

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100054 / May 3, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21927

In the Matter of

JOHN M. MORETZ,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against John M. Moretz (“Moretz” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order, as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

Summary

These proceedings arise out of the promotion of Neptune Wellness Solutions, Inc. (“Neptune”) stock and statements made by Neptune’s Chairman of the Board of Directors, John M. Moretz, to a close friend about the company. At the time Moretz made these statements, he was in possession of material non-public information concerning Neptune and a possible acquisition of SugarLeaf Labs, Inc., a hemp processor located near Hickory, North Carolina, where Moretz and his friend both resided. Moretz’s friend’s spouse purchased Neptune’s stock based on the information Moretz provided in advance of an announcement by the company in May 2019 regarding the acquisition. Upon learning about the SugarLeaf acquisition, the friend’s spouse opened a brokerage account and began purchasing Neptune stock in advance of the May 9, 2019 announcement. After the SugarLeaf announcement, she continued purchasing Neptune stock and also directed her sister to do so. As a result of her securities purchases in advance of the May 9, 2019 announcement, Moretz’s friend’s spouse profited by \$78,618.

Respondent

1. John M. Moretz, age 74, is the former Chairman of the Board of Directors of Neptune. In the early 2010s, Moretz, as a fitness enthusiast, became interested in Neptune’s consumer wellness products derived from krill oil. Soon after, he began investing in Neptune and ultimately acquired approximately 3% of the company’s outstanding shares. In February 2014, Moretz became a special advisor to Neptune’s board of directors and was elected to the board later that year. In 2017, Moretz was elected Chairman and served in that capacity until he resigned in February 2022. Moretz is also the owner of a national apparel marketing firm, Moretz Marketing, LLC, and a premier event facility and restaurant in Hickory, North Carolina. Moretz is not registered with the Commission in any capacity. Moretz is a resident of Hickory, North Carolina.

Other Relevant Entity

2. Neptune Wellness Solutions, Inc. is a public company incorporated in Canada and headquartered in Laval, Quebec. Neptune’s securities trade on NASDAQ and the Toronto Stock Exchange. On January 7, 2019, Neptune obtained a license from Health Canada to produce and sell cannabis-related products to other license holders. Since that time, Neptune has been engaged in the business of extracting and commercializing cannabidiol (“CBD”) through the development of consumer wellness products.

Background

3. Moretz, a lifelong resident of Hickory, North Carolina, is widely known in the local area for having been a hall-of-fame football player at a local university and later building a successful textile business marketing celebrity lifestyle brands as well as for his philanthropic and charitable activities in the Hickory area. Moretz has maintained a close friendship with a friend and former college teammate, who has also lived in Hickory for over 50 years (“Friend”).

4. Moretz was enthusiastic about his business pursuits, including Neptune, which he shared with his family and close friends. Moretz regularly shared publicly-available Neptune press releases and stock analysts' reports with his family and friends, including Friend and Friend's spouse ("Spouse"). These reports contained the analysts' recommendations and projections about valuation and target stock price. Hickory is a small town and many of its residents followed the development of Neptune, including Friend, and took an interest in its stock.

5. Friend and Spouse purchased Neptune stock in a joint brokerage account that Friend controlled on numerous occasions beginning in January 2018. Friend told Moretz that he had purchased Neptune stock based on Moretz's enthusiasm for Neptune and information he provided to them. Additionally, several other Hickory residents also purchased Neptune stock in part based on Moretz's evident enthusiasm for the company.

6. On January 7, 2019, Neptune announced that it had obtained its license from Canada to process cannabis. Soon after, Neptune began exploring expanding its business into the United States by acquiring an existing business that extracted CBD from cannabis. In late January 2019, Moretz identified SugarLeaf Labs, LLC ("SugarLeaf"), a CBD extraction business located near his residence in Hickory, North Carolina, as a potential target. On February 6, 2019, Neptune entered into a non-disclosure agreement with SugarLeaf.

7. On February 8, 2019, Moretz met with SugarLeaf's CEO in Hickory and then reported back to Neptune's board that acquiring SugarLeaf could be a "transformational" opportunity for Neptune. In his communication with the board, Moretz also requested additional compensation in the form of stock options because he was taking on an expanded role in assisting Neptune's management, particularly with a "deep dive" into the potential SugarLeaf acquisition. The following day, Moretz also informed Neptune's CEO that he believed that acquiring SugarLeaf was the most actionable opportunity that Neptune had in the near term. Moretz thought the acquisition could help Neptune grow from a \$20 million company to a \$100 to \$200 million company. Thereafter, Moretz was actively engaged in Neptune's acquisition of SugarLeaf.

8. On March 5, 2019, Neptune held a special meeting of board of directors to discuss the potential SugarLeaf acquisition. During the meeting, the board reviewed a financial deck with projections of how the acquisition would benefit Neptune and discussed specific proposed transaction terms. At the end of the meeting, the board of directors authorized the negotiation and execution of a Letter of Intent, and investment in the due diligence process.

9. On the same date as the Neptune board meeting, Spouse opened an individual brokerage account for the purpose of purchasing Neptune stock. During the initial meeting with her registered representative, Spouse told him that Neptune "owned" a hemp facility in Hickory.

10. At that time, Neptune had not yet acquired SugarLeaf and their negotiations were non-public. Spouse also told the registered representative that her husband Friend and Moretz were best friends and that Moretz had told Friend that Neptune's stock was going to increase to \$12 per share (from its then price of approximately \$3.50 per share). After opening

her individual account, Spouse began accumulating Neptune stock against her registered representative's advice, ultimately acquiring approximately \$500,000 in shares over the next three months as the only holding in her account. Spouse's Neptune stock purchases were highly aberrational—she had never previously owned an individual brokerage account nor placed a stock order herself as she had delegated all of her personal finances to her husband, Friend, throughout their long marriage. These facts indicate that Moretz tipped material nonpublic information to Friend and/or Spouse, and that given his knowledge of Friend's past trading in Neptune, Moretz was at least reckless in not knowing that communicating this information would result in trading.

11. On May 9, 2019, Neptune announced the acquisition of SugarLeaf. Neptune's stock price increased by as much as 5 percent during intraday trading, but ultimately closed down by approximately 2 percent, with a 100-percent increase in trading volume over the prior trading day. Spouse's Neptune holdings increased by \$78,618 because Neptune's stock price had increased between the time of her purchases and the announcement of the SugarLeaf acquisition. On the same date, Moretz sent the press release to Friend and Spouse, stating “[o]ne of the big ones.” Afterwards, Spouse continued accumulating Neptune stock and solicited her sister (“Sister”) to do so too. In fact, Spouse took Sister to open a brokerage account with Spouse's registered representative and advised her to purchase Neptune stock. Sister had never owned a brokerage account, but she agreed to invest nearly her entire life savings in Neptune stock based on Spouse's direction.

12. Spouse and Sister continued to hold their Neptune stock and ultimately lost money as Neptune's stock has declined below their purchase price since then.

13. As a result of the conduct described above, Moretz violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Moretz's Offer.

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Moretz cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

B. Respondent Moretz be, and hereby is prohibited 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, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, for a period of three (3) years from the entry of this Order; and

C. Respondent Moretz shall, within 21 days of the entry of this Order, pay a civil money penalty in the amount of \$115,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Moretz as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Justin C. Jeffries, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 950 E. Paces Ferry Road NE, Atlanta, Georgia 30326.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed

in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary