

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

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- Rosenberg

CASE NO.: _____

SECURITIES AND EXCHANGE COMMISSION,)
)
 Plaintiff,)
)
 v.)
)
 CASTLEBERRY FINANCIAL SERVICES)
 GROUP, LLC,)
 T. JONATHON TURNER,)
 f/k/a "JON BARRI BROTHERS," and)
 NORMAN M. STRELL,)
)
 Defendants, and)
)
 CASTLEBERRY ALL SPORTS SERVICES)
 GROUP, INC.,)
 SUZANNE L. STRELL, and)
 NORMAN M. STRELL REVOCABLE TRUST,)
)
 Relief Defendants.)
)
 _____)

Sealed

FILED BY _____ D.C.
 FEB 19 2019
 ANGELA E. NOBLE
 CLERK U.S. DIST. CT.
 S. D. OF FLA. - MIAMI

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

INTRODUCTION

1. The Commission brings this emergency action to stop an ongoing scheme that has defrauded at least fifteen investors nationwide out of at least \$3.6 million since February 2018, and continues to defraud new and existing investors.

2. To defraud investors of at least \$3.6 million, Defendant Castleberry Financial Services Group, LLC ("Castleberry")—at the direction of its principals, Defendants T. Jonathon Turner, f/k/a "Jon Barri Brothers" ("Turner"), and Norman M. Strell ("Strell")—made a series of material misrepresentations and omissions and carried out a fraudulent scheme to divert investor

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proceeds to themselves and entities they control for their own personal gain. Their scheme and misrepresentations to investors are ongoing.

3. First, Castleberry falsely represented to investors that it had hundreds of millions of dollars in capital invested in local businesses and a portfolio of hundreds of real estate properties that generated millions of dollars in revenue annually. In truth, Castleberry never had millions of dollars invested in businesses or real estate and never derived significant revenue from investments.

4. Second, Castleberry falsely represented to investors that the company would invest the funds it raised in businesses and real estate, and omitted that Turner and Strell diverted and misappropriated significant sums of investor funds through cash withdrawals, payments for personal expenditures, and bank transfers to personal bank accounts and to Relief Defendants Castleberry All Sports Services Group, Inc. ("Castleberry All Sports"), a business they owned, Suzanne L. Strell ("S. Strell") and Norman M. Strell Revocable Trust ("Strell Trust"). The Relief Defendants all received proceeds of the fraud without any legitimate entitlement to the funds.

5. Third, Castleberry purported to provide "principal-protected 'equity-like' fixed income returns" by investing and managing "surety-bond protected funds" for investors. Castleberry's offering materials and investor solicitations claimed the principal invested into its funds was "fully insured and bonded" by leading insurance companies such as CNA Surety ("CNA") and Chubb Group of Companies ("Chubb"). In truth, Castleberry investor funds were neither bonded nor insured, and neither CNA nor Chubb had a relationship with Castleberry.

6. Fourth, in its promotional materials and its website, Castleberry falsely represented that Turner has extensive industry experience and post-graduate educational qualifications, while

concealing that Turner has been convicted of multiple fraud, theft and forgery felonies and was imprisoned from 1998 until 2016.

7. Through their fraudulent conduct, Defendants received millions of dollars of investor proceeds by violating Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5(a) and (c) thereunder. In addition, Defendants Turner and Strell, each as a control person of Castleberry, violated Section 20(a) of the Exchange Act. Unless restrained and enjoined, Defendants are reasonably likely to engage in future violations of the federal securities laws.

THE DEFENDANTS AND RELIEF DEFENDANTS

8. **Castleberry** is a Florida limited liability company, incorporated in 2016, with its principal place of business in Wellington, Florida. Castleberry and its investment offerings are not registered with the Commission in any capacity.

9. **Turner**, age 52, resides in the Southern District of Florida, and is the Vice-Chairman, President, and Chief Operating Officer of Defendant Castleberry and the President and a Director of Relief Defendant Castleberry All Sports. In 1995, Turner, then known as Jon Barri Brothers, was convicted in Miami-Dade County Circuit Court of multiple felony charges of Organized Fraud, Grand Theft, Uttering a Forged Instrument, and Forgery, and was sentenced to probation. *State v. Brothers*, No. 93-8043 (Miami-Dade County Circuit Court 1993). Turner subsequently violated his probation and was incarcerated from 1998 through September 2016. He is presently under parole supervision until 2021. Turner has never been registered with the Commission in any capacity.

