

THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

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<b>SECURITIES AND EXCHANGE COMMISSION,</b>	:	
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<b>Applicant,</b>	:	<b>Civil Action No.</b>
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<b>v.</b>	:	
	:	
<b>SECURITIES COMPLIANCE GROUP, LTD., MEGAN M. RUETTIGER and ADAM S. TRACY,</b>	:	
	:	
<b>Respondents.</b>	:	
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**MEMORANDUM IN SUPPORT OF APPLICATION OF THE SECURITIES  
AND EXCHANGE COMMISSION FOR AN ORDER TO SHOW CAUSE  
AND FOR AN ORDER REQUIRING RESPONDENTS TO  
COMPLY WITH ADMINISTRATIVE SUBPOENAS**

The United States Securities and Exchange Commission (the "Commission") respectfully submits this memorandum in support of its Application of the Securities and Exchange Commission for an Order to Show Cause and for an Order Requiring Respondents to Comply with Administrative Subpoenas (the "Application").

## **I. Introduction**

Respondents Securities Compliance Group, Ltd. (“Securities Compliance”), Megan M. Ruettiger (“Ruettiger”) and Adam S. Tracy (“Tracy”) have repeatedly failed to comply with 6 validly issued and served subpoenas requesting testimony and document production. With the earliest subpoena at issue dated November 3, 2015, Respondents have ignored numerous second chances to comply granted by the Commission staff.

The subpoenas relate to an investigation concerning possible violations by Respondents including, among other things, engaging in, or intending to engage in, offering frauds based upon potential misstatements and omissions of material fact in pending or recently effective Form S-1<sup>1</sup> registration statements and amendments. Since April, 2014, fifteen corporations have filed with the Commission similar Form S-1 and Form S-1A registration documents and amendments to register initial public offerings with Tracy acting as either the

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<sup>1</sup> A Form S-1 is a Commission form promulgated pursuant to the Securities Act that dictates the information required to be included in an investment prospectus for public companies. See e.g., Ashburn Family Properties, LLC v. EBR Huntsville, LLC, et al., Civil Action No. 5:15-CV-650-CLS (N.D.Ala.), 2016 WL 159324 at \*5 (January 14, 2016). In this case, Respondents filed Forms S-1 for the shell companies in order to be able to issue and sell stock on a public market.

drafter of the documents, providing a legal opinion on the registration statement, or both. These filings have common characteristics and indicate that some of these companies: (1) may not appear to be viable developmental stage companies; (2) may be seeking to create fraudulent shell companies that evade requirements applicable to offerings by “blank check” companies under Rule 419 promulgated under the Securities Act of 1933 (“Securities Act”); or (3) may have failed to disclose the identity of their true control persons, promoters and gatekeepers.

Section 22(b) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77v(b)] and Section 21(c) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78u(c)], authorize this Court to order enforcement of a Commission subpoena. See, e.g., SEC v. Jerry T. O'Brien, Inc., 467 U.S. 735, 741 (1984). The order to show cause procedure is appropriate for a subpoena enforcement proceeding. See FEC v. Committee to Elect Lyndon LaRouche, 613 F.2d 849, 853 (D.C. Cir. 1979) (affirming district court's enforcement of Federal Election Commission subpoenas through order to show cause proceeding), cert. denied, 444 U.S. 1074 (1980); see also, United States v. Stoltz, 525 F. Supp. 617, 619-620 (D.D.C. 1981) (Department of Energy subpoena). In support of this Application, the Commission has filed the declaration of Commission Staff Attorney Edward H. Saunders ("Saunders Dec."), along with attached exhibits.

Because of Respondents' failure to comply with the Commission's subpoenas, the Commission is unable to obtain all of the documents and testimony necessary to conduct its investigation. Accordingly, the Commission requests that the Court grant this Application and order the requested relief. See O'Brien, supra, 467 U.S. at 750-751 (noting importance that investigations into violations of federal securities laws be conducted in an expeditious manner).

