LYNN M. DEAN, Cal. Bar No. 205562
Email: deanl@sec.gov
PATRICIA T. PEI, Cal. Bar No. 274957
Email: peip@sec.gov

Attorneys for Plaintiff
Securities and Exchange Commission
Michele Wein Layne, Regional Director
Alka Patel, Associate Regional Director
Amy Jane Longo, Regional Trial Counsel
444 S. Flower Street, Suite 900
Los Angeles, California 90071
Telephone: (323) 965-3998
Facsimile: (213) 443-1904

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

DANIEL B. VAZQUEZ, SR., GILBERT FLUETSCH, HOPLON FINANCIAL GROUP,

Defendants.

Case No. 8:18-cv-00047

COMPLAINT

Plaintiff Securities and Exchange Commission (the "SEC") alleges as follows:

JURISDICTION AND VENUE

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

2. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

3. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a) and Section 27 of the Exchange Act, 15 U.S.C. § 78aa(a), because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district. In addition, venue is proper in this district because all of the Defendants reside in this district.

SUMMARY

4. This matter involves a real estate offering fraud perpetrated by Daniel Benjamin Vazquez, Sr. and his firm, Hoplon Financial Group ("Hoplon"), with the assistance of Hoplon's chief operating officer, Gilbert Fluetsch. In 2011, Vazquez and Hoplon created the New Economic Opportunities Fund I, LLC ("NEON") vehicle to pool investors' funds ostensibly for the purpose of purchasing and flipping residential real estate properties. The Defendants then misused substantial amounts of NEON funds, resulting in a total loss to investors.

5. Vazquez and Fluetsch perpetrated this deception by raising money from investors with promises that investor money would be used to purchase and renovate real estate and that Hoplon's compensation would be strictly limited, while in reality they were draining most of the money from NEON's accounts for their own purposes.

6. Between June 2011 and May 2014, Vazquez and Hoplon raised

$2.18 million from investors in NEON, primarily from the investors' individual retirement account ("IRA") funds. While NEON did purchase some real properties, beginning early in the offering, the Defendants converted substantial amounts of NEON funds to pay Hoplon's business expenses, and to pay Vazquez's and Fluetsch's personal expenses. Although by the express terms of the offering, Hoplon, and, derivatively, Vazquez and Fluetsch, were entitled to at most $188,197 as compensation for managing NEON from January 2013 to the present, they diverted $968,436 from NEON for Hoplon and themselves over that same period.

7. By engaging in this conduct, Vazquez and Hoplon committed violations of Section 17(a)(2) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 15(a) of the Exchange Act; and Fluetsch committed violations of Section 17(a)(2) of the Securities Act and aided and abetted Vazquez's and Hoplon's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The SEC seeks a permanent injunction, disgorgement with prejudgment interest, and civil penalties.

DEFENDANTS AND RELATED PARTIES

A. Defendants

8. **Daniel Benjamin Vazquez, Sr.** (CRD #3141463), age 56, is last known to have resided in Orange County, California. He is the founder and chief executive officer of Hoplon and NEON, and previously held securities licenses Series 7, 9, 10, 23, 31, 63, and 65 qualifications, though as detailed below, he has been barred from acting as a broker or associating with registered firm. Vazquez also held a California insurance license, which became inactive when it expired in July 2016 and was revoked in January 2017. Vazquez was a co-signer with Fluetsch on Hoplon's and NEON's various bank accounts, and was the only person besides Fluetsch with the authority to make disbursements from NEON's accounts.

9. From 1998 through 2016, Vazquez was associated as a registered representative with a series of broker-dealer firms, including Foothill Securities, Inc.

("Foothill") between September 2009 and September 2011, Investors Capital Corp. ("ICC") between September 2011 and November 2013, and, most recently, Cetera Advisors LLC ("Cetera") between November 2013 and May 2016. Vazquez voluntarily resigned from Cetera on or around May 12, 2016, shortly after FINRA notified him of an open investigation involving Hoplon and NEON. Vazquez failed to provide requested documents to FINRA and, effective September 12, 2016, FINRA permanently barred Vazquez from associating with any FINRA member in any capacity.

