

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

|                                       |                     |
|---------------------------------------|---------------------|
| _____ )                               |                     |
| SECURITIES AND EXCHANGE COMMISSION, ) |                     |
| )                                     |                     |
| Plaintiff, )                          |                     |
| )                                     |                     |
| v. )                                  | Case No.            |
| )                                     |                     |
| DOUGLAS LEIGHTON, )                   | JURY TRIAL DEMANDED |
| BASS POINT CAPITAL, LLC, )            |                     |
| AZURE CAPITAL CORP., )                |                     |
| MICHAEL SULLIVAN, )                   |                     |
| DAVID HALL, )                         |                     |
| ZACHARY HARVEY, )                     |                     |
| PAUL DUTRA, )                         |                     |
| JASON HARMAN, and )                   |                     |
| JESSICA GERAN, )                      |                     |
| )                                     |                     |
| Defendants. )                         |                     |
| _____ )                               |                     |

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“the Commission” or “SEC”) alleges the following against defendants Douglas Leighton, Bass Point Capital, LLC, Azure Capital Corp., Michael Sullivan, David Hall, Zachary Harvey, Paul Dutra, Jason Harman, and Jessica Geran (collectively, “Defendants”), and demands a jury trial:

**PRELIMINARY STATEMENT**

1. Douglas Leighton engaged in a scheme to manipulate the price of securities for a cannabis-focused start-up company called MassRoots, Inc. (“MassRoots”). Leighton’s scheme involved recruiting investors to buy MassRoots stock at discounted prices before the company registered the sale of its securities with the SEC and began trading among the general investing public (sometimes called “going public”), directing this group of investors when and how much

MassRoots stock to buy and sell, and knowingly failing to report to the public, through SEC filings, his holdings and sales of MassRoots securities as required by the securities laws. In this manner, Leighton fraudulently deceived the public about the market for MassRoots stock while Leighton and his group of investors secretly sold their shares. Leighton and his group of investors made millions of dollars selling their own MassRoots shares into this manipulated market.

2. Leighton first received MassRoots shares because he invested in MassRoots in late 2013 through Bass Point Capital, LLC (“Bass Point”), a limited-liability company of which he was the chief executive officer, or CEO, and sole shareholder. And, in exchange for consulting services Leighton provided to MassRoots, he acquired nearly a million more shares in his own name, as well as warrants (legal rights) to acquire over six million more shares in the name of a limited partnership he controlled, Dutchess Opportunity Fund, II, LP (“Dutchess Opportunity”). In early 2014, Leighton received additional MassRoots shares when he made another investment in MassRoots through Azure Capital Corp. (“Azure Capital”) a second, solely-owned limited-liability company of his. As of March 2014, according to a MassRoots public filing with the SEC, Leighton and his entities held almost 23% of the existing shares of private MassRoots stock.

3. After acquiring his sizable holdings of MassRoots stock, Leighton began steering the company toward going public so as to create a market for the sale of his shares. In or about March 2014, Leighton, through Dutchess Opportunity, led a private offering for MassRoots stock; in other words, he helped find investors for the stock that was not yet trading publicly. The private offering raised about \$475,000 for MassRoots, about half of which Leighton required MassRoots to use to pay for going public. Leighton recruited a group of friends and acquaintances to invest in MassRoots as part of this private offering (“trading group”). This

trading group included defendants Michael Sullivan, David Hall, Zachary Harvey, Paul Dutra, Jason Harman, and Jessica Geran (collectively, “trading group defendants”), as well as others. Collectively, the trading group – including the Defendants – bought almost 90% of the MassRoots stock sold in this private offering.

4. In addition to leading the private offering and recruiting the vast majority of investors in it, Leighton, through Dutchess Opportunity, helped MassRoots register the sale of its stock to begin trading to the public. This initiative, and his associated efforts to promote MassRoots stock, helped to advance Leighton’s scheme by ensuring a public market for the Defendants’ stock.

5. Before and after MassRoots stock began publicly trading in April 2015, Leighton made efforts to publicize the stock by instructing a MassRoots executive about various ways he should promote MassRoots stock. Even before the trading began, between December 2014 and April 2015, Leighton both took steps to help MassRoots promote the stock and promoted it himself. These efforts were directed at creating interest in MassRoots stock among the general investing public so that Leighton would have sufficient public demand for his shares and could sell them at a large profit.

6. In his efforts to manipulate the market for MassRoots stock, Leighton also took advantage of his relationship with the trading group members. Leighton directed the trading group members how to slow the sales of their privately-purchased MassRoots stock, imposing a limit on how many shares he wanted them to sell at a time. He criticized trading group members who did not follow his “rule” about selling their MassRoots stock.