## **II. Factual Background**

### **a. The Commission's Investigation**

On October 28, 2015, the Commission issued an Order Directing Private Investigation and Examination and Designating Officers to Take Testimony in a matter entitled In the Matter of Sonant Communications and Certain Other Issuers (the "Formal Order"), pursuant to Section 20(a) of the Securities Act and Section 21(a) of the Exchange Act. See June 13, 2016 Declaration of Edward H. Saunders ("Saunders Dec."), ¶6, attached to this Memorandum as Exhibit 1; see also Exhibit A attached to the Saunders Dec. (copy of the Formal Order). The Commission's investigation In the Matter of Sonant Communications Corp. and Certain Other Issuers is being conducted by the Commission's Atlanta Regional Office ("ARO"), which is located in the Northern District of Georgia. Saunders Dec., ¶9.

In the Formal Order, the Commission directed that an investigation be conducted to determine, among other things, whether any persons engaged in violations of antifraud and registration provisions of the federal securities laws, including violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a) and 15(d) of the Exchange Act, and Rules 10b-5, 13a-1, 13a-13, 15d-1 and 15d-13 promulgated thereunder. Saunders Dec. ¶8, Exhibit A.

The Formal Order designated Commission Staff Attorney Edward H. Saunders (“Saunders”) and other members of the staff as officers of the Commission for purposes of the investigation, and empowered him to subpoena witnesses and require the production of any evidence deemed relevant or material to the inquiry. Saunders Dec., ¶8.

**b. Respondents' Failure to Comply with Valid Commission Subpoenas**

i. The Staff’s Subpoenas for Documents

On or about Tuesday, November 3, 2015, Saunders issued and served a subpoena via United Parcel Service requiring Securities Compliance to produce certain documents to ARO by Thursday, November 19, 2015 (“the November 3rd subpoena”). Saunders Dec. ¶10. (A copy of the November 3rd subpoena and the United Parcel Service (“UPS”) proof of delivery are attached to the Saunders Dec. as Exhibit B.)

On Monday, December 7, 2015, Saunders received a call from James Alexander Rue, Esq. (“Rue”), who stated that he represented Securities Compliance and Tracy.<sup>2</sup> During that call, Rue informed Saunders that Saunders would have the documents responsive to the November 3rd subpoena by the next day, Tuesday, December 8, 2015. During the call, Saunders told Rue that, if it would be easier for Rue, the documents could be delivered as late as Friday, December 11, 2015. No such documents arrived by close of business on December 11, 2015. Saunders Dec. ¶11.

On Friday, December 18, 2015, Saunders called Rue stating that he had not received the subpoenaed documents and asked when they would be received. Rue responded that he would have them delivered that afternoon. No such documents were received by close of business that day. Saunders Dec. ¶12.

On Tuesday, January 5, 2016, Saunders called Rue to ask when he could expect to receive the subpoenaed documents. During that conversation, Rue told Saunders that he would deliver the documents to ARO by Friday, January 8, 2016. Rue also stated that the responsive documents consisted of a stack approximately 3

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<sup>2</sup> Rue is a former ARO trial attorney who is well known to ARO staff.

inches high and a few cd disks. No such documents were received by close of business on January 8, 2016. Saunders Dec. ¶13.

On Tuesday, January 12, 2016, Saunders called Rue a third time pointing out that no documents responsive to the November 3rd subpoena had been received. During that call, Rue represented that he had already sent the documents via the United States Postal Service to ARO the previous week. Saunders responded that no such package had been received at ARO. Saunders then offered to double-check with other ARO staff in order to ensure that the package Rue claimed to have sent had not been misplaced. Rue responded that Saunders did not need to check on the package, as he would send another copy. No such documents were received. Saunders Dec. ¶14.

On Tuesday, January 19, 2016, Saunders called Rue for a fourth time stating that no subpoenaed documents on behalf of Securities Compliance had been received. Rue responded that he would send the documents on either Thursday, January 21, 2016 or Friday, January 22, 2016. No documents responsive to the November 3rd subpoena were received from Rue's office by close of business on Friday, January 22, 2016. Saunders Dec. ¶15.

On Monday, February 1, 2016, Saunders sent Rue a letter ("the February 1st letter") referencing their previous phone discussions and informed Rue that Rue

had until 5:00 p.m. on Thursday, February 4, 2016 to produce the subpoenaed documents. The February 1st letter stated that if the subpoenaed documents were not produced by the time and date stated above, the staff would consider all available options including, but not limited to, the filing of a subpoena enforcement action. No documents responsive to the November 3rd subpoena were received by close of business on Thursday, February 4, 2016. Saunders Dec. ¶16. (A copy of the February 1st letter is attached to the Saunders Dec. as Exhibit C.)

