

1 CHRISTINE NESTOR, Fla. Bar No. 597211  
Email: nestorc@sec.gov  
2 RUSSELL KOONIN, Fla. Bar No. 0474479  
Email: kooninr@sec.gov  
3 Attorneys for Plaintiff  
Securities and Exchange Commission  
4 801 Brickell Avenue, Suite 1800  
Miami, FL 33131  
5 Telephone: (305) 982-6300  
Facsimile: (305) 516-4154  
6

LOCAL COUNSEL  
7 DONALD W. SEARLES, Cal. Bar No. 135705  
Email: searlesd@sec.gov  
8 U.S. Securities and Exchange Commission  
444 S. Flower St., Suite 900  
9 Los Angeles, CA 90071  
Telephone: (323) 965-3398  
10 Facsimile: (213) 443-1904  
11  
12

13 **UNITED STATES DISTRICT COURT**  
14 **CENTRAL DISTRICT OF CALIFORNIA**

15 SECURITIES AND EXCHANGE  
16 COMMISSION,  
Plaintiff,

17 vs.

18 ROBERT S. "LUTE" DAVIS, JR.,  
DONALD ANTHONY MACKENZIE,  
19 AARON R. ANDREW, JEFFREY L.  
WENDEL, RANDY T. RONDBERG,  
20 RICHARD FRITTS, MARCUS  
BRADFORD BRAY, GREGORY W.  
ANDERSON, CLAUDE STEVEN  
21 MOSLEY, GREGORY A. KOCH,  
OLD SECURITY FINANCIAL  
22 GROUP, INC., PARAMOUNT  
FINANCIAL SERVICES, INC., D/B/A  
23 LIVE ABUNDANT, WENDEL  
FINANCIAL NETWORK, LLC,  
24 A/K/A WENDEL RETIREMENT  
PLANNING, TRAGER LLC, FRITTS  
25 FINANCIAL, LLC, BRADFORD  
SOLUTIONS, LLC, BALANCED  
26 FINANCIAL, INC., SECURITY  
FINANCIAL, LLC, and KOCH  
27 INSURANCE BROKERS, LLC.

Case No.: 2:18-cv-10481

**COMPLAINT**

**JURY TRIAL DEMANDED**

1 Defendants.

2  
3  
4  
5  
6 Plaintiff Securities and Exchange Commission (“Commission”) alleges as  
7 follows:

8 **JURISDICTION AND VENUE**

9 1. The Commission brings this action pursuant to Sections 5(a) and 5(c)  
10 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a) and 77e(c)],  
11 and Section 15(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”)  
12 [15 U.S.C. § 78o(a)(1)].

13 2. This Court has jurisdiction over this action pursuant to Sections 20(b),  
14 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)];  
15 and Sections 21(d), 21(e) and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d),  
16 78u(e) and 78aa(a)].

17 3. Venue is proper in this Court pursuant to Section 22(a) of the  
18 Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. §  
19 78aa], and 28 U.S.C. §1391(b)(2).

20 4. The Woodbridge Group of Companies LLC and its affiliates  
21 (“Woodbridge”) was headquartered and ran its operations in the Central District  
22 of California, specifically Sherman Oaks, California. The Defendants were all  
23 salespersons of Woodbridge’s securities and transacted business in the Central  
24 District of California while participating in the offer and sale of Woodbridge’s  
25 securities.

26 5. In connection with the conduct alleged in this Complaint, Defendants,  
27 directly and indirectly, singly or in concert with others, made use of the means or  
28

1 instrumentalities of interstate commerce, the means or instruments of  
2 transportation or communication in interstate commerce, and of the mails.

3 6. The Defendants will, unless enjoined, continue to engage in the acts,  
4 practices, transactions and course of business set forth in this Complaint, or in  
5 acts, practices, transactions, and courses of business of similar purport and object.

6 **SUMMARY**

7 7. Beginning in May 2014 through December 2017, the Defendants in  
8 this action served as unregistered brokers on behalf of Woodbridge raising  
9 approximately \$188 million from the offer and sale of Woodbridge's unregistered  
10 securities from approximately 3,000 retail investors located throughout the United  
11 States. The Defendants collectively earned approximately \$10.5 million in  
12 transaction based sales commissions.