7. In addition to his directions about sales, through emails, text, and in-person communications, Leighton told the trading group members when to buy MassRoots stock on the public market, how much to buy, and how much to pay for it. Through these instructions,

Leighton manipulated the market for MassRoots shares in order to maintain the appearance of an active market. The intent of this manipulation was to keep MassRoots stock prices high so that Leighton and the trading group members could sell at a large profit.

8. Because Leighton, Bass Point and Azure Capital (collectively, the “Entity Defendants”), and the trading group members bought or sold shares as a group or syndicate, and together owned more than a certain percentage of the outstanding MassRoots shares, once MassRoots went public, SEC rules required them to report their collective ownership and sales of the stock on specific SEC forms. Leighton was aware of the percentage-based reporting requirements and actively took steps to avoid them. For example, he tried to structure many of his individual and corporate investments to avoid reaching a 5% ownership threshold that would trigger one reporting requirement. After MassRoots went public, neither he nor the other trading group defendants reported their ownership and sales on those SEC forms as required. This reporting failure hid the trading group’s collective actions and allowed the trading group to operate out of the public eye, helping Leighton’s efforts to manipulate the stock’s price and sales.

9. Leighton, the Entity Defendants, and the trading group defendants profited from their scheme. Between April 2015 and March 2016, the Defendants made approximately \$3.2 million from their scheme. The Defendants continued to profit from their sales of MassRoots stock through 2018.

#### **JURISDICTION AND VENUE**

10. The Commission brings this action pursuant to the enforcement authority conferred by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

11. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§78u(d), 78u(e) & 78(aa)].

12. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], Section 27 of the Exchange Act [15 U.S.C. §78(aa)], and 28 U.S.C. §1391(b)(2), because: (i) the acts constituting the alleged violations occurred in whole or substantial part in this District; (ii) Leighton lives here; (iii) many of the trading group defendants live here; and (iv) the Entity Defendants have or had their principal place of business here.

13. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

14. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

## **DEFENDANTS AND RELATED PARTIES**

### **Defendants**

15. **Douglas Leighton**, age 51, lives in Boston, Massachusetts. His business involves investing in, and selling securities in, private and public companies. Leighton co-founded and was the managing director of Dutchess Capital Management, II, LLC ("Dutchess Capital"), an unregistered investment adviser, which was the general partner to Dutchess Opportunity Fund, II, LP, a private investment fund. Dutchess Capital made the investment decisions for Dutchess Opportunity Fund, II, LP. Leighton later founded and was the CEO and sole shareholder of Entity Defendants Bass Point Capital, LLC and Azure Capital Corp.

16. **Bass Point Capital, LLC** is a Massachusetts limited liability company with a principal office in Boston, Massachusetts. Leighton is the manager of Bass Point Capital.

17. **Azure Capital Corp.** is a Massachusetts corporation with a principal office in Boston, Massachusetts. Leighton is the sole officer of Azure Capital.

18. **David Hall**, age 49, is a resident of Laguna Niguel, California.

19. **Zachary Harvey**, age 48, is a resident of Cambridge, Massachusetts.

20. **Michael Sullivan**, age 52, is a resident of Nantucket, Massachusetts.

21. **Paul Dutra**, age 50, is a resident of Orlando, Florida and Nantucket, Massachusetts.

22. **Jason Harman**, age 47, is a resident of Nantucket, Massachusetts.

23. **Jessica Geran**, age 37, is a resident of Boston, Massachusetts.

#### **Related Parties**

24. **MassRoots Inc.** was incorporated in April 2013 and is based in Los Angeles, California. MassRoots described itself in public SEC filings as a company seeking to be an online mobile community for marijuana-related information. On April 9, 2015, MassRoots stock became available to the public when it began quoting on OTC Link (previously “Pink Sheets”), operated by OTC Markets Group Inc., under the ticker symbol MSRT. MassRoots filed an SEC Form 8-A on April 27, 2015, registering its common stock with the SEC under Section 12(g) of the Exchange Act.

25. **Dutchess Capital Management, II, LLC, Dutchess Opportunity Fund, II, LP.** Dutchess Capital was incorporated in Delaware in 2009. Leighton was its Managing Director. Dutchess Capital was the general partner of Dutchess Opportunity Fund, II, LP, which was incorporated in Delaware in 2009. From 2009 until its dissolution in December 2018, Dutchess Opportunity’s sole business was to acquire and sell securities; as the Managing Director of its

general partner, Dutchess Capital, Leighton selected many of the fund's investments, including MassRoots.