On Wednesday, February 10, 2016, Saunders called Rue pointing out once again that no documents had been received. Rue responded by stating that he would deliver the responsive documents to ARO the next day, Thursday, February 11, 2016. Saunders sent Rue a letter confirming this discussion on February 10, 2016 (“the February 10th letter”). No such documents were received by close of business on February 11, 2016. Saunders Dec. ¶17. (A copy of the February 10th letter is attached to the Saunders Dec. as Exhibit D.)

On Tuesday, February 16, 2016, Saunders called Rue to confront Rue with the fact that no documents responsive to the November 3rd subpoena had been received. Rue replied that the documents “[were] in the mail” and that the staff would “get them tomorrow or the next day.” Saunders sent Rue a letter confirming

this discussion on February 16, 2016 (“the February 16th letter”). No such documents were received by close of business on Friday, February 19, 2016. Saunders Dec. ¶18. (A copy of the February 16th letter is attached to the Saunders Dec. as Exhibit E.)

Rue finally produced some documents purportedly on behalf of Securities Compliance on Monday, March 14, 2016. However, Saunders’ review of the documents revealed that none of them were responsive to the November 3rd subpoena for the following reasons: (1) none of the documents produced appear to relate to any information regarding the entities and individuals named in the subpoena; (2) those documents which are legible related to two companies that had no bearing to this investigation; (3) there was no explanation of which pages responded to which specific document request and no privilege log; and (4) of the documents produced, 859 pages were either completely blank, unreadable due to illegible copies or duplicates of other documents in the same production. Saunders Dec. ¶19.

On Thursday, April 14, 2016, Saunders sent Rue a letter stating that the documents he produced in response to the November 3rd subpoena were not responsive for the reasons stated above (“the April 14th letter”). The April 14th letter also gave Rue a deadline of 4:00 p.m. on Friday, April 22, 2016 to produce

documents responsive to the November 3rd subpoena. No such documents were produced. Saunders Dec. ¶20. (A copy of the April 14th letter is attached to the Saunders Dec. as Exhibit F.)

On Monday, April 18, 2016, Saunders received a call from Rue. During that call, Saunders asked Rue why Rue had produced documents to the Commission that were not responsive to the November 3rd subpoena. Rue answered that he had sent documents that Tracy prepared for a separate SEC subpoena concerning an entirely different investigation. Rue stated that he would speak to his client regarding the production of documents that were relevant to the November 3rd subpoena. As of the filing of this action, no documents responsive to the November 3rd subpoena have been produced by either Securities Compliance or its counsel. Saunders Dec. ¶21.

The documents sought from Securities Compliance are relevant and important to the Staff's investigation, are not already within the Commission's possession, and cannot be obtained through other witnesses. Saunders Dec. ¶22.

ii. The Staff's Subpoenas for Testimony

On Monday, January 25, 2016, Saunders issued a subpoena ("the January 25th subpoena") for Respondent Tracy to testify at ARO on Thursday, February 10, 2016. Tracy failed to appear for his testimony on the February 10th date.

Saunders Dec. ¶23. (A copy of the January 25th subpoena and UPS confirmation of delivery is attached to the Saunders Dec. as Exhibit G.)

When Tracy failed to appear for testimony on February 10th, Saunders called Rue asking for an explanation. Rue claimed that after receiving the January 26th subpoena, Rue sent Saunders an e-mail suggesting different dates. During that call, Saunders told Rue that he had not received such an e-mail. Saunders told Rue, however, that he would, again, check his e-mail to see if it had somehow been missed. Saunders double-checked his email and found no such message. After checking his e-mail, Saunders called Rue for a second time that day, asking Rue to resend the original e-mail suggesting alternate dates for Tracy's testimony. No such e-mail was ever sent or produced by Rue. During the second call, Saunders asked Rue to reschedule the date for Tracy's testimony to Thursday, February 18, 2016 or Friday, February 19, 2016. Rue replied that he "would try." That same day, Saunders wrote Rue a letter stating that if Rue had not contacted Saunders with a date for Tracy's testimony by 5:00 p.m. the next day, Saunders would send a subpoena for Tracy's testimony to occur at ARO on Thursday, February 18, 2016. Saunders Dec. ¶24. (A copy of the February 10th letter is attached to the Saunders Dec. as Exhibit D.)