13 8. The Defendants pitched investors, both pre-existing clients and newly  
14 found, via telephone, e-mail and at in-person meetings providing them  
15 Woodbridge's sales materials touting Woodbridge's securities as "safe and  
16 secure."

17 9. Unbeknownst to the Defendants' clients, many of whom were elderly  
18 and had invested their retirement savings at the behest of the Defendants'  
19 marketing techniques, Woodbridge was actually operating a massive Ponzi  
20 scheme, raising more than \$1.2 billion before collapsing in December 2017 and  
21 filing a petition for bankruptcy. The Defendants' marketing techniques included  
22 television, radio, newspaper, and social media advertisements, and direct  
23 communications via e-mail, telephone calls, in-person meetings and investment  
24 seminars which routinely touted Woodbridge's securities as "safe and secure."  
25 Once Woodbridge filed for bankruptcy, investors stopped receiving their monthly  
26 interest payments, and have not received a return of their investment principal.



1 investors located in at least nine states. Andrew is not and has never been  
2 registered as or associated with a registered broker-dealer.

3 15. **Live Abundant** is a Utah corporation with offices in Salt Lake City,  
4 Utah, engaged in the business of selling investment products, including  
5 Woodbridge's securities, to retail investors. Live Abundant is not and has never  
6 been registered as or associated with a registered broker-dealer.

7 16. **Jeffrey L. Wendel ("Wendel")** is a resident of Fort Recovery, Ohio,  
8 and is the owner of Wendel Financial Network, LLC (a/k/a Wendel Retirement  
9 Planning) ("Wendel Financial"). From at least June 2014 to September 2017,  
10 Wendel personally solicited and sold unregistered Woodbridge securities to  
11 investors located in at least four states. During this time period, Wendel was not  
12 registered as or associated with a registered broker-dealer.

13 17. **Wendel Financial** is an Ohio limited liability company, wholly  
14 owned by Wendel, with offices in Fort Recovery, Ohio, engaged in the business  
15 of selling investment products, including Woodbridge's securities, to retail  
16 investors. Wendel Financial is not and has never been registered as or associated  
17 with a registered broker-dealer.

18 18. **Randy T. Rondberg ("Rondberg")** is a resident of Mesa, Arizona,  
19 and is the owner of Trager LLC ("Trager"). From at least February 2015 to  
20 November 2016, Rondberg personally solicited and sold unregistered  
21 Woodbridge securities to investors located in at least seven states. During this  
22 time period, Rondberg was not registered as or associated with a registered  
23 broker-dealer.

24 19. **Trager** is an Arizona limited liability company, wholly owned by  
25 Rondberg, with offices in Mesa, Arizona, engaged in the business of selling  
26 investment products, including Woodbridge's securities, to retail investors.  
27  
28

1 Trager is not and has never been registered as or associated with a registered  
2 broker-dealer.

3 20. **Richard Fritts (“Fritts”)** is a resident of Knoxville, Tennessee, and  
4 is the owner of Fritts Financial, LLC (“Fritts Financial”). From at least July 2014  
5 to November 2017, Fritts personally solicited and sold unregistered Woodbridge  
6 securities to investors located in at least three states. During this time period,  
7 Fritts was not registered as or associated with a registered broker-dealer.

8 21. **Fritts Financial** is a Tennessee limited liability company, wholly  
9 owned by Fritts, with offices in Knoxville, Tennessee, engaged in the business of  
10 selling investment products, including Woodbridge’s securities, to retail  
11 investors. Fritts Financial is not and has never been registered as or associated  
12 with a registered broker-dealer.

13 22. **Marcus Bradford Bray (“Bray”)** is a resident of American Canyon,  
14 California, and is the owner of Bradford Solutions, LLC (“Bradford Solutions”).  
15 From at least June 2014 to October 2017, Bray solicited and sold unregistered  
16 Woodbridge securities to investors located in at least four states. Bray is not and  
17 has never been registered as or associated with a registered broker-dealer.