### **FACTUAL ALLEGATIONS**

#### **Leighton invests in MassRoots.**

26. Leighton learned about MassRoots in or about September 2013. MassRoots described itself to the general public as “a semi-anonymous mobile network . . . where people can share their cannabis-related experiences, discover the highest-quality content and connect with like-minded individuals.” It described itself as a company that was to be a social “network entirely dedicated to cannabis.”

27. Before April 2015, MassRoots was a private company – in other words, its shares could not be quoted or traded on the New York Stock Exchange, NASDAQ, OTC Link, or through another exchange.

28. In or about October 2013, Leighton, through his limited liability company Bass Point, invested \$50,000 in MassRoots. In exchange for this investment, Bass Point received MassRoots shares. During that same month, Leighton entered into a “Corporate Consulting Agreement” with MassRoots. In exchange for unspecified consulting services, MassRoots agreed to pay Leighton additional shares of MassRoots stock.

29. In or about March 2014, MassRoots entered into a second consulting agreement (“March Consulting Agreement”) with another Leighton entity, Dutchess Opportunity. That agreement stated that MassRoots wanted to become a publicly-traded company (in other words, register the sale of its stock with the SEC and begin selling it to the general public). The March Consulting Agreement acknowledged that, to that end, Leighton and Dutchess Opportunity had already helped MassRoots take steps toward public trading of MassRoots stock. And, going forward, Dutchess Opportunity agreed to help MassRoots by making introductions to registered

broker-dealers, lawyers, and auditors – in other words, to the professionals who ordinarily participate in taking a company public. All of these efforts were directed at creating a broader public market in which Leighton could sell his MassRoots shares.

30. In exchange for the services Dutchess Opportunity agreed to perform, MassRoots gave Dutchess Opportunity the legal right to buy 4,050,000 MassRoots shares at \$0.001 per share, known as a “warrant” to buy the stock. MassRoots also gave Dutchess Opportunity another warrant to buy 2,375,000 shares of MassRoots stock at 40 cents a share.

31. According to a MassRoots public filing with the SEC, in March 2014, Leighton, the Entity Defendants, and Dutchess Opportunity owned almost 23% of the shares that MassRoots had issued up to that date. This figure includes approximately seven million shares that Azure Capital and Dutchess Opportunity had a legal right to purchase through warrants or other agreements, but did not yet own.

**Leighton and Dutchess Opportunity spearhead a private MassRoots offering of securities; with people Leighton recruits, group ownership exceeds 10% of outstanding shares.**

32. Also in March 2014, Leighton and Dutchess Opportunity led a private offering of securities for MassRoots that allowed the company to raise about \$475,000 from investors. In keeping with the push toward registration of MassRoots shares for public sale, Leighton ensured that the company was to use almost half of this money for “‘public company’ related expenditures.”

33. For the private offering of securities, Leighton recruited buyers from among his friends, employees, and friends of friends. They included trading group defendants Michael Sullivan, David Hall, Zachary Harvey, Paul Dutra, Jason Harman, and Jessica Geran. Each bought either convertible debt, in which he or she loaned money to MassRoots under an agreement that the loan would be converted into common stock, or directly bought common



stock. In addition to their purchases, each trading group investor received a warrant that allowed him or her to buy up to 50% more MassRoots shares at any time within the next three years at a fixed price (40 cents per share). Collectively, the Defendants and the other members of the trading group provided almost 90% of the \$475,000 raised in the March 2014 private securities offering.

34. At the conclusion of the March 2014 private offering, the Defendants beneficially owned approximately 15% of the issued and outstanding MassRoots shares. This calculation does not include approximately seven million shares that Azure Capital and Dutchess Opportunity had a legal right to purchase through warrants or other agreements. With such a large ownership position, the Defendants had a financial interest in keeping the share price from falling so that they could get a good return on their investment.

**Leighton works toward public trading of MassRoots stock; efforts to create a market for public trading of the stock.**

35. After the March 2014 private securities offering, Leighton and Dutchess Opportunity continued the work of bringing MassRoots stock public. Through Dutchess Opportunity's consulting relationship with MassRoots, Leighton put a MassRoots executive in touch with the professionals who would help take the company public.

36. As a first step, Leighton introduced a MassRoots executive to the lawyers who participated in drafting MassRoots' first Form S-1, a form that companies file with the SEC to register the sale of their shares to the public. Leighton also helped draft the Form S-1.