Rue failed to respond by close of business the next day, Thursday, February 11, 2016. Saunders then sent a second subpoena to Tracy in care of Rue for Tracy's testimony to occur on Thursday, February 18, 2016 at ARO. Saunders Dec. ¶25. (A copy of the February 11, 2016 subpoena and UPS confirmation of delivery is attached to the Saunders Dec. as Exhibit H.)

On Tuesday, February 16, 2016, Saunders called Rue to confirm Tracy's testimony for February 18th. Rue stated that, while he had spoken to Tracy, he had been unable to confirm the February 18th testimony date. Saunders later called Rue again the same day at approximately 4:00 p.m. During that second conversation, Rue told Saunders that Rue had spoken with Tracy but was still waiting to hear from him concerning an acceptable date. As a result of the two conversations Saunders had with Rue that day, Saunders agreed to postpone Tracy's testimony to a date during the March 1-4, 2016 time period at ARO, and Rue agreed to provide a date during that time period when Tracy could testify. Saunders Dec. ¶26.

However, after the conversations on February 16, 2016, Rue failed to contact the staff regarding a date for Tracy's testimony during the March 1-4, 2016 time period. Consequently, on February 18, 2016, Saunders sent a third subpoena for Tracy's testimony in care of Rue, scheduling the testimony to occur at ARO on

Thursday, March 3, 2016. Both Tracy and Rue failed to appear for Tracy's testimony as scheduled at 9:30 a.m. on March 3, 2016. Saunders Dec. ¶27. (A copy of the February 18th subpoena and UPS confirmation of delivery is attached to the Saunders Dec. as Exhibit I.)

On Thursday, April 14, 2016, Saunders sent Rue a letter referencing the February 16 conversations. (A copy of the April 14th letter is attached to the Saunders Dec. as Exhibit F.) In the April 14th letter, Saunders informed Rue that the staff was giving Rue until April 22, 2016 to provide dates during the weeks of May 16th and May 23rd when Tracy was available to testify at ARO. The letter stated that the staff would consider filing a subpoena enforcement action against his client if such testimony dates were not provided. Saunders Dec. ¶28.

On Monday, April 18, 2016, Rue called Saunders and stated that Rue would make Tracy available for testimony at ARO on Tuesday, May 17, 2016. During that conversation, Saunders told Rue that Saunders also wanted to take the testimony of Respondent Ruettiger, an employee of Securities Compliance. Rue agreed to provide Ruettiger for testimony on Tuesday, May 17th as well. During that call, counsel both agreed that testimony on May 17th would begin with Ruettiger at 9:30 a.m., to be followed by Tracy's testimony at 1:00p.m. Saunders Dec. ¶29.

On Thursday, April 21, 2016, Saunders sent subpoenas for Ruettiger and Tracy in care of Rue for their testimony to occur at ARO on Tuesday May, 17, 2016. Saunders Dec. ¶30. (Copies of these subpoenas and the UPS confirmations of delivery are attached to the Saunders Dec. as Exhibits J and K, respectively). Saunders also sent a cover letter to Rue confirming their conversation of April 18, 2016 (“the April 21st letter”). Saunders Dec. ¶30. (A copy of the April 21st letter is attached to the Saunders Dec. as Exhibit L.)

On Tuesday, May 16, 2016, at approximately 9:00a.m., Rue called to inform Saunders that neither Tracy nor Ruettiger would appear for testimony the next day, Wednesday, May 17th. Rue also told Saunders that, if forced to testify, his clients would invoke their Fifth Amendment right against self-incrimination in response to all questions. When asked, Rue provided no explanation for Tracy and Ruettiger’s failure to appear for their testimony the next day. During that conversation, Saunders asked Rue to provide rescheduled testimony dates as soon as possible. Saunders suggested either Tuesday, May 24, 2016 or Wednesday, May 25, 2016 as the rescheduled dates. Saunders Dec. ¶31.