10. **Gilbert Fluetsch** age 52, is a resident of Escondido, California. He was the chief operating officer of Hoplon and NEON from the time of the companies' formation in 2010 until mid-2014. During that time, Fluetsch was responsible for managing Hoplon's and NEON's finances, and for assisting with NEON's real estate activities. Fluetsch was also a customer of Vazquez's, and an investor in NEON. Along with Vazquez, Fluetsch was a co-signer on Hoplon's and NEON's various bank accounts, and was the only person besides Vazquez with the authority to make disbursements from NEON's accounts. Fluetsch is currently an independent consultant.

11. **Hoplon Financial Group** is a California corporation organized on April 29, 2010, with a last-known business address in Irvine, California. Hoplon was a California state-registered investment adviser firm from 2010 through early 2015, when its registration was revoked for failure to pay its annual registration renewal fee. Hoplon also held a California insurance broker's license until June 30, 2016. Hoplon's corporate status is currently suspended by the California Franchise Tax Board for failure to meet tax requirements. Hoplon has no current officers or employees other than Vazquez, no known ongoing business operations, and no known assets in its name.

B. Related Parties

12. **New Economic Opportunities Fund I, LLC** is a California limited liability company organized on October 12, 2010, with a last-known business address in Irvine, California. NEON was formed for the ostensible purpose of acquiring, renovating, and selling residential real estate using funds raised from private investors. According to its private placement memorandum ("PPM"), NEON is managed by Hoplon. Between 2011 and 2014, NEON raised approximately $2.18 million from 27 individual investors, most of whom were also customers of Hoplon and Vazquez. Like Hoplon, NEON is also currently suspended by the California Franchise Tax Board, and has no current officers or employees other than Vazquez, no known ongoing business operations, and no known assets in its name.

13. **Compass Benefit Solutions, Inc.** ("CBSI") is a California corporation organized on November 17, 2006, with a last-known business address in Irvine, California. CBSI was founded and run by Vazquez, and was the de facto predecessor corporation to Hoplon, although the entity never formally dissolved or amended its articles of incorporation to reflect this transition. CBSI was never registered as an investment advisor with either California or the SEC.

14. **VFP Construction, LLC** ("VFP") is a California limited liability company organized on January 10, 2013, with the same business address as Hoplon and NEON in Irvine, California. VFP was formed by Vazquez, Fluetsch, and an acquaintance of Vazquez's who performed construction work (herein referred to as "Mr. A"), for the purpose of carrying out renovations on the investment properties purchased by NEON.

STATEMENT OF FACTS

A. Vazquez Launches CBSI/Hoplon

15. Vazquez did business under the auspices of his companies, CBSI and later Hoplon. Over time, Vazquez, along with a series of junior people working for him, was formally associated as a registered representative and registered principal of

a series of broker-dealers.

16. Vazquez recruited many of his individual customers through CBSI's retirement business. CBSI obtained most of its corporate customers through cold-calling; once CBSI established a relationship with an employer, Vazquez would then pitch his services to the individual employees and their spouses, and ask them to rollover their 401(k) accounts into IRA accounts at whichever broker-dealer he was then associated with, and to transfer their other investment accounts to those firms as well. Some of Vazquez's customers then referred friends or family members to Vazquez.

17. Vazquez and Fluetsch met in 2006, when Fluetsch retained CBSI's services on behalf of his then-employer. In 2010, Vazquez rebranded CBSI as Hoplon Financial Group, which also sold insurance products, and asked Fluetsch to join Hoplon as its COO.

B. The NEON Offering

18. In 2010, shortly after Hoplon was launched, Vazquez conceived of and established the NEON fund, under the management of Hoplon, to pool investor funds to buy, refurbish, and resell homes. Vazquez and Fluetsch were designated as NEON's CEO and COO, respectively.