18 23. **Bradford Solutions** is a California limited liability company with  
19 offices in American Canyon, California, engaged in the business of selling  
20 investment products, including Woodbridge’s securities, to retail investors.  
21 Bradford Solutions is not and has never been registered as or associated with a  
22 registered broker-dealer or investment adviser.

23 24. **Gregory W. Anderson (“Anderson”)** is a resident of Fort Collins,  
24 Colorado, and is the owner of Balanced Financial, Inc. (“Balanced Financial”).  
25 From at least June 2014 to November 2017, Anderson personally solicited and  
26 sold unregistered Woodbridge securities to investors in at least five states.

1 During this time period, Anderson was not registered as or associated with a  
2 registered broker-dealer.

3 25. **Balanced Financial** is a Colorado corporation, wholly owned by  
4 Anderson and his spouse, with offices in Fort Collins, Colorado, engaged in the  
5 business of selling investment products, including Woodbridge's securities, to  
6 retail investors. Balanced Financial is not and has never been registered as or  
7 associated with a registered broker-dealer.

8 26. **Claude Steven Mosley ("Mosley")**, is a resident of Myrtle Beach,  
9 South Carolina, and the sole owner of Security Financial, LLC ("Security  
10 Financial"). From at least May 2015 to November 2017, Mosley personally  
11 solicited and sold unregistered Woodbridge securities through his company  
12 Security Financial, to retail investors located in seven states. During this time  
13 period, Mosley was not registered as or associated with a registered broker-dealer.

14 27. **Security Financial** is a South Carolina limited liability company,  
15 wholly owned by Mosley, with offices in Myrtle Beach, South Carolina, engaged  
16 in the business of selling investment products, including Woodbridge's securities,  
17 to retail investors. Security Financial is not and has never been registered as or  
18 associated with a registered broker-dealer.

19 28. **Gregory A. Koch ("Koch")** is a resident of Douglassville,  
20 Pennsylvania, and is the owner of Koch Insurance Brokers, LLC ("Koch  
21 Insurance"). From at least November 2015 to October 2017, Koch personally  
22 solicited and sold unregistered Woodbridge securities to investors located in at  
23 least six states. While from July 16, 2015 to June 26, 2018, Koch was associated  
24 with two registered investment adviser firms, but neither of these firms held or  
25 offered Woodbridge securities.

26 29. **Koch Insurance** (f/k/a Koch Financial Advisors & Insurance  
27 Brokers, LLC) is a Pennsylvania limited liability company, wholly owned by  
28

1 Koch, with offices in Douglassville, Pennsylvania, engaged in the business of  
2 selling investment products, including Woodbridge's securities, to retail  
3 investors. Koch Insurance is not and has never been registered as or associated  
4 with a registered broker-dealer.

### 5 **Relevant Entities and Individuals**

6 30. **Woodbridge** is a Sherman Oaks, California-based financial company  
7 not registered with the Commission in any capacity with no publicly traded stock.  
8 Formed in 2012, Woodbridge had approximately 130 employees in offices in six  
9 states. On December 4, 2017, Woodbridge filed a petition for Chapter 11  
10 bankruptcy in the United States Bankruptcy Court for the District of Delaware.  
11 *In re Woodbridge Group of Companies LLC, et al.*, Case No. 17-12560 (jointly  
12 administered) (Bankr. D. Del. Dec. 4, 2017).

13 31. **Robert H. Shapiro, ("Shapiro")** is a resident of Sherman Oaks,  
14 California. He was Woodbridge's owner, President and CEO and, until the  
15 company's bankruptcy filing, maintained sole operational control over the  
16 company. Shapiro is not, and has never been, registered with the Commission,  
17 FINRA, or any state securities regulator.

### 18 **Woodbridge Background**

19 32. Beginning in July 2012 through at least December 4, 2017, Shapiro  
20 and Woodbridge orchestrated a massive Ponzi scheme raising in excess of \$1.22  
21 billion from the sale of unregistered securities to over 8,400 investors nationwide.  
22 At least 2,600 of these investors used their Individual Retirement Account funds  
23 to invest nearly \$400 million. The Defendants, are collectively responsible for  
24 raising approximately \$188 million from approximately 3,000 investors.