At approximately 2:00 p.m. on Monday, May 16, 2016, Saunders again called Rue to ask whether Rue was able to confirm with his clients the rescheduled

testimony dates Saunders had proposed. Rue indicated that he had not been able to so confirm. Saunders Dec. ¶32.

Saunders called Rue again the next day, Tuesday, May 17, 2016. During that call, Rue confirmed that Tracy and Ruettiger would make themselves available for testimony at ARO on Tuesday, May 24, 2016. Counsel agreed that Ruettiger's testimony would be first (starting at 9:30 a.m.), to be followed immediately by Tracy's testimony. Saunders sent a letter to Rue that same day memorializing the agreement ("the May 17th letter"). Saunders Dec. ¶33. (A copy of the May 17th letter is attached to the Saunders Dec. as Exhibit M.)

On Monday, May 23, 2016 at approximately 5:00 p.m., Rue called Saunders to say that neither Ruettiger nor Tracy would be appearing for their scheduled testimony the next day. No reason was provided by Rue for Tracy and Ruettiger's failure to appear for their testimony the following day. Saunders Dec. ¶34.

Neither Ruettiger nor Tracy appeared for their testimony on Tuesday, May 24, 2016. Saunders Dec. ¶35.

1. On June 14, 2016, Rue emailed Saunders indicating that Rue was out of the county, returning on June 22, 2016. In the email message, Rue offered (as he has several times before) to make his clients available. In this instance, Rue did not include a date certain, but instead suggested that the parties find a mutually

agreeable date after June 23, 2016. Saunders Dec. ¶36. (A copy of the June 14th email is attached hereto as Exhibit N.)

The testimony of Ruettiger and Tracy are relevant and important to the Staff's investigation, are not already within the Commission's possession, and cannot be obtained through other witnesses. Saunders Dec. ¶37.

### **III. This Court has the Power to Enforce the Subpoena**

#### **a. This Court has Jurisdiction and Venue Properly Lies in this District**

When Congress created the Commission and assigned to it the responsibility of protecting investors and ensuring the fairness and honesty of the nation's capital markets, Congress gave the Commission broad authority to conduct investigations and to demand production of evidence relevant to such investigations. See Section 20(a) of the Securities Act, 15 U.S.C. § 77t(a); Sections 21(a) and (b) of the Exchange Act, 15 U.S.C. § 78u(a) and (b); Jerry T. O'Brien, 467 U.S. at 745; SEC v. Dresser Industries, Inc., 628 F.2d 1368, 1379-1380 (D.C. Cir.) (en banc), cert. denied, 449 U.S. 993 (1980); SEC v. Arthur Young & Co., 584 F.2d 1018, 1023 (D.C. Cir. 1978), cert. denied, 439 U.S. 1071 (1979). The Commission and its officers may, among other things, administer oaths, and subpoena witnesses and compel their testimony and attendance. Section 20(a) of the Securities Act, 15 U.S.C. § 77t(a); Section 21(b) of the Exchange Act, 15 U.S.C. § 78u(b).

When subpoenaed parties, such as Respondents, refuse to comply with subpoenas issued by the Commission, the Commission has the authority to seek a court order compelling such compliance. Congress has explicitly conferred jurisdiction on the United States District Courts, upon application by the Commission, to enforce the subpoena. See Section 22(b) of the Securities Act, 15 U.S.C. § 77v(b); Section 21(c) of the Exchange Act, 15 U.S.C. § 78u(c). Accordingly, this Court has jurisdiction over the subject matter of this Application.

Venue is proper in this district because a Commission subpoena enforcement action may be brought in any United States District Court "within the jurisdiction of which such investigation or proceeding is carried on." Section 21(c) of the Exchange Act, 15 U.S.C. § 78u(c). Here, the investigation is being conducted and managed by the Commission's enforcement staff in the Atlanta Regional Office, and the subpoenas were issued in and made returnable to Atlanta, Georgia. Saunders Dec., ¶¶9-10; 23; 25; 27; 30, and Exhibits A, B, G, H, I, J and K. Thus, venue is proper notwithstanding the facts that Respondents Tracy and Ruettiger are believed to be residents of Wheaton, Illinois, and Securities Compliance is, according to public record, an Illinois corporation with its principal place of business in Wheaton, Illinois. Because the investigation is being conducted in Atlanta, venue appropriately lies in the Northern District of Georgia. Cf.

