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8
9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12 **SECURITIES AND EXCHANGE**
13 **COMMISSION,**

Case No. 8:17-CV-01156

COMPLAINT

14 Plaintiff,

15 vs.

16 **CAROL J. WAYLAND, JOHN C.**
17 **MUELLER, KENTUCKY-**
18 **TENNESSEE 50 WELLS/400 BBLPD**
19 **BLOCK, LIMITED PARTNERSHIP,**
20 **HP OPERATIONS, LLC, C.A.R.**
LEASING, LLC, MITCHELL B.
DOW, BARRY LISS, AND STEVE G.
BLASKO,

21 Defendants.
22

23
24 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

25 **JURISDICTION AND VENUE**

26 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
27 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
28 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the

1 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa(a).

3 2. Defendants have, directly or indirectly, made use of the means or
4 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
5 securities exchange in connection with the transactions, acts, practices and courses of
6 business alleged in this complaint.

7 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
8 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a)
9 because certain of the transactions, acts, practices, and courses of conduct
10 constituting violations of the federal securities laws occurred within this district. In
11 addition, venue is proper in this district because Defendants Wayland, Mueller, Liss,
12 and Blasko reside in this district.

13 **SUMMARY**

14 4. This matter involves a \$2.4 million offering fraud by Kentucky-
15 Tennessee 50 Wells/400 BBLPD Block Limited Partnership (“K-T 50 Wells”) and its
16 founders, Carol J. Wayland and her son, John C. Mueller. From approximately May
17 2014 to February 2016, K-T 50 Wells fraudulently offered and sold unregistered
18 securities to investors using a boiler room operation. Defendants misrepresented to
19 KT-50 Wells investors that their monies would be used to fund the development and
20 operation of oil wells for high returns; instead, Defendants misappropriated investors’
21 funds for personal expenses, as well as to make Ponzi payments, resulting in loss of
22 investors’ principal. In addition, Defendants used investor funds to pay business
23 expenses in excess of those set forth in the offering documents.

24 5. Wayland and Mueller operated K-T 50 Wells and conducted the offering
25 through two other entities that they wholly owned and controlled, HP Operations,
26 LLC and C.A.R. Leasing, LLC.

27 6. To solicit investors, Wayland and Mueller set up a boiler room under the
28 fictitious name of “Sahara Wealth Advisors.” The boiler room employed numerous

1 salespeople, including Defendants Mitchell B. Dow, Barry Liss, and Steve G. Blasko,
2 all of whom had prior experience working in boiler rooms. Dow, Liss, and Blasko
3 were the principal “closers” for the K-T Wells offerings and earned the largest
4 amount of sales commissions.

5 7. K-T 50 Wells raised approximately \$2.4 million from 41 investors
6 nationwide, claiming it would use the money to develop and operate oil wells. In
7 reality, however, the company had little legitimate business activity. Wayland and
8 Mueller spent only about 13% of the money raised from investors on oil well drilling
9 expenses. They also took at least \$871,463, or 36%, of investor money to pay for
10 personal expenses, including groceries, restaurant dining, car payments, the purchase
11 of a rare coin, and cash. They also used some investor funds to make Ponzi payments
12 to certain investors.

13 8. In addition, Defendants made false promises regarding the amount of
14 returns that K-T 50 Wells investors would receive from their investments. Although
15 the K-T 50 Wells Private Placement Memorandum (“PPM”) stated that net revenue
16 interest would be paid to investors at .075% (or .75%) per unit, and the investment
17 brochure entitled “Kentucky-Tennessee 50 Well/400 BBLPD Block Executive
18 Summery” [sic] (“Executive Summary”) projected annual returns ranging from a
19 minimum \$43,200 (or 43.20%), to a maximum of \$345,000 (or 345%), for each
20 \$100,000 unit of investment, most investors received smaller returns. In fact, at least
21 one investor received payments as low as \$17.