10. **Strell**, age 72, resides in the Southern District of Florida. Strell is Chairman, Chief Executive Officer, and Chief Financial Officer of Castleberry and the Vice-President, Treasurer,

and a Director of Relief Defendant Castleberry All Sports. From 1978 to 2017, Strell was a registered representative with various broker-dealers registered with the Commission. On November 14, 2018, Strell was criminally charged in Palm Beach County Circuit Court with False and Fraudulent Insurance Claim and Uttering a Forgery. *State v. Strell*, No. 50-2018-CF-010636 (Palm Beach County Circuit Court 2018). Strell is not, and was not at the time of the conduct described herein, registered with the Commission in any capacity.

11. **Castleberry All Sports** is a Florida corporation, incorporated in 2013, with its principal place of business in Wellington, Florida. Castleberry All Sports is engaged in the retail sports memorabilia and collectibles business. Defendants distributed illicit proceeds of the fraud alleged herein to Castleberry All Sports.

12. **S. Strell**, age 44, resides in the Southern District of Florida. S. Strell is purportedly employed by Castleberry as Senior Executive Vice-President and Director of Operations. She is also Secretary of Castleberry All Sports, Strell's daughter and Turner's fiancée. Defendants distributed illicit proceeds of the fraud alleged herein to S. Strell.

13. **Strell Trust** is a trust that maintains a bank account in Florida. Defendants distributed illicit proceeds of the fraud alleged herein to the Strell Trust.

JURISDICTION AND VENUE

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

15. This Court has personal jurisdiction over Defendants and venue is proper in the Southern District of Florida, because many of Defendants' acts and transactions constituting the violations of the Securities Act and Exchange Act occurred in the Southern District of Florida.

Moreover, Castleberry's principal place of business is in the Southern District of Florida and Turner and Strell reside in the Southern District of Florida.

16. In connection with the conduct alleged in this Complaint, Defendants, directly or indirectly, singly or in concert with others, made use of the means or instruments of transportation and communication in interstate commerce, and the mails.

THE FRAUDULENT SCHEME

A. The Castleberry Securities Offerings

17. Beginning at least as early as February 2018, Defendants executed a fraudulent scheme through which they have obtained at least \$3.6 million from investors in the Southern District of Florida and nationwide.

18. Castleberry promoted itself to investors as "a leading Alternative Investment Manager" with a five-year history of "deploying almost \$800 million in capital across the balance sheets of leading local businesses." In offering materials intended to lure prospective investors into investing, Castleberry purported to provide "principal-protected 'equity-like' fixed income returns" by managing seven separate "surety-bond protected funds."

19. Castleberry claimed to earn high returns from the investor funds raised by acquiring and investing in real estate and distressed businesses. Investor returns were therefore dependent upon the efforts of Castleberry, Turner, and Strell, who exercised exclusive control over how investor funds were used.

20. Castleberry offered investors guaranteed returns ranging from 7.93% to 12.23% per year, depending on the fund and the number of years invested, with an additional 0.76% if the interest was paid annually. Contrary to its representation that it managed seven separate funds,

Castleberry pooled investor funds in one bank account that was controlled by Defendants Turner and Strell.

21. Castleberry represented that the investment principal was fully insured and bonded and that no fees were charged. These representations were made in offering materials, such as the company's web page and the company's "Quarterly Newsletter" published in January 2018 and again in January 2019, as well as in investor solicitations. These materials represented that the guarantees were provided by "best rated companies" and explicitly mentioned CNA and Chubb as two of the companies providing these guarantees. For example, the first page of the company's January 2019 Quarterly Newsletter featured these graphics:



A year in review 2018
Alternative Investment Program

CNA SURETY
Financial Guarantee Bond

22. Castleberry used an investment agreement entitled "Alternative Investment Agreement" (the "Agreement"). The Agreement was provided to potential investors and made available to investors on Castleberry's web page. The Agreement stated, in bold letters: "YOUR INVESTMENT IS FULLY INSURED AND BONDED THROUGH CNA SURETY OR ONE OF ITS AUTHORIZED AFFILIATES." Turner signed at least one Agreement on behalf of Castleberry.

23. In order to mislead prospective investors into believing that their investment would be safe, Castleberry promised to provide investors with a certification guaranteeing the investor's deposited funds were bonded and insured. To deceive investors who deposited funds with Castleberry, the company provided investors with a falsified document purporting to be a CNA issued financial guarantee bond. Turner signed at least one falsified bond on behalf of Castleberry.