37. MassRoots' Form S-1 became effective in September 2014. That means that, as of September 2014, the sale of all MassRoots securities that had been issued as of the filing of the Form S-1, including those owned by the Defendants, were registered with the SEC. This was another step toward having MassRoots stock trade freely among members of the public.

38. Leighton also introduced a MassRoots executive to other professionals who would help MassRoots launch as a publicly-traded company: people who could serve on a Board of Directors, auditors, others who could help with advertising, and the broker who would file regulatory forms and help get a ticker symbol for MassRoots stock.

39. By guiding MassRoots toward public trading of its stock, Leighton and Dutchess Opportunity were ensuring a public market for the MassRoots stock they held. In other words, they were creating the circumstances where they could sell their stock to the general public and profit from the sales.

40. Leighton and Dutchess Opportunity also provided MassRoots with information it could use to promote the company to investors once it went public. And Leighton himself promoted MassRoots to an online blogger who wrote favorable posts about the company once it began trading.

41. In promoting MassRoots stock to investors, both directly and through others, one of Leighton's goals was to create liquidity for the stock so that there would be more willing buyers for the stock in the public markets.

**MassRoots stock begins public trading; Leighton and the trading group make up much of the market.**

42. On Thursday, April 9, 2015, MassRoots stock became available for public investors to buy when it began quoting on OTC Link. (In contrast to the New York Stock Exchange or NASDAQ, which are centralized exchanges for trading securities, OTC Link allows for stocks to be traded through brokers.) That day, Leighton and two other trading group defendants accounted for approximately 75% of the total retail market volume of trading in MassRoots stock – in other words, three-quarters of the retail transactions in the stock were because of their sales. Specifically, on April 9, Dutchess Opportunity sold 92,380 MassRoots

shares (50% of the total market volume), and Hall and Harvey each sold 22,762 shares (another 25% of the retail market volume).

43. Over the first full week of public trading in MassRoots stock, from Thursday, April 9, to Friday, April 17, 2015, Dutchess Opportunity's sales, alone, accounted for more than a third of all MassRoots trading. Sales by Dutchess Opportunity and the trading group defendants accounted for more than 60% of MassRoots trading during this first trading week. The extent of this early trading by the Defendants made clear their potential to influence the public market for MassRoots stock. And, as Leighton recognized, if they continued to sell at this rate, the price for MassRoots stock could fall, reducing the Defendants' profit.

**Leighton directs the trading group in an effort to keep MassRoots stock prices high.**

44. Leighton took steps to ensure that the market for trading in MassRoots stock remained at a level that would support and reward his and the other Defendants' steady selling. He sought to ensure that other members of the investing public would remain interested in buying MassRoots stock and that the trading group's sales of MassRoots stock would not cause the stock price to decline. In other words, if too many people were trying to sell significant amounts of MassRoots stock all at the same time, it could make the stock price drop. To avoid this, Leighton directed the trading group how, when, and at what price to sell their shares of MassRoots stock so as to manipulate the stock price and keep it higher.

45. In or about late April 2015, Leighton began giving directions to the trading group about how and when to sell their shares. Leighton also manipulated the public market for MassRoots stock by giving the trading group directions to buy additional MassRoots shares on the public market. Through these directions, Leighton sought to create the illusion of more willing buyers of MassRoots stock than there actually were, and thus to keep the stock price from falling.

46. For example, Leighton emailed the trading group on Saturday, April 25, 2015, instructing them to follow his “rule” for trading limits. He cited to a “3-5k shares per day” restriction on each person’s sales of MassRoots stock and noted that it was important to “preserve the market” for MassRoots stock. To meet that goal, Leighton requested that the email recipients not just limit their sales, but also buy back a percentage of the MassRoots stock they had sold. Leighton told the trading group how much stock to buy and gave them particular prices to use when they put in their requests (“bids”) to buy the stock. By seeking to control the asking price at which the trading group bought stock on the open market, Leighton put upward pressure on the price of MassRoots stock.

47. Several trading group members followed Leighton’s instructions. None of the trading group defendants had bought MassRoots shares on the public market before receiving Leighton’s email. That changed after the email. Collectively, Sullivan, Hall, Harvey, Harman, and Geran bought about 50,000 shares of MassRoots stock in the days after getting this email.

