

## Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION— S.D.N.Y.: New York securities attorney charged with fraud for stock manipulation, (Apr. 13, 2017)

Securities Regulation Daily Wrap Up

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By Rebecca Kahn, J.D.

The SEC has charged a New York-based securities attorney with exploiting his position as counsel in connection with a securities fraud investigation, so that he himself could take control of shell companies, issue stock and rig them for market manipulation schemes. The Commission also names the attorney's paralegal and a Houston-based attorney who issued false opinion letters ([SEC v. Sayid](#), April 12, 2017).

The SEC claims that Mustafa David Sayid exploited his position as counsel to take control of at least two publicly traded companies: Nouveau Holdings Ltd. and Striper Energy Inc. After representing the companies' control persons in SEC investigations into a "pump and dump" scheme (leading to guilty pleas and prison sentences) Sayid took charge of the scheme himself. He engaged in false and misleading promotional campaigns by searching out and negotiating corporate mergers with existing non-public companies, and then facilitated stock transactions of the companies, enabling a group of third parties to receive millions of shares of stock that should have been labeled with restrictive legends to prevent further transfers.

The complaint also charges Kevin Jasper, who worked as Sayid's paralegal and served as an officer and director of Nouveau and Striper, as well as Texas attorney Norman Reynolds for assisting in the scheme involving Nouveau. Sayid hired Reynolds to send Nouveau's transfer agent two fraudulent legal opinion letters, which persuaded the transfer agent to remove restrictive legends from millions of shares of Nouveau stock, setting the stage for the illegal sale of those shares to the public. At the time Reynolds drafted these fraudulent opinion letters, he negotiated with Sayid to receive a portion of the anticipated sale proceeds.

Over the course of Sayid's three year scheme to control the shell companies and profit from the unlawful sale of Nouveau and Striper stock, he earned more than \$186,000, paid Jasper over \$21,000 and Reynolds received \$700 for issuing the fraudulent opinion letters. The complaint levels counts against all three individuals for violation of Exchange Act Section 10(b) and Rule 10b-5 thereunder and Securities Act Section 17(a)(1) and (2). The SEC also charges the attorneys with violations of Securities Act Section 5(a) and (c) (registration provisions) and Section 17(a)(3). The SEC seeks injunctions, disgorgement, and civil monetary penalties.

The complaint is [No. 1:17-cv-2630](#).

Attorneys: Caitlyn Mary Campbell (Weil, Gotshal & Manges LLP) for the SEC.

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