### 25 **A. Woodbridge's Securities and Representations to Investors**

26 33. Woodbridge sold investors two primary types of securities: (1)  
27 twelve-to-eighteen month term promissory notes bearing 5%-8% interest that  
28



1 Woodbridge described as First Position Commercial Mortgages (“FPCM Notes”  
2 and “FPCM Investors”), which were issued by one of Woodbridge’s several  
3 affiliated Fund Entities, and (2) seven different private placement fund offerings  
4 with five-year terms: (a) Woodbridge Mortgage Investment Fund 1, LLC; (b)  
5 Woodbridge Mortgage Investment Fund 2, LLC; (c) Woodbridge Mortgage  
6 Investment Fund 3, LLC; (d) Woodbridge Mortgage Investment Fund 3A, LLC;  
7 (e) Woodbridge Mortgage Investment Fund 4, LLC; (f) Woodbridge Commercial  
8 Bridge Loan Fund 1, LLC; and (g) Woodbridge Commercial Bridge Loan Fund 2,  
9 LLC; (collectively “Fund Offerings” and “Fund Investors”).

### 10 **1. FPCM Notes**

11 34. Woodbridge represented that the FPCM Notes were a “simple, safer  
12 and more secured opportunity for individuals to achieve their financial  
13 objectives.” The purported revenue source enabling Woodbridge to make the  
14 payments to FPCM Investors was the interest Woodbridge would be receiving  
15 from mainly one-year loans to supposed third-party commercial property owners  
16 (“Third-Party Borrowers”). Woodbridge told investors that these Third-Party  
17 Borrowers were paying Woodbridge 11-15% annual interest for “hard money,”  
18 short-term financing. Woodbridge would secure the debt through a mortgage on  
19 the Third-Party Borrowers’ real estate. For example, Woodbridge wrote in  
20 marketing materials that “Woodbridge receives the mortgage payments directly  
21 from the borrower, and Woodbridge in turn delivers the loan payments to you  
22 under your [FPCM] documents.”

23 35. In truth and in fact however, Woodbridge created false promissory  
24 notes evidencing these payments from Third Party Borrowers and incorporated  
25 these documents by reference in the promissory notes provided to each investor.  
26  
27  
28

1           36. The FPCM Investors invested their funds in a common enterprise with  
2 the expectation of earning the promised returns based on the efforts of others,  
3 while maintaining a secured interest in a parcel of real estate.

4           37. The profitability of the FPCM investments was derived solely from  
5 the efforts of Shapiro and Woodbridge and the investments were in a common  
6 enterprise. Once investors provided their funds to Woodbridge, their funds were  
7 commingled with other investors' funds and used by Woodbridge for general  
8 business purposes. Investors had no control over how Shapiro and Woodbridge  
9 used their money. Because Woodbridge was a Ponzi scheme, its ability to pay  
10 returns depended upon its continued ability to raise funds from new investors and  
11 convince existing investors to rollover their investments. Woodbridge informed  
12 investors that it conducted all due diligence including title search and appraisal on  
13 the commercial property and supposed Third-Party Borrower. The investors  
14 played little or no role in selecting which properties would purportedly secure  
15 their investments. The defendants also provided each investor marketing  
16 materials prepared by Woodbridge that reassured investors, telling them not to  
17 worry about borrowers failing to make their loan payments because Woodbridge  
18 would continue to pay investors their interest payments.

## 19           **2. Fund Offerings**

20           38. Woodbridge offered the Fund Offerings to investors through one of its  
21 affiliated Fund Entities, pursuant to purported exemptions from registration under  
22 Rules 506(b) and (c) of Regulation D of the Securities Act, collectively seeking to  
23 raise at least \$435 million from investors. In the Regulation D filings,  
24 Woodbridge described the Fund Offerings as "equity" securities.

