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NCLA Celebrates Jury Verdict Exonerating Our Clients from a Dozen Inaccurate SEC Charges

U.S. Securities and Exchange Commission v. Spartan Securities Group, LTD., et al.

Washington, DC (July 30, 2021) – Today, a federal jury in the Middle District of Florida delivered a favorable [verdict](#) in [*U.S. Securities and Exchange Commission v. Spartan Securities Group, LTD., et al.*](#) The New Civil Liberties Alliance, a nonpartisan, nonprofit civil liberties group, commends the jurors who fully exonerated NCLA’s clients David Lopez, former Chief Compliance Officer for Spartan Securities Group, Ltd. and Island Capital Management, before Judge Virginia Hernandez Covington. The jury also ruled in favor of our other clients, Spartan Securities Group and Carl Dilley (on 12 out of 13 charges), and Micah Eldred and Island Stock Transfer (on 11 counts out of 12), rejecting multiple allegations of fraud, aiding and abetting, as well as regulatory violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. The drubbing SEC took at the hands of these brave defendants shows the U.S. Securities and Exchange Commission (SEC) had massively overcharged them for behavior that was not unlawful.

SEC targeted Spartan, a market maker, and Island, a transfer agent, for third-party misconduct that SEC itself had failed to uncover. From 2005 through 2015, Spartan applied to publish quotations of securities as a market maker for approximately 1500 issuers. Spartan was required to file a Form 211 application with the Financial Industry Regulatory Authority (FINRA) to demonstrate compliance with both FINRA and SEC rules. SEC eventually discovered that 19 out of 1500 issuers were involved in fraud, and the agency unwarrantedly pinned all the blame on Spartan and Island for failing to discover the misconduct that SEC itself long could not detect.

SEC took an aggressive and novel view of its rules and tried to enforce agency guidance as though it were the law. It attempted to hold NCLA’s clients liable under an arbitrary expansion of the requirements of applicable rules set out by Congress and the Commission itself.

But the jury confirmed that neither Spartan nor Island nor any of their employees were involved in the creation or operation of the named issuers listed in the complaint. NCLA’s clients amply complied with their statutory obligations, gathered all required information, and compiled reams of documents supporting their compliance above and beyond the lawful requirements. Kudos to the jury for unanimously rejecting SEC’s effort to change regulatory requirements through enforcement proceedings in federal court.

NCLA believes that the sole remaining count against our clients is legally unsupported and will be successfully overturned upon filing a post-verdict motion.

Today’s verdict should be a signal to SEC that ordinary people will not stand for its abuses.

NCLA released the following statements:

“Jury trials are the ultimate check on the abuse of government authority, and the jury resoundingly rejected the SEC’s attempt to expand its own power, abuse the agency “guidance” process, and create new rules through

enforcement. Litigants rarely get their day in court before they simply can't afford to stand on their innocence and fight back. SEC accused Spartan, and its employees, of 14 different violations of the law, and tried to bankrupt them and permanently bar them from the industry. The jury unanimously rejected almost all of those extreme accusations. This verdict should send a message to SEC—and every agency—NCLA will not let them abuse their power and try to ruin the lives of innocent and hardworking Americans.”

— **Caleb Kruckenberg, NCLA Litigation Counsel**

“Our clients have spent the better part of a decade under investigation, threat of enforcement, and ultimately this lawsuit. Through those years it became abundantly clear that the SEC had no interest in the facts or the truth. Over the past three weeks, our clients finally got the opportunity to tell their stories to an impartial jury. Today's verdict is a telling rebuke of the Commission's abusive and indiscriminate enforcement processes.”

— **Kara Rollins, NCLA Litigation Counsel**

For more information about this case visit [here](#).

ABOUT NCLA

[NCLA](#) is a nonpartisan, nonprofit civil rights group founded by prominent legal scholar [Philip Hamburger](#) to protect constitutional freedoms from violations by the Administrative State. NCLA's public-interest litigation and other pro bono advocacy strive to tame the unlawful power of state and federal agencies and to foster a new civil liberties movement that will help restore Americans' fundamental rights.

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