19. The original NEON private placement memorandum (the "PPM"), dated February 15, 2011, outlined a proposed offering of membership "units" to be sold for $50,000 each, with anticipated total offering proceeds between $2 million and $10 million. The PPM repeatedly referred to the units as "securities." The initial PPM required a minimum investment of $200,000 per investor. However, NEON also "reserve[d] the right to sell less than the minimum subscription" to investors.

20. In fact, only one investor ever met the stated minimum requirement; all the other NEON investors contributed less than the $200,000 threshold. Moreover, beginning around mid-2013, NEON began accepting new investments of less than $50,000, in exchange for fractions of a membership unit.

21. Attached to the PPM was a Subscription Agreement, which an investor would sign and return with his or her investment. Vazquez would then countersign an Acceptance of Subscription in a signature block that identified his signature as being on behalf of "New Economic Opportunities Fund I, LLC, By: Hoplon Financial Group, Manager."

22. According to the PPM, NEON would use the proceeds of the offering "to purchase without the use of leverage discounted residential real estate properties," which it would then "renovate, lease, and/or sell . . . in order to generate a return." Distributions to investors would be made "no less frequently than semiannually."

23. Under the terms of the NEON Operating Agreement, which also was attached to the PPM provided to investors, the investors had "no power or right to participate in the management of the Company," unless expressly authorized to do so. Control over NEON was "vested exclusively in" Hoplon, of whom the "sole shareholders, officers and directors" were Vazquez and Fluetsch, and Hoplon, in turn, was "subject to a fiduciary duty to exercise good faith and integrity in handling the affairs of [NEON]."

24. Neither Vazquez nor Fluetsch were to receive a salary from NEON. Rather, the PPM set forth a fee structure that provided for three different forms of compensation to Hoplon:

(a) First, Hoplon would receive an annual "Management Fee," which was calculated as 2% of the sum of total capital raised from investors plus the "maximum amount of debt available to [NEON]";

(b) Second, each time a new property was purchased by NEON, Hoplon was entitled to take an "Acquisition Fee" in the amount of 3% of that purchase price; and,

(c) Third, Hoplon was also to receive a percentage of any "Cash Available for Distribution," starting at 10% (but with the

possibility of increasing its share to 25% and then 45%, conditional upon NEON investors receiving a certain return of capital).

25. In addition, NEON was required to reimburse Hoplon for any reasonably incurred expenses paid by Hoplon on NEON's behalf. According to the NEON Operating Agreement, this category of reimbursable expenses would not include Hoplon's overhead costs, which Hoplon would "bear entirely."

26. According to the PPM, the NEON offering was limited to "accredited investors" as that term is defined under Rule 501(a) of Regulation D of the Securities Act of 1933. However, the PPM did not specify the basis for its claimed exemption from registration under that Act.

27. The PPM initially provided for the offering to terminate by December 31, 2011. NEON subsequently issued a series of supplements to the PPM between April 2011 and January 2014 that lowered the minimum offering amount to $1.25 million and extended the term of the offering through December 31, 2014.

28. The PPM and its supplements were all drafted under Vazquez's supervision, with Vazquez supplying their terms and approving the documents in their final form before Vazquez provided them to investors. .

C. Investor Funds Raised By NEON

29. Between 2011 and 2014, Vazquez raised approximately $2.18 million from 27 individual investors. Of these investors, at least 23 were either current or former customers of Vazquez's, including Fluetsch, who invested approximately $100,000 in NEON. Vazquez and Hoplon's existing clients provided the primary source of leads for recruiting NEON investors.

30. Potential NEON investors were provided with copies of the PPM prior to investing. Vazquez also made oral representations to investors that were consistent with the terms outlined in the PPM.