22 9. Finally, Defendants Wayland, Mueller, K-T 50 Wells, and HP
23 Operations made false claims that Wayland and Mueller had extensive experience
24 managing oil and gas investment projects, when in fact they had none.

25 **THE DEFENDANTS**

26 10. **Carol J. Wayland (a/k/a Jodi Wayland, J. Wayland)**, age 80, of
27 Newport Beach, California, is Mueller’s mother, a co-founder and member of K-T 50
28 Wells, managing member of HP Operations and C.A.R. Leasing, and a member of

1 MS Operating, LLC, a related party described in paragraph 18, below. Wayland
2 worked with Mueller to operate K-T 50 Wells and conduct the offering. Wayland has
3 a California real estate broker license, but holds no securities licenses.

4 11. **John C. Mueller (a/k/a John Clark, Bob Allison)**, age 53, of Newport
5 Beach, California, is Wayland's son, a co-founder and member of K-T 50 Wells, a
6 member of HP Operations, and a member and/or employee of MS Operating, LLC.
7 Mueller worked with Wayland to operate K-T 50 Wells and conduct the offering.
8 Mueller holds no securities licenses.

9 12. **Kentucky-Tennessee 50 Wells/400 BBLPD Block, Limited**
10 **Partnership (a/k/a Warren County 200 Well/1,600 BBLPD Block, Kentucky-**
11 **Tennessee 200 Well/1600 BBLPD Block)** is a Wyoming limited partnership,
12 purportedly headquartered in Cheyenne, Wyoming, with its actual place of business
13 in Newport Beach, California. Wayland and Mueller founded K-T 50 Wells and
14 operated it through managing general partner HP Operations. K-T 50 Wells has
15 never been registered with the SEC in any capacity. K-T 50 Wells filed a Form D on
16 July 30, 2014, claiming a Regulation D, Rule 506(c) exemption.

17 13. **HP Operations, LLC** is a Wyoming limited liability company,
18 purportedly headquartered in Cheyenne, Wyoming, with its actual place of business
19 in Newport Beach, California. HP Operations was the managing general partner of
20 K-T 50 Wells, with sole discretion over the business of K-T 50 Wells.
21 HP Operations has never been registered with the SEC in any capacity.

22 14. **C.A.R. Leasing, LLC** is a Wyoming limited liability company,
23 purportedly headquartered in Cheyenne, Wyoming, with its actual place of business
24 in Huntington Beach, California. Wayland operated C.A.R. Leasing and used it to
25 perform administrative and other tasks for K-T 50 Wells, including the administration
26 of investments received in advance of the K-T 50 Wells Form D filing in July 2014,
27 which were later rolled into the K-T 50 Wells offering. C.A.R. Leasing has never
28 been registered with the SEC in any capacity.

1 20. The stated goal of the K-T 50 Wells offering was to raise up to \$10
2 million for the development and operation of oil wells. The K-T 50 Wells offering
3 ceased in early February 2016.

4 21. The K-T 50 Wells PPM offered 100 limited partnership units for
5 \$100,000, each of which represented a 1% “working interest” in the limited
6 partnership and a “net revenue interest” per unit of 0.075%.¹ The net revenue
7 interest, or investor return per unit, was purportedly based on the production (barrels
8 per day) of the oil wells and the price of oil, net of costs. Investors typically invested
9 in fractional units and received a “working interest” and a “net revenue interest”
10 proportional to the amount of their investment.

11 22. One K-T 50 Wells PPM dated July 21, 2014 represented that investor
12 funds would be used for business expenses and oil well drilling expenses. The PPM
13 addressed the use of investor funds assuming that the offering would raise the \$10
14 million maximum offering amount, and stated that “[t]here will be deducted from the
15 proceeds to the Partnership amounts not in excess of \$3,500,000 [35%] payable to the
16 Managing General Partner [HP Operations] for filing, legal, bonds/insurance,
17 advertising/marketing, sales commissions and accounting/administrative.” The PPM
18 further stated that the remaining net proceeds of “an estimated \$6,500,000 [65%]
19 shall go toward all drilling efforts” Although the PPM appears to have been
20 revised multiple times, the representations regarding the use of investor funds did not
21 substantively change. Wayland and Mueller leased and operated at least one well for
22 K-T 50 Wells.