25           39. Woodbridge, in avoiding registration of its securities with the  
26 Commission, purportedly limited each of the Fund Offerings to accredited  
27 investors with a \$50,000 minimum subscription and provided for a five-year term  
28

1 with a 6% to 10% aggregate annual return paid monthly to Fund Investors and a  
2 2% “accrued preferred dividend” to be paid at the end of the five-year term and a  
3 share of “profits.” Neither Woodbridge nor the Defendants ensured that only  
4 accredited investors purchased the Fund Offerings (or the FPCMs).

5 40. In the offering memoranda for the Fund Offerings, Woodbridge  
6 represented to Fund Investors that their funds would be used for real estate  
7 acquisitions and investments, notably including Woodbridge’s FPCMs. The  
8 Fund Offerings, in effect, were investments into pooled FPCMs. Many of these  
9 pools contained 40 or more investors.

10 41. Investors in the Fund Offerings invested in a common enterprise with  
11 the expectation of profit based on the efforts of others. The allegations of  
12 paragraphs 36 and 37 of this Complaint are applicable to the Fund Offerings as  
13 well.

14 42. The FPCM Notes and the Fund Offerings are securities within the  
15 meaning of Securities Act § 2(a)(1), 15 U.S.C. § 77b(a)(1), and Exchange Act §  
16 3(a)(10), 15 U.S.C. § 78c(a)(10). Investors were unquestionably motivated by the  
17 high rate of returns that Woodbridge offered and investors viewed these as  
18 passive investments generating safe returns. Woodbridge sold the FPCM Notes  
19 to a broad segment of the public (at least 8,400 investors) through general  
20 solicitations and there were no risk-reducing factors indicating the FPCM Notes  
21 were not securities. Neither the FPCM Notes nor the Fund Offerings were  
22 registered with the Commission, and there was no applicable exemption from  
23 registration.

#### 24 **B. Woodbridge’s Misrepresentations**

25 43. Woodbridge’s claim that it was using investors’ funds to make high  
26 interest rate loans to Third-Party Borrowers” was a lie. In reality, Woodbridge’s  
27 business model was a sham. Investors’ funds were used to purchase, in the name  
28

1 of a Shapiro controlled Limited Liability Company (LLC), almost 200 residential  
2 and commercial properties, primarily in Los Angeles, California and Aspen,  
3 Colorado. Thus, nearly all the “third-party” borrowers were Shapiro owned and  
4 controlled shell company LLCs, which had no source of income, no bank  
5 accounts, and never made any loan payments to Woodbridge, all facts  
6 Woodbridge and Shapiro concealed from investors.

7 44. Because Shapiro’s LLCs were not making any of the promised  
8 interest payments and Woodbridge’s other revenue was minimal, Woodbridge  
9 sought to convince FPCM Investors to rollover their investment into a new note at  
10 the end of the term, so as to avoid having to come up with the cash to repay the  
11 principal. For the payment of returns to FPCM and Fund Investors and  
12 redemptions to FPCM Investors who did not rollover their notes, Woodbridge  
13 raised and used new investor funds, in classic Ponzi scheme fashion.

14 45. Finally, on December 1, 2017, after amassing more than \$1.22 billion  
15 of investor money, with more than \$961 million in principal still due to investors,  
16 Woodbridge and Shapiro missed their first interest payments to investors after  
17 purportedly ceasing their fundraising activities. Without the infusion of new  
18 investor funds, just days later, on December 4, 2017, Shapiro caused most of his  
19 companies to be placed in Chapter 11 Bankruptcy.

20 46. In the Chapter 11 Bankruptcy, Woodbridge, now under the control of  
21 independent management, took the position that the FPCM Investors do not have  
22 a secured interest in the property underlying their investment because they were  
23 required to perfect their interest pursuant to the requirements of the Uniform  
24 Commercial Code, which virtually none of the investors did.

### 25 **C. Defendants Offered and Sold Woodbridge Securities**

26 47. Woodbridge recruited a network of approximately 2,000 external,  
27 mostly unregistered, sales agents, including the Defendants. Woodbridge  
28

1 provided the Defendants with the information and marketing materials that the  
2 Defendants gave to FPCM and Fund Investors.