31. All NEON investors were required to fill out a Subscription Agreement,

which was attached to the PPM, in which they affirmed that they qualified as "accredited investors" as defined under Regulation D of the Securities Act, by initialing next to one of the several categories of accredited investor requirements described in the form.

32. Many of the investors did not satisfy the stated requirements for the category elected on their forms, nor did they understand what they were attesting to when they signed the agreement. Vazquez did not take any additional steps to verify whether NEON investors were accredited.

33. A majority of NEON's investors financed their ownership shares with retirement funds, purchasing their NEON shares through a self-directed IRA administrator at Vazquez's direction. Investors investing non-retirement funds would write a check to NEON directly. All of the NEON investment funds were deposited into a bank account held in NEON's name.

D. NEON's Business Operations

34. NEON began purchasing real estate in mid-2012. Vazquez and Fluetsch identified potential investment properties through a real estate broker and, after conducting some of their own research into market values and renovation costs, decided whether to buy that property. The properties were purchased in NEON's name. A construction crew headed by Mr. A performed any work deemed necessary before the property was resold.

35. All of the costs associated with this purchase, renovation, and resale process were paid for with NEON funds. When a new property was purchased, the funds were transferred directly from the NEON account, either via wire transfer or check. Of the other expenses incurred—for example, property taxes, construction labor and supplies, insurance, and utilities—some were paid for by check written from the NEON account; other times, the charges would be put on Hoplon's credit card or Fluetsch's personal credit card, and subsequently be reimbursed by NEON.

36. In 2013, Vazquez, Fluetsch, and Mr. A formed VFP as a separate

company, with its own bank accounts to pay for expenses related to the construction work performed on NEON properties. The VFP bank accounts were funded entirely with NEON funds. Once a property was sold, the proceeds were supposed to be paid to NEON.

37. In total, NEON purchased eight properties in Southern California between April 2012 and July 2013. However, the amount of money spent on these properties never came close to matching the total amount of investment funds raised.

38. NEON's investment activities rapidly declined over the subsequent months, even as NEON continued to raise additional funds from investors, and even as proceeds from the sale of earlier-purchased properties were supposedly retained to be reinvested into new properties. Between June 20, 2012 and July 24, 2013, NEON sold six properties, but bought only four. Meanwhile, during this same time, it raised an additional $1.18 million in new investments, including approximately $160,000 that came in after NEON had ceased buying properties altogether.

39. Despite its failure to fully invest offering proceeds, NEON's real estate transactions did turn a modest profit. NEON spent a total of $1,720,179 purchasing properties, and $767,276 renovating them. The sales of those properties generated $917,322 in net proceeds. However, as set forth below, the profits obtained by NEON were not nearly sufficient to cover the amounts being diverted to Hoplon, Vazquez, and Fluetsch.

40. As of today, NEON has no known assets. All funds in its bank accounts have been depleted, and it holds no properties in its name. All of Vazquez's and Hoplon's known bank accounts have also been exhausted.

E. Vazquez and Hoplon Misrepresented How NEON Funds Would Be Used

41. Vazquez and Hoplon made false and misleading statements in the PPM and accompanying Operating Agreement. Specifically, the offering documents falsely claimed that Hoplon's management fees would be limited to 2% of the

amount raised, 3% of the price of properties purchased, and 10% of cash available for distribution. The Operating Agreement further explicitly stated that NEON would not pay for Hoplon's overhead expenses. Finally, the PPM promised that NEON funds would be used to purchase and renovate real estate. It did not state that most of the money raised, along with all of the modest profits generated in any real estate transactions, would be diverted for the benefit of Hoplon and its principals.

42. Contrary to the representations regarding how NEON funds would be used in the PPM and Operating Agreement, Vazquez and Fluetsch misappropriated NEON funds starting as early as mid-2011. They diverted funds from NEON to pay for Hoplon's business expenses and Vazquez's personal expenses and to make payments directly to themselves. These payments were far in excess of the maximum amounts set forth in the NEON offering documents as compensation to Hoplon for managing NEON. Vazquez and Fluetsch also used NEON funds to perform renovations on their own homes.