23 23. A few early investors, whose investments pre-dated the July 2014 K-T
24 50 Wells PPM, invested in C.A.R. Leasing lease positions in an oil and gas project
25 known as “Warren County 200 Well/1600 BBLPD Block.” The C.A.R. Leasing
26

27 ¹ Although the PPM initially states that “Net Revenue per unit is .075%,” a different
28 part of the PPM states that the net revenue interest is 0.75% per unit, and the
Executive Summary states that the net revenue interest is 75% per 100 units.

1 offering documents stated that the offering was to raise money to develop and operate
2 oil wells. The lease positions purportedly gave investors a fractional “working
3 interest” in the project proportional to the amount of their investment, and investors
4 were supposed to receive quarterly payments based on oil well production, net of
5 costs. These investors wired funds or sent checks to C.A.R. Leasing accounts
6 controlled by Wayland and received an “Interim Division Order” memorializing their
7 lease position.

8 24. The C.A.R. Leasing offering overlapped the K-T 50 Wells offering for a
9 period of time in the summer of 2014. Wayland and Mueller later rolled the C.A.R.
10 Leasing investors into the K-T 50 Wells offering on the premise that K-T 50 Wells
11 was part of the larger 200 well project they had invested in. These investors received
12 payments from C.A.R. Leasing and/or K-T 50 Wells bank accounts.

13 **B. The Solicitation of Investors**

14 25. To solicit investors, Wayland and Mueller set up a boiler room in Irvine,
15 California under the fictitious name of “Sahara Wealth Advisors.” Wayland and
16 Mueller commissioned a website for Sahara Wealth Advisors
17 (www.saharawealth.com) as well as other websites (including www.shopoil.net and
18 www.ordersshopoil.com) which they set up as “landing pages” to attract and obtain
19 information from potential investors.

20 26. Mueller and Wayland also set up LinkedIn and Facebook accounts for
21 Sahara Wealth Advisors and issued at least two press releases in its name that were
22 dated December 11, 2014 and October 15, 2015 and published online at
23 www.pdrnewswire.com and www.thefreelibrary.com, respectively.

24 27. Mueller and Wayland also purchased lead lists. The boiler room
25 salespeople called individuals identified through the websites and lead lists. Mueller
26 and Wayland paid the salespeople commissions from accounts in the names of K-T
27 50 Wells, HP Operations and/or C.A.R. Leasing.

28 28. The salespeople were generally divided into “fronters” and “closers.”

1 Fronters made the initial calls and generally followed a written sales script. Closers
2 discussed the investment in more detail, fielded questions, and encouraged potential
3 investors to send in promised investments. Closers also distributed or caused to be
4 distributed documents to potential investors, including the PPM and the Executive
5 Summary. In addition, closers solicited existing investors for additional investments
6 in K-T 50 Wells.

7 29. Salespeople received large sales commissions, which sometimes
8 amounted to as much as 20% of an investor's total investment. Dow, Liss, and
9 Blasko – all of whom had prior experience working in boiler rooms – were the
10 principal closers and earned the largest total amounts of commissions – \$198,478,
11 \$160,751, and \$59,461, respectively. They had frequent communications with
12 prospective and actual investors via telephone and sometimes email. Dow used the
13 alias “Dave Baker” for all such communications.

14 30. Wayland and Mueller supervised all of the K-T 50 Wells sales efforts.
15 Mueller maintained an office at the Sahara Wealth Advisors boiler room and
16 salespeople often overheard him speaking with Wayland on the telephone about K-T
17 50 Wells. Both Wayland and Mueller communicated directly with salespeople.

18 31. In addition, Mueller revised the PPM and Executive Summary several
19 times, and Wayland assisted the salespeople with the distribution of these documents.

