



U.S. Securities and
Exchange Commission

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U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 26607 / August 11, 2026

***Securities and Exchange Commission v. John Fanning et al.*, No. 26-civ-13665 (D. Mass. filed Aug. 10, 2026)**

SEC Charges Public Company and Officers in Alleged Fraudulent Scheme to Overstate Revenue

On August 10, 2026, the Securities and Exchange Commission filed charges against the public company Netcapital Inc., and five affiliated individuals, including current and former officers and directors, for allegedly participating in a fraudulent scheme to overstate Netcapital's revenue while raising more than \$25 million from investors. In addition to Netcapital, the complaint includes as defendants John Fanning, who allegedly acted as an officer of Netcapital despite having no formal officer designation; Coreen Kraysler, Fanning's wife and Netcapital's Chief Financial Officer; Martin Kay, a former board member and Chief Executive Officer of Netcapital; Paul Riss, a certified public accountant who allegedly had substantial responsibilities related to revenue recognition and the preparation of Netcapital's financial statements; and Cecilia Lenk, who preceded Kay as Netcapital's Chief Executive Officer and served as the principal executive officer of the Netcapital subsidiary that entered into the purported consulting agreements that allegedly led to overstated revenue.

The SEC's complaint, filed in federal district court in Boston, Massachusetts, alleges that from approximately October 2021 through January 2024, Netcapital improperly recognized nearly \$14 million in revenue from sham consulting agreements, some of

which were forged, which amounted to Netcapital overstating its revenue by approximately 345 percent. According to the complaint, Netcapital included the inflated revenue in public SEC filings and Netcapital's securities offering materials. The alleged fraudulent scheme involved a Netcapital subsidiary that purportedly entered into consulting agreements with startups or other small companies seeking investment from the public under SEC Regulation Crowdfunding (Reg. CF). As alleged, however, the consulting agreements were fictitious, and the revenue that Netcapital recognized from them was improper.

The complaint charges the defendants with violating various anti-fraud, reporting, certification, and other provisions of the federal securities laws. Specifically:

- Netcapital is charged with violating Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1, and 13a-13 under the Exchange Act;
- Fanning is charged with violating Sections 17(a)(1) and (3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder and with aiding and abetting Netcapital's violations of Section 17(a)(2) of the Securities Act and Rule 10b-5(b) under the Exchange Act;
- Kraysler is charged with violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Rules 13a-14 and 13b2-2 under the Exchange Act;
- Kay is charged with violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5, 13a-14, and 13b2-2 thereunder;
- Riss is charged with violating Sections 17(a)(1) and (3) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder, and with aiding and abetting Netcapital's violations of Section 17(a)(2) of the Securities Act and Rule 10b-5(b) under the Exchange Act; and
- Lenk is charged with violating Section 17(a)(2) and (3) of the Securities Act and Rule 13a-14 under the Exchange Act.

The SEC seeks permanent injunctions against all defendants; conduct based-injunctions against Fanning, Kraysler, Riss, Lenk, and Kay; disgorgement and prejudgment interest from Netcapital, Fanning, Kraysler, Riss, and Kay; officer-and-director bars against Fanning, Kraysler, Riss, and Kay; and civil monetary penalties against all defendants.

Without admitting the allegations made in the SEC's complaint, Lenk consented to the entry of a final judgment, subject to court approval, which would order permanent injunctions, a conduct-based injunction, and a civil monetary penalty of \$50,000.

This matter is being handled by Ivan Panchenko, Mark Audet, John McCann, Michael Moran, and Colin Forbes in the SEC's Boston Regional Office.

RESOURCES

- **[SEC Complaint](#)**