UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

U.S. Securities and Exchange Commission v. Spartan Securities Group, Ltd.

SEC v. Spartan Securities Group · No. 22-13129 · Decided January 16, 2026

SUMMARY

The Eleventh Circuit affirmed judgments against Spartan Securities Group, Island Capital Management, Carl E. Dilley, and Micah J. Eldred in an SEC enforcement action arising from microcap securities fraud schemes involving shell companies. The court upheld the district court's rulings on expert-witness admissibility, judgment as a matter of law, injunctions, penny-stock bars, civil penalties, and disgorgement. The defendants' arguments concerning limitations periods, the Seventh Amendment, causation, calculation of profits, and ability to pay were rejected.

CASE DETAILS

COURT	United States Court of Appeals for the Eleventh Circuit
WRITING FOR THE COURT	Branch; Luck; Tjoflat
JURISDICTION	United States Court of Appeals for the Eleventh Circuit
DECIDED	January 16, 2026
DOCKET	22-13129
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a final judgment after a jury found Spartan Securities Group, Ltd., Island Capital Management, Carl E. Dilley, and Micah J. Eldred liable for false statements or misleading omissions in violation of Exchange Act section 10(b) and SEC rule 10b-5(b). The defendants challenged the admission of SEC expert testimony, denial of judgment as a matter of law, and the district court's injunctions, penny-stock bars, civil penalties, disgorgement, and prejudgment interest.
STANDARD OF REVIEW	Expert-testimony admissibility, disgorgement, civil penalties, and injunctive relief are reviewed for abuse of discretion; judgment as a matter of law is reviewed de novo, viewing the evidence and reasonable inferences in the nonmovant's favor; timeliness under the governing statutes of limitations is reviewed de novo.
PRECEDENTIAL VALUE	published and precedential

PARTIES	Spartan Securities Group, Ltd., Island Capital Management, Carl E. Dilley, Micah J. Eldred v. U.S. Securities and Exchange Commission

TOPICS

commercial litigation · remedies · expert testimony · daubert standard · statutory interpretation

PRACTICE AREAS

securities regulation · securities fraud · federal civil procedure · evidence · equitable remedies

QUESTIONS PRESENTED

1. Whether the district court abused its discretion by admitting the SEC's expert testimony concerning transfer-agent practices and DTC eligibility under Federal Rule of Evidence 702.
2. Whether sufficient evidence supported the jury's finding that Spartan, Island, Dilley, and Eldred made material misrepresentations or misleading statements in connection with the purchase or sale of securities in violation of Exchange Act section 10(b) and SEC rule 10b-5(b).
3. Whether the district court's injunctions, penny-stock bars, civil penalties, disgorgement, and prejudgment interest were barred by the applicable statutes of limitations or otherwise constituted an abuse of discretion.
4. Whether the Exchange Act authorizes a federal court to order disgorgement of ill-gotten gains to the United States Treasury when distribution to investors is infeasible.

HOLDINGS

1. The district court did not abuse its discretion by admitting James Cangiano's testimony concerning transfer-agent practices and DTC eligibility.
2. The evidence was sufficient for a reasonable jury to find that the defendants made material misrepresentations or materially misleading statements, in connection with the purchase or sale of securities, with scienter.
3. A misrepresentation may satisfy the connection requirement even when made before the securities transaction and directed to a regulator or intermediary rather than directly to an investor, if the misrepresentation intentionally facilitates or is an integral part of the securities transaction.
4. In an SEC civil enforcement action under the Exchange Act, sections 21(d)(3)(A)(ii) and 21(d)(7) authorize a district court to order disgorgement of unjust enrichment to the United States Treasury, even when directing the funds to the Treasury would not independently satisfy section 21(d)(5)'s investor-benefit language.
5. The district court did not abuse its discretion by ordering Island to disgorge its ill-gotten profits to the Treasury where distribution to investors was infeasible.

KEY QUOTATIONS

> *“Consistent with the text of the new disgorgement provision, we hold that in a civil enforcement action brought by the SEC under the Exchange Act, the SEC may seek, and a district court may order, that a defendant disgorge its ill-gotten gains to the Treasury under sections 21(d)(3)(A)(ii) and (d)(7)—even if directing the money to the Treasury wouldn’t “be appropriate or necessary for the benefit of investors” under section 21(d)(5).”* (at 63)

> *“The district court reasonably found that it would be more equitable to direct the money be paid to the Treasury because it “would be inequitable that [Island] should make a profit out of [its] own wrong.””* (at 70)

FACTUAL BACKGROUND

Spartan Securities was a broker-dealer and Island Capital Management was a transfer agent; the companies shared ownership, officers, employees, and facilities. They assisted promoters in taking nineteen shell companies into the over-the-counter market by obtaining FINRA Form 211 clearance and DTC eligibility. The SEC presented evidence that the companies and their principals made false statements about the issuers' business operations, control, relationships, and shell-company status, thereby facilitating public trading and later sales or reverse mergers.

PROCEDURAL HISTORY

The SEC filed a fourteen-count enforcement action in the Middle District of Florida in 2019. The district court denied the defendants' motions for summary judgment, exclusion of the SEC's expert witness, and special jury interrogatories. After a thirteen-day trial, the jury found all four appealing defendants liable on count six, and the district court denied renewed Rule 50(b) motions. The district court then imposed injunctions, penny-stock bars, civil penalties, and disgorgement against Island, and the defendants appealed.

DISPOSITION

affirmed

CASES CITED

- Cook ex rel. Estate of Tessier v. Sheriff of Monroe County, 402 F.3d 1092 (11th Cir. 2005)
- United States v. Frazier, 387 F.3d 1244 (11th Cir. 2004) (en banc)
- Doe v. Rollins College, 77 F.4th 1340 (11th Cir. 2023)
- Quiet Technology DC-8, Inc. v. Hurel-Dubois UK Ltd., 326 F.3d 1333 (11th Cir. 2003)
- United States v. Williams, 865 F.3d 1328 (11th Cir. 2017)
- McClain v. Metabolife International, Inc., 401 F.3d 1233 (11th Cir. 2005)
- Moore v. Intuitive Surgical, Inc., 995 F.3d 839 (11th Cir. 2021)
- United States v. Brown, 415 F.3d 1257 (11th Cir. 2005)
- Janus Capital Group, Inc. v. First Derivative Traders, 564 U.S. 135 (2011)
- SEC v. Merchant Capital, LLC, 483 F.3d 747 (11th Cir. 2007)

- SEC v. Zandford, 535 U.S. 813 (2002)
- SEC v. Goble, 682 F.3d 934 (11th Cir. 2012)
- Rudolph v. Arthur Andersen & Co., 800 F.2d 1040 (11th Cir. 1986)
- Liu v. SEC, 591 U.S. 71 (2020)
- RadLAX Gateway Hotel, LLC v. Amalgamated Bank, 566 U.S. 639 (2012)
- Korman v. HBC Florida, Inc., 182 F.3d 1291 (11th Cir. 1999)
- Burk Builders, Inc. v. Wirtz, 355 F.2d 451 (5th Cir. 1966)
- FTC v. Gem Merchandising Corp., 87 F.3d 466 (11th Cir. 1996)
- SEC v. Hallam, 42 F.4th 316 (5th Cir. 2022)
- SEC v. Ahmed, 72 F.4th 379 (2d Cir. 2023)
- SEC v. Govil, 86 F.4th 89 (2d Cir. 2023)

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