20 32. Mueller also drafted or revised, and Wayland reviewed or revised, other
21 written documents for the K-T 50 Wells offering, including the subscription
22 agreement and accredited investor representation letter that was supposed to be
23 completed for each investment. Wayland also communicated directly with potential
24 investors and existing investors. Salespeople and Wayland looked to Mueller for
25 guidance in handling and responding to investor questions or concerns.

26 **C. Violations of the Antifraud Provisions**

27 **1. Misappropriation of Investor Funds**

28 33. Wayland and Mueller misappropriated K-T 50 Wells investor funds.

1 From approximately May 2014 to February 2016, K-T 50 Wells raised at least
2 \$2,417,257 from 41 investors, which was deposited in bank accounts under Wayland
3 and/or Mueller's control. During this time, an additional \$216,620 from unknown
4 sources was deposited in bank accounts under Wayland and/or Mueller's control, for
5 a total of \$2,633,877. These bank accounts also had beginning balances from
6 unknown sources.

7 34. From May 2014 to October 2016, Wayland and Mueller spent
8 approximately \$2,646,848 from the bank accounts that directly or indirectly received
9 investor funds. They spent these funds in ways that were contrary to the use of
10 proceeds set forth in the K-T 50 Wells PPM. Specifically, the PPM specified that
11 65% of the funds raised were to go to development of oil wells, with the remaining
12 35% to go to business expenses. Instead, Defendants spent a mere 13% of the
13 amount raised on oil well development, and spent 42% on expenses that included
14 internet advertising and sales commissions. In addition, they spent at least 36% of
15 the amount raised on the personal expenses of Wayland and Mueller, and another
16 2.5% on Ponzi payments, though the PPM made no provision for such expenditures.

17 35. Specifically, contrary to the representations in the K-T 50 Wells PPM
18 regarding the use of investor funds, Wayland and Mueller used at least \$871,463 of
19 investor funds for their own personal expenses – including, but not limited to,
20 groceries, restaurant meals, rent payments, car payments, and the purchase of a
21 \$26,000 rare coin – and to make cash payments to themselves. Wayland and Mueller
22 therefore personally misappropriated at least \$871,463, or 36%, of K-T 50 Wells
23 investor funds.

24 36. Furthermore, Wayland and Mueller used approximately \$59,377, or
25 2.5%, of the K-T 50 Wells investor funds to make “royalty payments” to other K-T
26 50 Wells investors—essentially, Ponzi payments. These funds came directly from
27 other investors, and not from income from oil well production or any other source.
28 This use of investor funds was not disclosed in the PPM.

1 37. In addition, Wayland and Mueller spent approximately \$1,007,276 on
2 business expenses, including telephone and web hosting services, advertising and
3 lead lists, and sales commissions. Wayland and Mueller spent \$495,743 of this
4 amount on sales commissions and used at least \$95,000 of this amount for Internet
5 ads alone. Pursuant to the PPM, because K-T 50 Wells raised approximately
6 \$2,417,257 from investors, Wayland and Mueller should have used a maximum of
7 35% of that amount, or \$846,040, for business expenses.

8 38. Wayland and Mueller spent \$430,054 on oil well drilling expenses and
9 other expenses. Pursuant to the PPM, because K-T 50 Wells raised approximately
10 \$2,417,257 from investors, Wayland and Mueller should have used approximately
11 65% of that amount, or \$1,571,217, for the development of oil wells. In actuality,
12 however, Wayland and Mueller spent only about \$313,755, or only 13%, on oil well
13 drilling expenses.

14 39. Wayland and Mueller were each signatories on one or more of the bank
15 accounts that received K-T 50 Wells investor funds, either directly, or indirectly
16 through transfers from the bank accounts that directly received investor funds. As of
17 October 2016, the funds in those accounts totaled approximately \$13,689.