Committee to Elect Lyndon La Rouche, 613 F.2d at 857 (finding FEC's choice of District of Columbia as its place of inquiry as within the "bound of reasonableness," even where the appellants' place of business was New York).

**b. The Commission's Subpoena Satisfies All Requirements for Enforcement**

In general, "[a] district court's role in a proceeding to enforce an administrative subpoena is limited." United States Equal Employment Opportunity Commission v. Tire Kingdom, Inc., 80 F.3d 449, 450 (11<sup>th</sup> Cir. 1996). The court may inquire into "(1) whether the administrative investigation is within the agency's authority, (2) whether the agency's demand is too indefinite, and (3) whether the information sought is reasonably relevant." Id., citing United States v. Florida Azalea Specialists, 19 F.3d 620, 622-23 (11<sup>th</sup> Cir. 1994). Courts have treated SEC subpoenas similarly to other agency subpoenas.

To enforce an SEC administrative subpoena, a court generally must be satisfied that: (1) the investigation will be conducted pursuant to a legitimate purpose; (2) that the inquiry may be relevant to that purpose; (3) that the information sought is not already within the Commission's possession; and (4) that the administrative steps required have been followed. See United States v. Powell, 379 U.S. 48, 57-58 (1964); see also RNR Enterprises, Inc., v. SEC, 122 F.3d 93,

96-97 (2d Cir. 1997); SEC v. Howatt, 525 F.2d 226, 229 (1st Cir. 1975); SEC v. Brigadoon Scotch Distributing Co., 480 F.2d 1047, 1054 (2d Cir. 1973), cert. denied, 415 U.S. 915 (1974); Arthur Young, 584 F.2d at 1024. Once these threshold criteria are met, the burden shifts to the opposing party to establish that the subpoena is unreasonable. See Brigadoon Scotch, 480 F.2d at 1056. When the Commission's inquiry is legally authorized and the information sought is relevant to the inquiry, the burden of showing unreasonableness "is not easily met." Id.

i. The Commission's Purpose is Legitimate.

As stated above, the Commission's investigation is being conducted pursuant to a Formal Order issued by the Commission in accordance with Section 20(a) of the Securities Act and Section 21(b) of the Exchange Act. These provisions authorize the Commission to conduct investigations in its discretion to determine whether any provisions of the Securities Act, Exchange Act, or the rules or regulations promulgated thereunder, "have been or are about to be violated." See 15 U.S.C. § 77t(a); 15 U.S.C. § 78u(a).

The Formal Order authorizes the designated officers of the Commission to investigate, among other things, whether violations of the registration and antifraud provisions of the federal securities laws have occurred. The Commission possesses regulatory authority over the registration and antifraud provisions and

has a Congressional mandate to enforce them. See, e.g., 15 U.S.C. § 77t(b); 15 U.S.C. § 78u(d) (authorizing the Commission to commence injunctive actions in federal district court).

Moreover, the Commission need not go so far as to show probable or reasonable cause to conduct an investigation. See, e.g., Howatt, 525 F.2d at 229; Brigadoon Scotch, 480 F.2d at 1053. Rather, the Supreme Court has compared an agency inquiry to that of a grand jury, which can investigate on mere suspicion that the law has been violated, without a showing of probable cause: "[A]n administrative agency charged with seeing that the laws are enforced . . . is more analogous to the Grand Jury, which does not depend on a case or controversy for power to get evidence but can investigate merely on suspicion that the law is being violated, or even just because it wants assurance that it is not." United States v. Morton Salt Co., 338 U.S. 632, 642 (1950), cited in United States v. Florida Azalea Specialists, 19 F.3d 620, 622-23 (11<sup>th</sup> Cir. 1994). See also United States v. Bisceglia, 420 U.S. 141, 147-48 (1975); SEC v. First Security Bank of Utah, 447 F.2d 166, 168 (10th Cir. 1971), cert. denied, 404 U.S. 1038 (1972).

In this case, the Staff seeks to investigate whether Securities Compliance, its officers and directors, and/or other persons, including Tracy and Ruettiger, have violated the antifraud and registration provisions of the federal securities laws.

This type of Commission investigation is legitimate and lawful and within the parameters of the authorizing statutes and case law.