43. Vazquez's and Hoplon's misrepresentations and omissions regarding the use of NEON funds were material, as they were central to investors' decisions to invest in NEON.

44. Vazquez and Hoplon knew, or were reckless or negligent in not knowing, that these misrepresentations and omissions were false and misleading when made.

1. Total Amount of NEON Funds Misused or Misappropriated

45. NEON raised a total of $2,184,045 from investors between 2011 and 2014, of which $676,021 was raised within the last five years. As described above, the NEON PPM provided for three possible forms of compensation to be paid to Hoplon: (i) a "Management Fee" of 2% of total capital raised plus any debt available; (ii) an "Acquisition Fee" of 3% of the price of each property purchased by NEON; and (iii) 10% of any "Cash Available for Distribution." Fluetsch and Vazquez agreed to split the total fees owed evenly, with each person responsible for transferring his

portion to his own account.

46. The amounts transferred from the NEON account to Vazquez's and Fluetsch's personal accounts far exceeded the amount they were entitled to take under the PPM.

47. Calculating management fees based upon the limitations set forth in the PPM Vazquez and Fluetsch, via Hoplon, were entitled to the following compensation:

Maximum Compensation Disclosed in PPM	
Management Fee	$84,520
Acquisition Fee	$23,343
Cash Available for Distribution	$80,334
TOTAL	**$188.197**

Instead, Vazquez and Fluetsch transferred a total of $968, 436 to themselves or to Hoplon, for a total misappropriation of $780,239. Of this amount, Fleutsch received cash payments of at least $155,333.

2. Misappropriation of NEON Funds for Hoplon Expenses

48. Fluetsch and Vazquez began transferring funds from the NEON account to Hoplon's bank accounts as early as July 2011 to pay some of Hoplon's expenses, ultimately transferring $252, 447 to Hoplon.

49. These funds were used to pay bills for rent and phone services, but Vazquez and Fluetsch also used NEON funds to pay for goods or services that were, questionably related to Hoplon's business activities. For example, NEON money was used to cover car payments on a series of luxury cars that Hoplon had either purchased or leased for Vazquez, Fluetsch, and other Hoplon staff to use. NEON

funds were also used to pay Hoplon's company credit card bill, which routinely included items of a more personal nature, such as sports club memberships.

50. If a Hoplon bill came due and there was insufficient money in the Hoplon account to make the payment, either Fluetsch or Vazquez would transfer money from the NEON account to cover the amount owed. Alternatively, Hoplon bills would be paid directly from the NEON account.

51. Vazquez and Fluetsch were the sole signatories on Hoplon's and NEON's bank accounts, including the account where NEON investor funds were deposited, and therefore the only individuals able to authorize transfers out of the NEON account.

52. Fluetsch and Vazquez agreed that Vazquez would reimburse NEON using income from Vazquez's own brokerage commissions.

53. In late 2011, Fluetsch created and began maintaining an itemized ledger recording any movements of funds in and out of all the NEON, Hoplon, and VFP bank accounts, which he used to keep track of the amount of money Hoplon owed NEON.

54. On multiple occasions, Fluetsch asked Vazquez to reimburse NEON. Vazquez offered various excuses to delay doing so, and ultimately never repaid the money.

3. Misappropriation of Funds for Vazquez's Personal Expenses

55. Vazquez also misappropriated $494, 842 in funds invested in NEON for his personal use.

56. From at least late 2011, based on his access to NEON financial records, Fluetsch was aware that Vazquez was using NEON funds for his personal expenses, including making payments on his personal credit cards.

57. On multiple occasions, Vazquez told Fluetsch that the credit card payments were for business-related expenses, but he never provided any documentation to support his claim.

58. Vazquez also regularly charged personal expenses to the Hoplon credit card, which was also sometimes paid for with NEON funds.