18 40. K-T 50 Wells investors were not aware that K-T 50 Wells investor funds
19 were being used: (1) to pay Wayland and Mueller's personal expenses; (2) to pay
20 other K-T 50 Wells investors; or (3) to pay sales commissions and other business
21 expenses in excess of what was represented in the PPM. Investors would have
22 considered it important in their investment decision to know that funds raised from
23 K-T 50 Wells investors were being used for purposes other than the stated purposes.

24 41. Wayland, Mueller, K-T 50 Wells, HP Operations and C.A.R. Leasing
25 engaged in a fraudulent offering scheme. Wayland and Mueller created and
26 controlled K-T 50 Wells and C.A.R. Leasing, which were essentially sham entities
27 with little legitimate business activity. They created and controlled the Sahara
28 Wealth Advisors boiler room. Wayland and Mueller drafted, revised, reviewed

1 and/or distributed false and misleading offering and marketing materials, including
2 the PPM and Executive Summary. Finally, Wayland and Mueller misappropriated
3 investor funds for undisclosed purposes including payment of their personal expenses
4 and Ponzi payments to other investors. In addition, K-T 50 Wells, its managing
5 partner HP Operations, and C.A.R. Leasing not only issued the securities to the
6 investors, but received investor money which was ultimately misused.

7 **2. False Promises of High Returns**

8 42. K-T 50 Wells made false promises regarding the amount of returns that
9 K-T 50 Wells investors would receive from their investments. The Executive
10 Summary projected annual returns ranging from a minimum \$43,200 (or 43.20%), to
11 a maximum of \$345,000 (or 345%), for each \$100,000 unit of investment, depending
12 on factors including the amount of oil production (barrels per day) and the price of
13 oil. Defendants had no reasonable basis for these projections, because Defendants
14 misappropriated funds and therefore did not spend the required minimum on oil
15 production. Indeed, most investors received smaller returns. At least one investor
16 received payments as low as \$17. When that investor complained, Wayland blamed
17 the low payments on low oil prices or bad weather interfering with oil production.
18 Moreover, some K-T 50 Wells investors received “returns” that were Ponzi payments
19 from funds raised from other K-T 50 Wells investors.

20 43. Investors would have considered it important in their investment
21 decision to know that the returns would be significantly lower than expected, at least
22 in part because defendants failed to spend the required minimum on oil production,
23 and in part because certain returns were from Ponzi payments.

24 **3. Misrepresentations Regarding Management Experience**

25 44. K-T 50 Wells misrepresented Wayland and Mueller’s experience with
26 managing oil and gas investment projects. The “Executive Management” section of a
27 K-T 50 Wells PPM dated July 21, 2014 represented that the “directors” of HP
28 Operations had a “combined 80 years” of experience with oil investment projects,

1 “plus 34 years’ experience on the geological end.” The PPM also claimed that “J.
2 Wayland (Managing Member)” had “extensive experience in oil and gas
3 administration.” Wayland and Mueller are the only members of HP Operations, thus
4 this reference to “directors” appears to refer to them.

5 45. In reality, neither Wayland nor Mueller had the kind of experience
6 described in the offering materials. Wayland and Mueller have operated and/or
7 worked for a variety of businesses – including real estate investment, a car wash, a
8 photography and talent management company, and a limousine company – none of
9 which are related to oil and gas investment projects.

10 46. Investors would have considered it important in their investment
11 decision to know that neither Wayland nor Mueller had the experience in the oil and
12 gas industry that they described. Investors were dependent upon Wayland and
13 Mueller’s business acumen in the industry for their returns, and their lack of
14 experience in the field would have been important to investors to know.

15 47. K-T 50 Wells, HP Operations, Wayland, and Mueller obtained money by
16 means of misrepresentations. As discussed above, K-T 50 Wells, and its manager,
17 HP Operations, raised approximately \$2,417,257 from investors in the offering
18 through materially false and misleading statements in the PPM and Executive
19 Summary. In addition, Wayland and Mueller personally obtained over \$800,000 of
20 investor money by means of these same materially false and misleading statements.