B. Defendants' Material Misrepresentations and Omissions

24. Defendants promoted the sale of Castleberry's securities through offering materials distributed to investors by at least one sales agent and made available to the public through Castleberry's website. These materials and solicitations falsely represented that Castleberry investor proceeds were fully bonded and insured, and would be invested in real estate and distressed businesses to generate profits from which investor returns would be paid. In fact, investor funds were neither bonded nor insured and Castleberry did not make any significant income generating investments. Instead, Turner and Strell misused and misappropriated investor funds to pay for their own personal expenses and unjustly enrich themselves.

25. Defendants also lured individuals to invest their money in Castleberry's securities offerings by falsely touting Turner's prior financial industry experience and his educational achievements, while failing to disclose his prior felony convictions for larceny and forgery.

1. Defendants misappropriated investor funds and misrepresented their use of funds raised.

26. The funds raised by Castleberry were not used to acquire and invest in distressed businesses and income producing real estate as represented by Castleberry's offering materials and solicitations. Instead, Defendants used investor funds to make cash withdrawals, pay personal expenses, and transfer funds to their own personal bank accounts, the accounts of entities they controlled, and family members.

27. For example, Defendants transferred investor funds from Castleberry's bank account to the following individuals and entities, who had no legitimate entitlement to these funds, in these approximate amounts:

- a. \$377,000 to Castleberry All Sports, a business owned by Turner and Strell;
- b. \$238,000 to a bank account in the name of Turner and S. Strell; and
- c. \$96,000 to the Strell Trust.

28. Defendants also used at least \$427,000 toward the purchase, improvement, and maintenance of a home located at 577 Squire Drive in Wellington, Florida, which Turner and S. Strell listed as their residence.

2. Defendants Misrepresented Castleberry's Profitability.

29. Castleberry's publicly available promotional materials claimed that the company had "almost \$800 million in capital invested across the balance sheets of leading local businesses" and "over 1100 individual investors across the country." A Castleberry sales agent made the same claims in a January 2019 interview published in a Palm Beach County magazine. In its January 2019 Quarterly Newsletter, Castleberry claimed to have a portfolio of real estate properties and that the rental income, after property taxes and maintenance, gave it "gross income of \$2,819,355 per year." Contrary to Defendants' claims, Castleberry had no discernable investments in the revenue generating operations touted and generated almost no rental or business income during ~~the more than twelve months Castleberry raised money through its securities offering.~~

3. Defendants falsely represented that their investment funds were bonded and insured by leading insurance companies.

30. In investor solicitations, investment agreements, publically available "newsletters" and corporate website materials, Castleberry touted its Alternative Investment Funds as "insured," "principal-protected" and "surety-bond protected" through leading insurance companies such as

CNA and Chubb. Moreover, Castleberry's Alternative Investment Agreement stated that CNA guaranteed investors' principal. These representations were false.

31. CNA and Chubb had no business relationship with Castleberry, never issued any "financial guarantee bonds" or insurance protection for its investments, and never authorized Castleberry to use their companies' names, logos, or descriptions of corporate services in any sales materials.

4. Defendants materially misrepresented Turner's financial services industry experience and educational achievements and omitted Turner's material criminal history.

32. In Castleberry's website, Turner was credited with being responsible for operations, leading business and corporate development, wealth management, and directing strategic growth initiatives. The website touted Turner's qualifications and experience as a "serial entrepreneur with over 27 years of experience in both the legal and financial professions" whose qualifications include a "Masters of Business Administration in Finance from Emory University as well as a Juris Doctorate-Magna Cum Laude from William Howard Taft University."

33. In truth, Turner does not have a degree of any kind from either Emory University or William Howard Taft University, and does not have 27 years of legal and financial services industry experience. Moreover, despite touting Turner's purported educational degrees, work experience, and supposed leadership and visionary qualities, Castleberry's website made no mention of the material fact that Turner is a convicted felon who was imprisoned from 1998 to 2016, rendering its statements about Turner's background and expertise materially misleading.

COUNT I
Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act

34. The Commission repeats and realleges Paragraphs 1 through 33 of this Complaint as if fully set forth herein.

35. Beginning no later than February 2018 and continuing through the present, Defendants, directly and indirectly, in the offer or sale of any securities by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, knowingly or recklessly employed devices, schemes, or artifices to defraud.

