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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

**CANAFARMA HEMP PRODUCTS CORP.,
VITALY FARGESEN, and IGOR PALATNIK,**

Defendants.

COMPLAINT

21 Civ. 8211

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendants CanaFarma Hemp Products Corp. (“CanaFarma” or the “Company”), Vitaly Fargesen (“Fargesen”), and Igor Palatnik (“Palatnik”) (collectively, “Defendants”), alleges as follows:

SUMMARY

1. Defendants perpetrated an investment offering fraud through which they raised millions of dollars from investors for a start-up hemp company called CanaFarma on the basis of misrepresentations about how investor money would be used as well as misrepresentations about the Company’s business prospects.

2. CanaFarma’s stated business plan was to grow hemp at farms in New York and to sell hemp-based products such as chewing gum that it would market directly to consumers.

3. From March 2019 through at least October 2020 (the “Relevant Period”), Defendants raised approximately \$15 million from more than 60 investors around the world, including investors in the United States and in this District.

4. Though investors were told their money would be used to fund CanaFarma’s business operations, beginning in at least April 2019, Fargesen and Palatnik—“vice presidents” on paper but the controlling persons of the Company in reality—misappropriated at least \$4 million of investor funds from these raises, either for personal use or for purposes unrelated to CanaFarma’s business. Defendants concealed this misappropriation from potential investors through the use of doctored financial projections backed up by phony agreements and invoices that were intended to make the payments appear as if they were for legitimate corporate expenses.

5. Additionally, Defendants made or disseminated to investors numerous other material misrepresentations and omissions about the Company and its business prospects. For example, through both written materials and oral presentations, Fargesen and Palatnik told potential investors that CanaFarma was a “fully integrated” company that was processing the hemp from its farms and using the resulting hemp oil in its products when, in reality, it had not processed any of this hemp and its products used hemp oil from third parties. Defendants provided financial information to investors that misstated historical revenue numbers and included baseless projections about future revenue that were unsupported by the Company’s own internal forecasts. And, Defendants touted the quality of CanaFarma’s management team, which was purportedly led by its CEO, Executive-1, while failing to state that, in reality, Executive-1 was CEO in name only, making no substantive decisions and taking direction from Fargesen and Palatnik.

6. Investors paid as much as \$0.50 for each share of CanaFarma stock they bought through Defendants' securities offerings. Today, those shares are worth a fraction of what these investors paid.

VIOLATIONS

7. By virtue of the foregoing conduct and as alleged further herein, Defendants have violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Unless Defendants are restrained and enjoined, they will engage in the acts, practices, transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

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

10. The Commission seeks a final judgment: (a) permanently enjoining Defendants from violating the federal securities laws and rules this Complaint alleges they have violated; (b) ordering Defendants to disgorge the ill-gotten gains they received with prejudgment interest thereon pursuant to Exchange Act Sections 21(d)(3), 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)]; (c) ordering Defendants to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; (d) permanently prohibiting Defendants Fargesen and Palatnik from serving as an officer or director of any company that has a class of securities registered under Exchange Act Section 12 [15 U.S.C. § 78l] or that is required to file reports under Exchange Act Section 15(d) [15 U.S.C. § 78o(d)],

pursuant to Securities Act Section 20(e) [15 U.S.C. § 77t(e)] and Exchange Act Section 21(d)(2) [15 U.S.C. § 78u(d)(2)]; (e) permanently prohibiting Defendants Fargesen and Palatnik from participating in any offering of a penny stock, pursuant to Securities Act Section 20(g) [15 U.S.C. § 77t(g)] and Exchange Act Section 21(d)(6) [15 U.S.C. § 78u(d)(6)]; and (f) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

11. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa].

12. Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

13. Venue lies in this District under Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa]. During the Relevant Period, CanaFarma maintained offices in Manhattan that Fargesen and Palatnik used for CanaFarma business and investor meetings. Additionally, certain acts, practices, transactions, and courses of business alleged in this Complaint occurred within this District, including Defendants' meetings with potential investors and their sales of CanaFarma securities to at least 11 investors located in Manhattan as part of the fraudulent offerings that are the subject of this Complaint.

DEFENDANTS

14. **CanaFarma** is a Canadian corporation with offices in Vancouver, Canada, Morganville, New Jersey, and, during the Relevant Period, Manhattan. CanaFarma incorporated in June 2017 under the name KYC Technology Inc. ("KYC"). In March 2020, as part of a reverse merger, KYC acquired CanaFarma Corp. ("CF Corp."), a privately-held Delaware corporation, and thereafter changed its name to CanaFarma. Beginning in March 2020 and thereafter, CanaFarma

became listed on the Canadian Stock Exchange (“CSE”) (ticker: CNFA.CN) and the Frankfurt Stock Exchange (“FSE”) (tickers: 4K9.F, 4K9.MU, and 4K9.BE), and is quoted on an unsolicited basis on OTC Markets (ticker: CNFHF).

15. **Fargesen**, age 52, resides in Englishtown, New Jersey. Fargesen is a co-founder of CanaFarma along with Palatnik, with whom Fargesen has worked on various business ventures for more than 20 years. During the Relevant Period, Fargesen was Senior Vice President of Strategic Planning at CanaFarma and, at various points, a member of the board of directors. In an indictment unsealed today, October 5, 2021, Fargesen was criminally charged by the U.S. Attorney’s Office for the Southern District of New York (“USAO SDNY”) with securities fraud, wire fraud, and conspiracies to commit both securities fraud and wire fraud in connection with the CanaFarma investment offering fraud described herein. See *United States v. Vitaly Fargesen and Igor Palatnik*, 21 Cr. 602 (S.D.N.Y.) (the “Criminal Case”).

16. **Palatnik**, age 47, resides in Marlboro, New Jersey. Palatnik is a co-founder of CanaFarma along with Fargesen, with whom Palatnik has worked on various business ventures for more than 20 years. During the Relevant Period, Palatnik was Senior Vice President of Product Acquisition at CanaFarma and, at various points, a member of the board of directors. Palatnik has also been charged in the indictment in the Criminal Case with securities fraud, wire fraud, and conspiracies to commit both securities fraud and wire fraud in connection with the CanaFarma investment offering fraud described herein.

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