21 **D. Defendants’ Misrepresentations Were Material and Made With Scienter**

22 48. All of the false and misleading statements in the K-T 50 Wells PPM and
23 Executive Summary were material. A reasonable investor would have considered it
24 important to know that K-T 50 Wells had little legitimate business activity; that
25 Wayland and Mueller lacked the management experience described in the PPM; and
26 that investors would receive returns that were much smaller than those described in
27 the Executive Summary. In addition, a reasonable investor would have considered it
28 important to know that K-T 50 Wells investor funds would be used for payment of

1 Wayland and Mueller's personal expenses and other purposes not disclosed in the
2 PPM.

3 49. Wayland and Mueller acted with scienter. Wayland and Mueller knew,
4 or were reckless in not knowing, that K-T 50 Wells had little legitimate business
5 activity. They also knew that K-T 50 Wells solicited investors through website
6 "landing sites" and the Sahara Wealth boiler room. In addition, Wayland and
7 Mueller knew or were reckless in not knowing that the PPM contained false and
8 misleading statements about their management experience. Moreover, Wayland and
9 Mueller each controlled one or more of the bank accounts that received K-T 50 Wells
10 investor funds; thus, they knew, or were reckless in not knowing, that they were
11 misappropriating K-T 50 Wells investor funds for their own personal expenses and
12 other undisclosed purposes.

13 50. In addition, Wayland, Mueller, K-T 50 Wells, HP Operations, and
14 C.A.R. Leasing failed to exercise reasonable care by, among other things,
15 misappropriating investor funds and making materially misleading representations,
16 and thus were negligent.

17 **E. Registration Violations: Sections 5(a) and 5(c) of the Securities Act**

18 51. The K-T 50 Wells and C.A.R. Leasing offerings were not registered with
19 the SEC. Both offerings were part of a single financing scheme to operate oil wells
20 and the assets of both offerings were commingled. The C.A.R. Leasing offering
21 documents were silent as to any registration exemption, but the K-T 50 Wells PPM
22 represented that the offering was relying on a Rule 506(c) exemption. Accordingly,
23 all of the investors in the K-T 50 Wells offering had to be accredited investors.
24 Although salespeople asked potential investors if they were accredited investors,
25 several investors told salespeople that they did not meet the criteria for accredited
26 investor status but were allowed to invest anyway. In addition, Wayland sometimes
27 attempted to obtain third party verification of accredited status after the fact.

28 52. K-T 50 Wells and C.A.R. Leasing are liable for the registration

1 violations because they were the issuers, respectively, of the limited partnership units
2 and lease positions. HP Operations is liable for directly offering and selling the K-T
3 50 Wells limited partnership units because, as stated in the K-T 50 Wells PPM,
4 HP Operations, the managing general partner of K-T 50 Wells, “is offering to sell 100
5 UNITS of the [K-T 50 Wells] Partnership.” HP Operations was the managing
6 general partner of K-T 50 Wells, K-T 50 Wells paid the boiler room salespeople,
7 investors sent funds to K-T 50 Wells bank accounts, and investors sent funds to
8 C.A.R. Leasing bank accounts.

9 53. Wayland and Mueller are liable under Section 5 of the Securities Act
10 because they were intricately involved in the offer and sale of the K-T 50 Wells
11 limited partnership units. Those units were sold through the website “landing pages”
12 that Wayland and Mueller set up to attract investors. Wayland also communicated
13 directly with potential investors. Additionally, Wayland and Mueller set up the
14 fictitious Sahara Wealth boiler room and supervised the sales efforts. Each
15 communicated directly with the salespeople. Mueller also maintained an office at the
16 boiler room, and the salespeople looked to Mueller for guidance in handling and
17 responding to investor concerns. Wayland and Mueller also revised various offering
18 documents, including the subscription agreement and accredited investor
19 representation letter that was supposed to be completed for each investment.