36. By reason of the foregoing, Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II
Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(2) of the Securities Act

37. The Commission repeats and realleges Paragraphs 1 through 33 of this Complaint as if fully set forth herein.

38. Beginning no later than February 2018 and continuing through the present, Defendants, directly and indirectly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

39. By reason of the foregoing, Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

COUNT III
Fraud in the Offer or Sale of Securities in
Violation of Section 17(a)(3) of the Securities Act

40. The Commission repeats and realleges Paragraphs 1 through 33 of this Complaint as if fully set forth herein.

41. Beginning no later than February 2018 and continuing through the present, Defendants, directly and indirectly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, negligently engaged in acts transactions, practices, and courses of business which operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

42. By reason of the foregoing, Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

COUNT IV
Fraud in Connection with the Purchase or Sale of Securities in Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act

43. The Commission repeats and realleges Paragraphs 1 through 33 of this Complaint as if fully set forth herein.

44. Beginning no later than February 2018 and continuing through the present, Defendants, directly and indirectly, in connection with the purchase or sale of securities by use of any means and instrumentalities of interstate commerce and by use of the mails, knowingly or recklessly employed devices, schemes, or artifices to defraud.

45. By reason of the foregoing, Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) [17 C.F.R. § 240.10b-5(a)] thereunder.

COUNT V
Fraud Connection with the Purchase or Sale of Securities in Violation of Section 10(b) and Rule 10b-5(c) of the Exchange Act

46. The Commission repeats and realleges Paragraphs 1 through 33 of this Complaint as if fully set forth herein.

47. Beginning no later than February 2018 and continuing through the present, Defendants, directly and indirectly, in connection with the purchase or sale of securities by use of any means and instrumentalities of interstate commerce and by use of the mails, knowingly or recklessly engaged in acts, practices, and courses of business which operated or would operate as a fraud or deceit upon any person.

48. By reason of the foregoing, Defendants directly and indirectly violated, and unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5(c) [17 C.F.R. § 240.10b-5(c)].

COUNT VI
“Control Person” Liability under Section 20(a) of the Exchange Act
(Against Turner and Strell)

49. The Commission repeats and realleges paragraphs 1 through 33 of this Complaint as if fully set forth herein.

50. Beginning no later than February 2018 and continuing through the present, Defendant Castleberry, directly or indirectly, violated Section 10(b) and Rules 10b-5(a) and (c) of the Exchange Act [15 U.S.C. § 78j(b) and 17 C.F.R. §§ 240.10b-5(a) and (c)].

51. As the persons who, directly or indirectly, controlled Castleberry- from no later than February 2018 through the present, Defendants Turner and Strell are liable jointly and severally with and to the same extent as Castleberry and its officers for the above-referenced violations of the Exchange Act and rules and regulations thereunder committed by Castleberry and its officers.

52. As the persons who, directly or indirectly, controlled Castleberry from no later than February 2018 through the present, Turner and Strell did not act in good faith, and directly or indirectly induced the act or acts that constituted the above-referenced violations of the Exchange Act and the rules and regulations thereunder committed by Castleberry and its officers.

53. By reason of the foregoing, Turner and Strell are liable for these violations by Castleberry pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find Defendants committed the violations alleged, and:

I.

Temporary Restraining Order, Preliminary Injunction and Permanent Injunction

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder and, as to Defendants Turner and Strell only, from violating Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

II.

Disgorgement and Prejudgment Interest

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

III.

Civil Money Penalties

Issue an Order directing Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78(d)].

IV.

Asset Freeze

Issue an Order freezing the assets of the Defendants and Relief Defendants, until further Order of the Court.

V.

Sworn Accounting

Issue an Order directing Defendants to provide a sworn accounting of all assets and liabilities, including all monies and real properties directly or indirectly received from investors and all uses of investor funds.

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

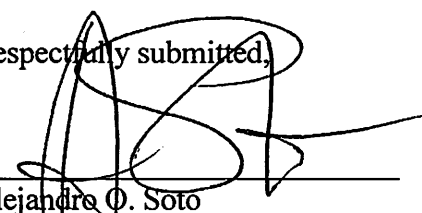
Demand for Jury Trial

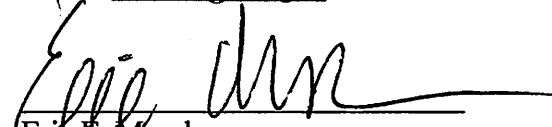
The Commission hereby demands a trial by jury on any and all issues in this action so triable.

Dated: February 19, 2019

Respectfully submitted,

By: _____


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