48. Leighton carefully monitored the trading group’s trades by getting, from MassRoots, a list of people selling MassRoots stock in the public markets. Companies that issue stock can get this list from broker-dealers so as to identify the names of their shareholders. Companies that issue public stock often use the list (known as the “Non-Objecting Beneficial Owner,” or NOBO List) to communicate with their shareholders. Leighton told a MassRoots executive that he needed the NOBO list in order to monitor the shares sold and owned in the market. The MassRoots executive, more than once, provided Leighton with the list. This information allowed Leighton to review sales and apply pressure to the trading group members when their selling volume was inconsistent with his directions, all in furtherance of his scheme to manipulate the market for MassRoots stock by supporting the stock price.

49. Leighton also directed members of the trading group when to buy more MassRoots shares by exercising their warrants. Along with the original stock or convertible debt purchases, trading group members had acquired warrants allowing them to buy additional MassRoots stock in the future at a price of 40 cents a share. In or about May 2015, Leighton emailed trading group members, including some trading group defendants, telling them to exercise their warrants. Hall, Harvey, and Sullivan exercised their warrants and bought more MassRoots stock according to Leighton's instructions. In or about September 2015, Leighton directed the trading group members to exercise the rest of their warrants. A number of trading group members, including Geran and Dutra, did so within days. All of these purchases made it appear that there were more willing buyers for MassRoots stock than there really were, manipulating the market for the stock and supporting the price.

50. Over the following months, Leighton continued to manipulate the market for MassRoots stock by directing the other Defendants to make certain transactions. For example, on or about September 25, 2015, he sent a message to some trading group defendants instructing them to "buy back" 15,000 MassRoots shares each. Leighton provided specific instructions for how to buy the stock, including to stagger the purchases over a period of time. Hall, Harvey, and Dutra each bought some shares as directed by Leighton; Hall and Harvey staggered their purchases over the course of several months after September 2015. These purchases created an artificial appearance of additional willing buyers for MassRoots stock, thus manipulating the market and attempting to keep the stock price from falling.

**Leighton pressures company insiders not to sell while Defendants evade their legal obligation to report their ownership and sales.**

51. While Leighton was profiting by steadily selling Dutchess Opportunity's shares of MassRoots stock and manipulating the price and volume of trading in the stock through instructions to the trading group, he was also pressuring the MassRoots board and insiders not to

sell their own shares. Leighton's goal in this, as in his directions to the trading group, was to keep the stock price from dropping. He was aware that corporate insiders were required to file forms when they sold stock, and that these filings often lower the price of a company's stock. For example, in both August 2015 and March 2017, Leighton emailed a MassRoots executive with directions that "insiders" should not sell their MassRoots stock. Leighton threatened that, if his directive was ignored, Dutchess would "exit our position immediately" – in other words, sell its MassRoots stock too.

52. All the while, Leighton, the Entity Defendants, and the trading group defendants were concealing from the public their own collective ownership and sales of MassRoots stock by failing to file required SEC forms. Under SEC reporting requirements that apply to companies that register their securities under the Securities Exchange Act of 1934 ("Exchange Act"), beneficial owners (and groups or syndicates of owners) who own more than a specified percentage of any registered voting class of equity security must report that ownership and their purchases and sales of stock.

53. Leighton was focused on these reporting thresholds for individual ownership. Indeed, during the March 2014 private offering, he had intentionally structured the ownership of MassRoots securities to try to avoid having those reporting requirements apply later, once the securities were SEC-registered. But those carefully structured ownership provisions did not protect Leighton and the trading group defendants from the SEC's group ownership reporting requirements, which were designed to prevent evasion of the reporting obligations in situations exactly like the one here, where two or more persons act together but keep their individual holdings below the reporting thresholds.

54. On April 27, 2015, MassRoots filed a Form 8-A, registering its common stock under the Exchange Act. The Defendants' reporting obligations triggered immediately upon the

filing of this Form. At that time, the Defendants held nearly 14% of the MassRoots stock as of this day. (This is a conservative calculation, as it does not include the approximately seven million shares that Azure Capital and Dutchess Opportunity had a legal right to purchase through warrants or other agreements.)

55. Consistent with Leighton's efforts to manipulate the public market for MassRoots stock, the Defendants did not report their ownership, sales, or purchases on the SEC forms. This failure to file allowed the group's trading to go on in secret, thus hiding their coordinated sales from the investing public. Had the Defendants filed the forms, the public would have seen that (1) there was a single group that owned more than 10% of MassRoots stock, (2) that group was steadily selling the stock. Leighton's manipulative scheme to keep the stock price high included hiding this information from the buying public so that the Defendants' steady sales wouldn't depress the price of the stock. Then, he and the other defendants could make a bigger profit on the sale of their MassRoots stock. Between April 2015 and March 2016, the Defendants made approximately \$3.2 million from their scheme.