20 54. Dow, Liss, and Blasko are liable for the Section 5 violations because
21 they communicated directly with potential investors by phone and email. As closers,
22 they discussed the investment with potential investors, fielded investor questions, and
23 encouraged potential investors to send funds. Each of them also distributed, or
24 caused to be distributed, documents to potential investors, including the K-T 50 Wells
25 PPM and Executive Summary.

26 **F. Violation of Section 15(a) of the Exchange Act**

27 55. Wayland, Mueller, Dow, Liss, and Blasko acted as unregistered brokers
28 for the K-T 50 Wells offering.

1 and/or distributed false and misleading offering and marketing materials, including
2 the PPM and Executive Summary. Finally, Wayland and Mueller misappropriated
3 investor funds for undisclosed purposes including payment of their personal expenses
4 and Ponzi payments to other investors. In addition, K-T 50 Wells, its managing
5 partner HP Operations, and C.A.R. Leasing not only issued the securities to the
6 investors, but received investor money which was ultimately misused.

7 60. By engaging in the conduct described above, Defendants Wayland,
8 Mueller, K-T 50 Wells, HP Operations, and C.A.R. Leasing, and each of them,
9 directly or indirectly, in connection with the purchase or sale of a security, and by the
10 use of means or instrumentalities of interstate commerce, of the mails, or of the
11 facilities of a national securities exchange: (a) employed devices, schemes, or
12 artifices to defraud; and (b) engaged in acts, practices, or courses of business which
13 operated or would operate as a fraud or deceit upon other persons.

14 61. Defendants Wayland and Mueller are control persons for K-T 50 Wells
15 and HP Operations, and Wayland is a control person for C.A.R. Leasing because they
16 possessed, directly or indirectly, the power to direct or cause the direction of the
17 management and policies of these Defendants. Accordingly, pursuant to Section
18 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), Defendants Wayland and Mueller are
19 liable to the SEC to same extent as each of Defendants K-T 50 Wells, HP Operations,
20 and C.A.R. Leasing would be liable for each of their respective violations of Section
21 10(b) of the Exchange Act and Rule 10b-5 thereunder.

22 62. By engaging in the conduct described above, Defendants Wayland,
23 Mueller, K-T 50 Wells, HP Operations, and C.A.R. Leasing violated, and unless
24 restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act,
25 15 U.S.C. § 78j(b), and Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§
26 240.10b-5(a) & 240.10b-5(c).

1 68. Wayland, Mueller, K-T 50 Wells, HP Operations and C.A.R. Leasing
2 engaged in a fraudulent offering scheme. Wayland and Mueller created and
3 controlled K-T 50 Wells and C.A.R. Leasing, which were essentially sham entities
4 with little legitimate business activity. They created and controlled the Sahara
5 Wealth Advisors boiler room. Wayland and Mueller drafted, revised, reviewed
6 and/or distributed false and misleading offering and marketing materials, including
7 the PPM and Executive Summary. Finally, Wayland and Mueller misappropriated
8 investor funds for undisclosed purposes including payment of their personal expenses
9 and Ponzi payments to other investors. In addition, K-T 50 Wells, its managing
10 partner HP Operations, and C.A.R. Leasing not only issued the securities to the
11 investors, but received investor money which was ultimately misused.

12 69. By engaging in the conduct described above, Defendants Wayland,
13 Mueller, K-T 50 Wells, HP Operations, and C.A.R. Leasing, and each of them,
14 directly or indirectly, in the offer or sale of securities, and by the use of means or
15 instruments of transportation or communication in interstate commerce or by use of
16 the mails directly or indirectly: (a) employed devices, schemes, or artifices to
17 defraud; and (b) engaged in transactions, practices, or courses of business which
18 operated or would operate as a fraud or deceit upon the purchaser.

19 70. By engaging in the conduct described above, Defendants Wayland,
20 Mueller, K-T 50 Wells, HP Operations, and C.A.R. Leasing violated, and unless
21 restrained and enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the
22 Securities Act, 15 U.S.C. §§ 77q(a)(1) & 77q(a)(3).

