “Barry Weiss,” an alias, in solicitations of investors.

CLAIMS FOR RELIEF

COUNT I

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

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

25. 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.

26. From at least as early as February 2015 and continuing through at least September 2019, Newman, 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.

27. By reason of the foregoing, Newman violated and, unless enjoined, is 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

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

29. From at least as early as February 2015 and continuing through at least September 2019, Newman, 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, did knowingly or recklessly employ devices, schemes or artifices to defraud.

30. By reason of the foregoing, Newman violated and, unless enjoined, is 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

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

32. From as early as February 2015 and continuing through at least September 2019, Newman, directly and indirectly, in the offer or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use 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.

33. By reason of the foregoing, Newman violated and, unless enjoined, is 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

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

35. From at least as early as February 2015 and continuing through at least September 2019, Newman, 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 operated, are now operating or will operate as a fraud or deceit upon the purchasers.

36. By reason of the foregoing Newman violated and, unless enjoined, is 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

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

38. From at least as early as February 2015 and continuing through at least September 2019, Newman, 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.

39. By reason of the foregoing, Newman violated and, unless enjoined, is 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) and [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

40. The Commission realleges and incorporates paragraphs 1 through 23 of this Complaint as if fully set forth herein.

41. From as early as February 2015 and continuing through at least September 2019, Newman 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.

42. By reason of the foregoing, Newman violated and, unless enjoined, is 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

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

44. From at least as early as February 2015 and continuing through at least September 2019, Newman 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 courses of business which have operated, or would have operated as a fraud upon the purchasers of such securities.

45. By reason of the foregoing, Newman violated, and unless enjoined, is 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

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

47. From at least as early as February 2015 and continuing through at least September 2019, Newman, 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 he was not not registered with the Commission as a broker or dealer or when he was 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)].

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

COUNT IX
Violation of a Commission Order

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

50. Beginning on or about September 29, 2016, and continuing through at least September 2019, Newman acted as a broker or dealer and participated in an offering of a penny stock in contravention of a prior Commission order prohibiting such activities.

51. By reason of the foregoing, Newman violated and, unless enjoined, is reasonably likely to continue to violate, Section 15(b)(6)(B) of the Exchange Act [15 U.S.C. § 78o(b)(6)(B)].

RELIEF REQUESTED

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

I.
Permanent Injunction

Issue a Permanent Injunction, restraining and enjoining Newman, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with him, 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), 15(a)(1), and 15(b)(6)(B) of the Exchange Act [15 U.S.C. §§ 78j(b), 78o(a)(1), and 78o(b)(6)(B)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

II.
Civil Money Penalties

Issue an Order directing Newman 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 Newman 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.

DEMAND FOR JURY TRIAL

The Commission hereby demands a trial by jury on any and all issues in this action so triable.

Dated: September 29, 2020

Respectfully submitted,

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