**Sullivan's trading.**

56. In addition to following at least some of Leighton's instructions about his MassRoots trading, Sullivan used multiple brokerage accounts (at different broker-dealer firms) to place trades in MassRoots stock. These trades were manipulative.

57. Like other trading group defendants, Sullivan deposited his private MassRoots shares with a broker-dealer recommended by Leighton. Sullivan opened an account with this broker-dealer ("Sullivan Account 1") exclusively to deposit and sell the MassRoots shares he acquired in the March 2014 private offering. From this account, Sullivan steadily sold his MassRoots shares. Other than these sales, Sullivan made no other MassRoots trades in Sullivan Account 1.

58. At or around the same time Sullivan was selling MassRoots shares in Sullivan Account 1, he was both buying and selling MassRoots shares out of four additional brokerage accounts at two other brokerage firms (“Sullivan Accounts 2 through 5”). He used Sullivan Account 3 to buy MassRoots shares in response to Leighton’s April 2015 email, described above, and he used each of these four accounts to place numerous other trades designed to create the appearance of active trading in and raise the price of MassRoots stock. Using these other four accounts, Sullivan bought and sold almost 900,000 shares of MassRoots stock between April 2015 and January 2018.

59. Sullivan made many of his trades in Accounts 2 through 5 to create a false appearance of increased demand for MassRoots stock, to raise the price of the stock, and to induce public market investors to buy in this manipulated market. For example, on or about May 27, 2015, despite still holding over 170,000 shares he had acquired in the March 2014 private offering, Sullivan exercised the warrants he acquired in the private offering to buy 125,000 more MassRoots shares for 40 cents per share. Sullivan later deposited those shares in Sullivan Account 1. Just two days later, on May 29, 2015, Sullivan used Sullivan Account 4 to buy another 10,000 MassRoots shares on the open market at \$1.24 a share, or more than three times as much as he had just paid to exercise his warrants only two days earlier. Sullivan’s public-market purchases on May 29, 2015, accounted for almost a quarter of that day’s retail market volume of trading in MassRoots stock – in other words, almost one of every four MassRoots shares purchased on the public market that day was a Sullivan trade. Sullivan’s purchases manipulated the stock’s share price, which rose from \$1.21 per share to \$1.26.

60. Similarly, in late February 2016, on one morning, Sullivan sold 10,000 MassRoots shares at \$0.95 per share from Sullivan Account 1, making a profit. After the price fell to \$0.90 per share near the end of the day, Sullivan bought back 500 MassRoots shares on



the public market for \$0.95 per share in Sullivan Account 4. This purchase increased the closing price for MassRoots stock from 90 cents to 95 cents a share. Thus, Sullivan's end-of-day purchase ensured that his sales earlier in the day did not depress the public-market price of MassRoots stock. These purchases and sales had the manipulative effect of artificially supporting the public-market price of MassRoots stock.

61. By not reporting these sales on SEC forms as required, Sullivan hid the fact that he, a member of Leighton's trading group, was the one behind these transactions. This failure to report meant that the investing public did not have information to which it was entitled – namely, that the MassRoots market was being manipulated by coordinated trading. Not reporting the Defendants' MassRoots ownership was part of Leighton's scheme to manipulate the public market for MassRoots stock.

**FIRST CLAIM FOR RELIEF**  
**(Violation of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder by**  
**Leighton, Bass Point, and Azure Capital)**

62. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

63. 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] make it unlawful for any person, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) to employ devices, schemes or artifices to defraud; or (c) to engage in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

64. The shares of common stock of MassRoots constitute "securities" for the purposes of Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c(a)(10)].

65. As set forth above, Leighton, Bass Point, and Azure Capital violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder.

**SECOND CLAIM FOR RELIEF**  
**(Violations of Section 17(a)(1) and (3) of the Securities Act**  
**by Leighton, Bass Point, and Azure Capital)**

66. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

67. Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] provides that it is unlawful for any person, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) to employ devices, schemes or artifices to defraud; or (c) to engage in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

68. The shares of common stock of MassRoots constitute “securities” for purposes of Section 2(a)(1) of the Securities Act [15 U.S.C. §77b(a)(1)].

69. As set forth above, Leighton, Bass Point, and Azure Capital violated and, unless enjoined, will continue to violate Section 17(a)(1) and (3) of the Securities Act.

**THIRD CLAIM FOR RELIEF**  
**(Violation of Section 9(a)(2) of the Exchange Act by Leighton and Sullivan)**

70. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

71. Section 9(a)(2) of the Exchange Act [15 U.S.C. §78i(a)(2)] makes it unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of

interstate commerce, or of any facility of any national securities exchange, to effect a series of transactions in a security creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.