FOURTH CLAIM FOR RELIEF

Unregistered Offer and Sale of Securities

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

(Against All Defendants)

27 71. The SEC realleges and incorporates by reference paragraphs 1 through
28 57 above.

1 with a registered broker-dealer.

2 77. By engaging in the conduct described above, Defendants Wayland,
3 Mueller, Dow, Liss, and Blasko, and each of them, made use of the mails and means
4 or instrumentalities of interstate commerce to effect transactions in, and induced and
5 attempted to induce the purchase or sale of, securities (other than exempted securities
6 or commercial paper, bankers' acceptances, or commercial bills) without being
7 registered with the SEC in accordance with Section 15(b) of the Exchange Act, 15
8 U.S.C. § 78o(b), and without complying with any exemptions promulgated pursuant
9 to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

10 78. By engaging in the conduct described above, Defendants Wayland,
11 Mueller, Dow, Liss, and Blasko have violated, and unless restrained and enjoined,
12 will continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

13
14 **PRAYER FOR RELIEF**

15 WHEREFORE, the SEC respectfully requests that the Court:

16 **I.**

17 Issue findings of fact and conclusions of law that Defendants committed the
18 alleged violations.

19 **II.**

20 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
21 Civil Procedure, permanently enjoining Wayland, Mueller, K-T 50 Wells, HP
22 Operations, and C.A.R. Leasing, and their officers, agents, servants, employees and
23 attorneys, and those persons in active concert or participation with any of them, who
24 receive actual notice of the judgment by personal service or otherwise, and each of
25 them, from violating Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], and
26 Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder
27 [17 C.F.R. § 240.10b-5].
28

1 **III.**

2 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
3 Civil Procedure, permanently enjoining Defendants Wayland, Mueller, Dow, Liss,
4 Blasko, K-T 50 Wells, HP Operations, and C.A.R. Leasing, and their officers, agents,
5 servants, employees and attorneys, and those persons in active concert or
6 participation with any of them, who receive actual notice of the judgment by personal
7 service or otherwise, and each of them, from violating Sections 5(a) and 5(c) of the
8 Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

9 **IV.**

10 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
11 Civil Procedure, permanently enjoining Defendants Wayland, Mueller, Dow, Liss,
12 and Blasko, and their officers, agents, servants, employees and attorneys, and those
13 persons in active concert or participation with any of them, who receive actual notice
14 of the judgment by personal service or otherwise, and each of them, from violating
15 Section 15(a) of the Exchange Act [15 U.S.C. §§ 78o(a)].

16 **V.**

17 Order Defendants to disgorge all funds received from their illegal conduct,
18 together with prejudgment interest thereon.

19 **VI.**

20 Order Defendants to pay civil penalties under Section 20(d) of the Securities
21 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §
22 78u(d)(3)].

23 **VII.**

24 Retain jurisdiction of this action in accordance with the principles of equity and
25 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
26 all orders and decrees that may be entered, or to entertain any suitable application or
27 motion for additional relief within the jurisdiction of this Court.
28

VIII.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: July 6, 2017

/s/ Lynn M. Dean

Lynn M. Dean

Marisa G. Westervelt

Attorney for Plaintiff

Securities and Exchange Commission

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Complaints and Other Initiating Documents

[8:17-cv-01156 Securities and Exchange Commission v. Wayland et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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Case Name: Securities and Exchange Commission v. Wayland et al

Case Number: [8:17-cv-01156](#)

Filer: Securities and Exchange Commission

Document Number: [1](#)

Docket Text:

COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Lynn M Dean added to party Securities and Exchange Commission(pty:pla))(Dean, Lynn)

8:17-cv-01156 Notice has been electronically mailed to:

Lynn M Dean deanl@sec.gov, irwinma@sec.gov, LAROFiling@sec.gov, longoa@sec.gov

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