59. As with the NEON money misappropriated for Hoplon's use, Fluetsch made notations in his ledger to track the NEON funds that were being spent by Vazquez, and occasionally questioned Vazquez about the expenditures, but Vazquez would deflect the conversation.

4. NEON Funds Used for Personal Home Renovations

60. Vazquez and Fluetsch also diverted NEON funds to make property improvements on their personal homes and the homes of other Hoplon staff. VFP performed the property improvements, and was paid $65,814 in NEON funds for this work, $6,500 of which was attributable to work done on Fluetsch's house and the balance of which was attributable to work done on Vazquez's home. None of the expenses related to these home improvements were reimbursed.

5. Diversion of Proceeds from Property Sales

61. Fluetsch stopped working for Hoplon and NEON in or around May 2014. His access to the Hoplon and NEON bank accounts was terminated a few months prior to his leaving. At the time of his departure, NEON still owned two investment properties, which were sold later that year. At Vazquez's direction, $264,600 of sale proceeds from these properties was wired into Vazquez personal accounts and $489,271 was wired into Hoplon accounts, for a total of $753,871. These proceeds were never paid to NEON or its investors.

F. Vazquez and Fluetsch Lulled Investors

62. Vazquez and Fluetsch also made materially false and misleading statements regarding NEON to prevent investors from withdrawing their money.

63. After their initial investment, NEON investors received little to no information about the status of their investment, or the fund's activities and performance.

64. After several investors complained to Vazquez about the lack of reporting, Vazquez prepared and sent financial statements to some investors in 2013 and early 2014. These statements purported to show, for each property owned by NEON, a calculation of the net income to NEON from the purchase and sale of that property, as well as the portion of the profits from each property that were supposedly assigned to the individual investor receiving the statement. However, the statements failed to disclose that investor capital and profits were simultaneously being spent on unrelated business and personal expenses and on the payment of excessive fees. Such information would have been highly relevant and material to any reasonable investor.

65. At least one NEON investor spoke with Fluetsch on a number of occasions about NEON's operations. Each time, Fluetsch assured him that the NEON business was doing very well. Fluetsch never informed him or any other investor about the misuse of NEON funds.

66. In 2015, a number of NEON investors began asking Vazquez to withdraw their NEON investments. Vazquez responded to some investors with a series of excuses for why he was unable to return the money, never informing them that the NEON funds were by that time completely gone. To others, he simply never responded at all. With the exception of one small payment of purported profits to a single investor, none of the NEON investors ever received any profits or principal from NEON or Hoplon.

67. Vazquez and Fluetsch's misrepresentations and omissions regarding the performance of NEON and the uses of NEON's investors' funds were material, as they were central to investors' decisions to remain invested in NEON.

68. Vazquez and Fluetsch knew, or were reckless or negligent in not knowing, that these misrepresentations and omissions were false and misleading when made.

FIRST CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

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

(Against All Defendants)

69. The SEC realleges and incorporates by reference paragraphs 1 through 68 above.

70. By engaging in the conduct described above, Defendants Hoplon, Vazquez, and Fluetsch, and each of them, 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.

71. Specifically, Vazquez and Hoplon made false and misleading statements in the PPM and accompanying Operating Agreement regarding the use of the offering proceeds. The offering documents falsely claimed that Hoplon's management fees would be limited, that NEON would not reimburse Hoplon's expenses, and that NEON funds would be used to purchase and renovate real estate. Instead, most of the money raised, along with all of the modest profits generated in those real estate transactions, was diverted for the benefit of Hoplon and its principals. Fluetsch received money by means of Vazquez's and Hoplon's false statements and omissions in the PPM and Operating Agreement. Vazquez and Fluetsch made further misrepresentations to investors by telling them that NEON was performing well and generating profits, thereby concealing the ongoing misappropriation and ensuring that investors remained invested in NEON.

72. By engaging in the conduct described above, Defendants Hoplon, Vazquez, and Fluetsch 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).