72. As set forth above, Leighton and Sullivan violated and, unless enjoined, will continue to violate Section 9(a)(2) of the Exchange Act.

**FOURTH CLAIM FOR RELIEF**  
**(Violation of Section 17(a)(3) of the Securities Act by Sullivan)**

73. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

74. Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] provides that it is unlawful for any person, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (c) to engage in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

75. The shares of common stock of MassRoots constitute “securities” for purposes of Section 2(a)(1) of the Securities Act [15 U.S.C. §77b(a)(1)].

76. As set forth above, Sullivan violated and, unless enjoined, will continue to violate Section 17(a)(3) of the Securities Act.

**FIFTH CLAIM FOR RELIEF**  
**(Violations of Section 13(d) of the Exchange Act**  
**and Rule 13d-1 thereunder by Defendants)**

77. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

78. Section 13(d) of the Exchange Act provides that any person who directly or indirectly acquires the beneficial ownership of more than 5% of a class of voting equity securities registered under Exchange Act Section 12 must, within 10 days of the acquisition, file with the Commission a statement containing the information required by Schedule 13D [17 C.F.R. § 240.13d-101]. When two or more people act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of such securities of an issuer, the group is deemed a “person” under this subsection.

79. The stock of MassRoots was a security under Section 3(a)(1) of the Exchange Act [15 U.S.C. §78c(a)(10)].

80. The stock of Mass Roots was registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l].

81. As set forth above, Defendants have violated, and, unless enjoined, will continue to violate Section 13(d) of the Exchange Act and Rule 13d-1 thereunder.

**SIXTH CLAIM FOR RELIEF**  
**(Violation of Section 16(a) of the Exchange Act**  
**and Rule 16a-3 thereunder by Defendants)**

82. The Commission repeats and incorporates by reference the allegations in paragraphs 1-61 above.

83. Section 16(a) of the Exchange Act and Rule 16a-3 thereunder require that every person who is directly or indirectly the beneficial owner of more than 10 percent of any class of any non-exempted equity security which is registered pursuant to Exchange Act Section 12 shall file with the Commission a Form 3 (initial statement of beneficial ownership). Statements of changes in beneficial ownership required by Section 16(a) are to be filed on Form 4, and annual statements on Form 5.

84. The stock of MassRoots was a security under Section 3(a)(1) of the Exchange Act [15 U.S.C. §78c(a)(10)].

85. The stock of Mass Roots was registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l].

86. As set forth above, Defendants have violated, and, unless enjoined, will continue to violate Section 16(a) of the Exchange Act and Rule 16a-3 thereunder.

**PRAYER FOR RELIEF**

A. Enter a permanent injunction restraining Leighton, Bass Point, and Azure Capital, as well as their officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Section 17(a) of the Securities Act,
2. Sections 10(b), 13(d), and 16(a) of the Exchange Act and Rules 10b-5, 13d-1, and 16a-3 thereunder, and,
3. As to Leighton, Section 9(a)(2) of the Exchange Act;

B. Enter a permanent injunction restraining Leighton, Bass Point, and Azure Capital, as well as their officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them, from directly or indirectly (including, but not limited to, through an entity owned or controlled by Leighton) participating in the issuance, purchase, offer, or sale of any security; provided, however, that such injunction shall not prevent Defendant Leighton from purchasing or selling securities listed on a national securities exchange for his own personal account;

C. Bar Leighton from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

D. Bar Leighton, Bass Point, and Azure Capital from ever participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock;

E. Enter a permanent injunction restraining Sullivan, as well as his officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of:

1. Section 17(a) of the Securities Act,
2. Sections 9(a)(2), 13(d), and 16(a) of the Exchange Act and Rules 13d-1 and 16a-3 thereunder.

F. Bar Sullivan from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock;

G. Enter a permanent injunction restraining Harvey, Hall, Dutra, Harman, and Geran, as well as their officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-1, and 16a-3 thereunder;

H. Require Leighton, Bass Point, Azure Capital, Sullivan, Hall, Harvey, and Dutra to disgorge all ill-gotten gains obtained by reason of the unlawful conduct alleged in this Complaint, plus prejudgment interest;

I. Order Leighton, Sullivan, Hall, Harvey, Dutra, Harman, and Geran to pay appropriate civil penalties pursuant to 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)];

J. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

K. Grant such other and further relief as this Court may deem just and proper.

**JURY DEMAND**

The Commission demands a jury in this matter for all claims so triable.