- ii. The Commission seeks information that may be relevant to the legitimate purpose of the investigation.

The measure of relevance used in subpoena enforcement actions is quite broad. Florida Azalea Specialists, 19 F.3d at 624. In this case, both the documents and the testimony sought from Respondents fall well within the applicable standard. The Commission seeks to learn, among other things, whether Respondents and/or others have violated the antifraud and registration provisions of the federal securities laws. In particular, the Commission seeks information concerning the transactions and activities of Securities Compliance and persons associated with it such as Tracy and Ruettiger. The documents sought from Respondents are relevant to establishing possible violations of these laws. Their testimony would also help to delineate any possible violations and provide other relevant information regarding Securities Compliance.

- iii. The Information Sought is not Already within the Commission's Possession.

Respondents almost certainly have documents about Securities Compliance's transactions and activities that are not already in the Commission's possession. The staff has documents regarding Securities Compliance that are publicly

available, as well as some documents obtained from other entities relevant to Securities Compliance and a number of the fifteen corporations where Securities Compliance drafted the Form S-1, Tracy provided a legal opinion, or both. For the investigation to run its proper course, however, the Commission staff must review the presumably very relevant documents in the possession of Securities Compliance. Tracy is a principal of Securities Compliance and controls it, and Ruettiger is believed to be a key employee. The documents sought by the Staff may reveal whether Respondents and their representatives made materially false or misleading statements on the Forms S-1 filed by Securities Compliance and other companies at issue in the investigation. Moreover, because Respondents have refused to appear for testimony and there is no alternative source for that information, Respondents' testimony evidence is not within the Commission's possession. All the sought information will further the Staff's investigation of possible federal securities laws violations. Saunders Dec., ¶¶ 22;37.

iv. The Commission has Satisfied the Administrative Requirements.

The Commission issued the subpoenas at issue here in accordance with applicable administrative requirements. Section 19(c) of the Securities Act [15 U.S.C. § 77s(c)] and Section 21(b) of the Exchange Act [15 U.S.C. § 78u(b)]

provide that the Commission may, in the course of conducting investigations, designate officers and empower them, among other things, to subpoena witnesses. In this instance, a Staff Attorney of the Division of Enforcement, designated in a Formal Order as an officer of the Commission, issued the Subpoenas. Saunders Dec., ¶¶9-10; 23; 25; 27; 30, and Exhibits A, B, G, H, I, J and K.

An officer of the Commission may serve an investigative subpoena by several methods, including by sending the subpoenas through a commercial courier service or express delivery service. See 17 C.F.R. §§ 203.8, 201.232(c), and 201.150(c)(3). The Subpoenas were served via United Parcel Service. Saunders Dec., ¶ 10. Moreover, Rue implicitly acknowledged receipt of the subpoenas over numerous conversations with Saunders during the fall of 2015 and the spring of 2016. Saunders Dec., passim. The subpoenas were validly issued and served in compliance with applicable administrative procedures.

#### **IV. Conclusion**

WHEREFORE, for the reasons stated above and in the Commission's Application, the Commission requests that the Court grant the Application and enter an Order: (i) requiring Respondents to each show cause why Respondents should not be ordered to appear for testimony pursuant to the subpoenas properly

issued by the Commission and served upon Respondents; and (ii) requiring Respondents to comply with the subpoenas.

Dated: June 15, 2016<sup>3</sup>

Respectfully submitted,

/s/ W. Shawn Murnahan  
M. Graham Loomis  
Regional Trial Counsel  
Georgia Bar No. 457868  
Email: loomism@sec.gov

W. Shawn Murnahan  
Senior Trial Counsel  
Georgia Bar No. 529940  
Email: murnahanw@sec.gov

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE  
COMMISSION  
Atlanta Regional Office  
950 East Paces Ferry Road, N.E.,  
Suite 900  
Atlanta, Georgia 30326-1382  
(404) 842-7669 (Murnahan)

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<sup>3</sup> Pursuant to Local Rule 7.1D, counsel for the Commission certifies that this Memorandum in Support of Application of the Securities and Exchange Commission for an Order to Show Cause and for an Order Requiring Respondents to Comply with Administrative Subpoenas has been prepared in 14 point Times New Roman font, which is approved by the Court in LR 5.1B.