SECOND 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 thereunder

(Against Defendants Vazquez and Hoplon)

73. The SEC realleges and incorporates by reference paragraphs 1 through 68 above.

74. By engaging in the conduct described above, Defendants Vazquez and Hoplon, and each of them, 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, with scienter made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading as described in detail above.

75. Specifically, Vazquez and Hoplon made false and misleading statements in the PPM and accompanying Operating Agreement regarding the use of the offering proceeds. The offering documents falsely claimed that Hoplon's management fees would be limited, that NEON would not reimburse Hoplon's expenses, and that NEON funds would be used to purchase and renovate real estate. Instead, most of the money raised, along with all of the modest profits generated in those real estate transactions, was diverted for the benefit of Hoplon and its principals. Vazquez made further misrepresentations to investors by telling them that NEON was performing well and generating profits, thereby concealing the ongoing misappropriation and ensuring that investors remain invested in NEON.

76. By engaging in the conduct described above, Defendants Vazquez and Hoplon 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 thereunder, 17 C.F.R. § 240.10b-5.

THIRD CLAIM FOR RELIEF

Aiding and Abetting Fraud in Connection with the Purchase or Sale of Securities

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

(Against Defendant Fluetsch)

77. The SEC realleges and incorporates by reference paragraphs 1 through 68 above.

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

79. Fluetsch substantially assisted Vazquez and Hoplon in their violations of 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). Fluetsch provided substantial assistance to the primary Section 10(b) violations of Vazquez and Hoplon by conducting improper transfers of funds and telling investors that NEON was performing well and generating profits, thereby helping to conceal the ongoing misappropriation and ensure that investors remain invested in NEON.

80. Fluetsch knew of or recklessly disregarded Vazquez's and Hoplon's violations, and knew of or recklessly disregarded his own role in furthering these violations.

81. By engaging in the conduct described above, Fluetsch aided and abetted, and unless restrained and enjoined, will continue to aid and abet, violations of 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

Unregistered Broker-Dealer

Violation of Section 15(a) of the Exchange Act

(Against Defendants Vazquez and Hoplon)

82. The SEC realleges and incorporates by reference paragraphs 1 through 68 above.

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

84. Specifically, Vazquez and Hoplon solicited customers for, and effected the sale of, NEON securities without registering independently as broker-dealers. Vazquez, acting in his capacity as CEO of Hoplon, regularly and actively sought out investors for NEON, including by promoting the securities to his existing customers. Both Hoplon and Vazquez were entitled to transaction-based compensation for any NEON securities sold: the NEON PPM provided that Hoplon would receive a percentage of the capital raised, and Vazquez, by virtue of his agreement with Fluetsch, was to take half of that amount. In practice, Vazquez did in fact take a commission virtually every time a new NEON investment that was made, either by making a bank transfer directly to himself or by using the funds to pay for his personal expenses. Although Vazquez was concurrently associated with Foothill, ICC, and Cetera over the period of time this conduct was taking place, he was not acting within the scope of his employment with any of these broker-dealer firms

when offering and selling NEON securities, and none of these firms were aware of, approved of, or supervised Vazquez's conduct with regard to NEON.

85. By engaging in the conduct described above, Defendants Vazquez and Hoplon have violated, and unless restrained and enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

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

II.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendants, and their 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 Section 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a).

III.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendants Vazquez and Hoplon, and their 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, or in the alternative, from aiding and abetting any violation of 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.

IV.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendant Fluetsch, and his 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 aiding and abetting any violation of 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.

V.

Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining Defendants Vazquez and Hoplon, and their 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, or in the alternative, from aiding and abetting any violation of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

VI.

Order Defendants to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

VII.

Order Defendants to pay civil penalties 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).

VIII.

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.

IX.

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

Dated: January 12, 2018

Respectfully submitted,

/s/ Lynn M. Dean

Lynn M. Dean
Patricia T. Pei
Attorneys for Plaintiff
Securities and Exchange Commission