3 48. Using the Woodbridge-provided materials, information and talking  
4 points, the Defendants advertised the Woodbridge securities via radio, in  
5 magazines and newspapers, via promotions sent via U.S. mail, by email and  
6 telephone, and through private in-person meetings and larger scale sales seminars  
7 to groups of investors.

8 49. Once in contact with a potential investor, the Defendants assured the  
9 safety and profitability of the Woodbridge investment. The Defendants touted the  
10 purported security of the properties the investments were tied to by virtue of their  
11 favorable loan-to-value ratios, Woodbridge's long tenure and track record in the  
12 industry, and the purported first position lien the investors would have on the  
13 properties in the event of a default by the "third party" borrower.

14 50. If a customer decided to invest in the FPCM Note program, the  
15 Defendants filled out a Woodbridge online form identifying their customer, the  
16 amount of investment (with the minimum being \$25,000), and selecting the  
17 Woodbridge property that would purportedly collateralize the clients' note. (The  
18 Defendants would often select the property without customer input, frequently  
19 just checking a box for their customer to receive the next available property  
20 without knowing anything about it). Woodbridge's processing department then  
21 generated a loan agreement and promissory note and sent the documents to the  
22 Defendants. Investors typically provided the Defendants the signed documents  
23 and the check for their principal investment, and the Defendants returned the  
24 package to Woodbridge. The investor then received monthly interest payments  
25 directly from Woodbridge.

26 51. Woodbridge offered its FPCM Notes to Defendants at a 9% wholesale  
27 annual interest rate, who then would offer these notes to their investor clients at  
28

1 5% to 8% annual interest rate—the difference representing the Defendants’  
2 transaction-based commissions.

3 52. For the Fund Offerings, each of the Defendants received a 5% sales  
4 commission that Woodbridge purposefully mischaracterized as a “marketing  
5 bonus” to avoid the appearance of paying transaction-based commissions to  
6 unregistered sales agents.

7 53. The Defendants encouraged their clients to rollover their investments  
8 at their term expiration, either into another 12-18 month FPCM Note, or into a  
9 five-year Fund Offering. Defendants received transaction-based sales  
10 commissions for rollovers, with a five-year Fund Offering rollover receiving a  
11 greater commission than a FPCM rollover. Defendants profited from doing so  
12 because Woodbridge achieved a 90% rollover rate.

13 54. Overall, Woodbridge collectively paid the Defendants approximately  
14 \$10.5 million in transaction-based sales commissions through this arrangement,  
15 as follows:

- 16 • Davis, Mackenzie and Old Security: From May 2014 through July 2015 –  
17 approximately \$2 million in transaction-based commissions earned as a result  
18 of raising approximately \$41.2 million from 300 investors in seven states.
- 19 • Andrew and Live Abundant: From November 2015 through July 2017 –  
20 approximately \$1.8 million in transaction-based commissions earned as a  
21 result of raising approximately \$43 million from 350 investors in 9 states.
- 22 • Wendel and Wendel Financial: From July 2014 through September 2017 –  
23 approximately \$1.7 million as a result of raising approximately \$25 million  
24 from 750 investors in 4 states.
- 25 • Rondberg and Trager: From February 2015 through November 2016 –  
26 approximately \$918,000 as a result of raising approximately \$15.5 million  
27 from 500 investors in 7 states.

- 1 • Fritts and Fritts Financial: From July 2014 through November 2017 –  
2 approximately \$842,000 as a result of raising approximately \$13.8 million  
3 from 195 investors in 3 states.
- 4 • Anderson and Balanced Financial: From approximately June 2014 through  
5 November 2017 – approximately \$776,000 as a result of raising approximately  
6 \$13 million from 375 investors in 5 states.
- 7 • Bray and Bradford Solutions: From approximately June 2014 through  
8 October 2017 – approximately \$733,000 as a result of raising approximately  
9 \$10.4 million from 150 investors in 4 states.
- 10 • Mosley and Security Financial: From approximately May 2015 through  
11 November 2017 – approximately \$628,000 as a result of raising approximately  
12 \$13 million from 175 investors in 7 states.
- 13 • Koch and Koch Insurance: From November 2015 through October 2017 –  
14 approximately \$592,000 as a result of raising \$13.4 million from 150 investors  
15 in 6 states.