Respectfully submitted,

/s/ Rachel E. Hershfang  
Rachel E. Hershfang (Mass. Bar No. 631898)  
Senior Trial Counsel  
Jonathan R. Allen (Mass Bar No. 680729)  
Senior Counsel  
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Dated: April 7, 2020

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

SECURITIES AND EXCHANGE COMMISSION

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number) Rachel E. Hershfang, SEC, 33 Arch St., #2400, BOSTON, MA 02110, 617-573-8900

DEFENDANTS

DOUGLAS LEIGHTON, BASS POINT CAPITAL LLC, AZURE CAPITAL CORP. DAVID HALL, ZACHARY HARVEY, MICHAEL SULLIVAN, PAUL DUTRA, JASON HARMAN, JESSICA GERAN

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship: Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation.

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Click here for: Nature of Suit Code Descriptions.

Large table with categories: CONTRACT, REAL PROPERTY, CIVIL RIGHTS, TORTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District (specify), 6 Multidistrict Litigation - Transfer, 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Exchange Act ; Securities Act

Brief description of cause:

Securities Fraud

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$

CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE DOCKET NUMBER

DATE SIGNATURE OF ATTORNEY OF RECORD

4/7/2020 /s/ Rachel E. Hershfang

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE



## INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

### Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.  
 United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.  
 United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.  
 Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.  
 Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: [Nature of Suit Code Descriptions](#).
- V. Origin.** Place an "X" in one of the seven boxes.  
 Original Proceedings. (1) Cases which originate in the United States district courts.  
 Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.  
 Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.  
 Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.  
 Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.  
 Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.  
 Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.  
**PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service
- VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.  
 Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.  
 Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

**Date and Attorney Signature.** Date and sign the civil cover sheet.

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

1. Title of case (name of first party on each side only) SECURITIES AND EXCHANGE COMMISSION v. DOUGLAS LEIGHTON

2. Category in which the case belongs based upon the numbered nature of suit code listed on the civil cover sheet. (See local rule 40.1(a)(1)).

Checked box for category I

I. 160, 400, 410, 441, 535, 830\*, 835\*, 850, 891, 893, R.23, REGARDLESS OF NATURE OF SUIT.

Empty box for category II

II. 110, 130, 190, 196, 370, 375, 376, 440, 442, 443, 445, 446, 448, 470, 751, 820\*, 840\*, 895, 896, 899.

Empty box for category III

III. 120, 140, 150, 151, 152, 153, 195, 210, 220, 230, 240, 245, 290, 310, 315, 320, 330, 340, 345, 350, 355, 360, 362, 365, 367, 368, 371, 380, 385, 422, 423, 430, 450, 460, 462, 463, 465, 480, 490, 510, 530, 540, 550, 555, 560, 625, 690, 710, 720, 740, 790, 791, 861-865, 870, 871, 890, 950.

\*Also complete AO 120 or AO 121. for patent, trademark or copyright cases.

3. Title and number, if any, of related cases. (See local rule 40.1(g)). If more than one prior related case has been filed in this district please indicate the title and number of the first filed case in this court.

4. Has a prior action between the same parties and based on the same claim ever been filed in this court?

YES [ ] NO [checked]

5. Does the complaint in this case question the constitutionality of an act of congress affecting the public interest? (See 28 USC §2403)

YES [ ] NO [checked]

If so, is the U.S.A. or an officer, agent or employee of the U.S. a party?

YES [ ] NO [ ]

6. Is this case required to be heard and determined by a district court of three judges pursuant to title 28 USC §2284?

YES [ ] NO [checked]

7. Do all of the parties in this action, excluding governmental agencies of the United States and the Commonwealth of Massachusetts ("governmental agencies"), residing in Massachusetts reside in the same division? - (See Local Rule 40.1(d)).

YES [ ] NO [checked]

A. If yes, in which division do all of the non-governmental parties reside?

Eastern Division [ ] Central Division [ ] Western Division [ ]

B. If no, in which division do the majority of the plaintiffs or the only parties, excluding governmental agencies, residing in Massachusetts reside?

Eastern Division [checked] Central Division [ ] Western Division [ ]

8. If filing a Notice of Removal - are there any motions pending in the state court requiring the attention of this Court? (If yes, submit a separate sheet identifying the motions)

YES [ ] NO [ ]

(PLEASE TYPE OR PRINT)

ATTORNEY'S NAME Rachel E. Hershfang

ADDRESS SEC, 33 Arch Street #2400, Boston, MA 02110

TELEPHONE NO. 617-573-8900