16 55. During the time the Defendants sold Woodbridge securities, the  
17 Defendants held no securities licenses, were not registered with the Commission,  
18 and were not associated with registered broker-dealers; Further, Woodbridge's  
19 securities were not registered with the Commission and did not qualify for an  
20 exemption from registration. Defendants were thus not permitted to sell  
21 Woodbridge's securities.

## 22 **COUNT I**

### 23 **Violations of Sections 5(a) and 5(c) of the Securities Act**

#### 24 **[15 U.S.C. §§ 77e(a) and 77e(c)]**

25 56. The Commission repeats and realleges paragraphs 1 through 55 of this  
26 Complaint as if fully set forth herein.

1 57. No registration statement was filed or in effect with the Commission  
2 pursuant to the Securities Act with respect to the securities offered and sold by  
3 the Defendants as described in this Complaint and no exemption from registration  
4 existed with respect to these securities.

5 58. During the periods specified in paragraph 53, the Defendants directly  
6 and indirectly:

7 (a) made use of any means or instruments of transportation or communication  
8 in interstate commerce or of the mails to sell securities, through the use or  
9 medium of a prospectus or otherwise;

10 (b) carried or caused to be carried securities through the mails or in interstate  
11 commerce, by any means or instruments of transportation, for the purpose  
12 of sale or delivery after sale; or

13 (c) made use of any means or instruments of transportation or communication  
14 in interstate commerce or of the mails to offer to sell or offer to buy  
15 through the use or medium of any prospectus or otherwise any security;

16 without a registration statement having been filed or being in effect with the  
17 Commission as to such securities.

18 59. By reason of the foregoing the Defendants violated and, unless  
19 enjoined, are reasonably likely to continue to violate Sections 5(a) and 5(c) of the  
20 Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

21 **COUNT II**

22 **Violations of Section 15(a)(1) of the Exchange Act**

23 **[15 U.S.C. § 78o(a)(1)]**

24 60. The Commission repeats and realleges Paragraphs 1 through 55 of this  
25 Complaint as if fully set forth herein.

26 61. During the periods specified in paragraph 54, the Defendants, directly  
27 or indirectly, by the use of the mails or the means or instrumentalities of interstate  
28



1 commerce, while acting as or associated with a broker or dealer, effected  
2 transactions in, or induced or attempted to induce the purchase or sale of  
3 securities, while they were not registered with the Commission as a broker or  
4 dealer or when they were not associated with an entity registered with the  
5 Commission as a broker-dealer.

6 62. By reason of the foregoing, the Defendants, directly or indirectly,  
7 violated and, unless enjoined, are reasonably likely to continue to violate Section  
8 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

9  
10  
11 **RELIEF REQUESTED**

12 WHEREFORE, the Commission respectfully requests the Court:

13 **I.**

14 Issue findings of fact and conclusions of law that the Defendants committed  
15 the violations charged and alleged herein.

16 **II.**

17 Issue a Permanent Injunction, in a form consistent with Rule 65(d) of the  
18 Federal Rules of Civil Procedure, restraining and enjoining all Defendants, their  
19 agents, servants employees, and attorneys, and those persons in active concert or  
20 participation with them who receive actual notice of the injunction by personal  
21 service or otherwise, and each of them, from, directly or indirectly, violating  
22 Sections 5(a) and 5(c) of the Securities Act and Section 15(a)(1) of the Exchange  
23 Act.

24 **III.**

25 Issue an Order directing the Defendants to disgorge all ill-gotten gains or  
26 proceeds received as a result of the acts and/or courses of conduct complained of  
27 herein, with prejudgment interest thereon.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**IV.**

Issue an Order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act.

**V.**

Retain jurisdiction over this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

**VI.**

Grant such other relief as this Court may deem just and appropriate.

**JURY DEMAND**

The Commission requests a trial by jury.

December 18, 2018

Respectfully submitted,

By: /s/ Donald W. Searles

Attorney for Plaintiff

Securities and Exchange Commission