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

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

14 Plaintiff,

15 vs.

16
17 **JUSTINFO LLC, DAVID WEDDLE,**
AND SCOTT ALLENSWORTH,

18 Defendants.
19

Case No.

COMPLAINT

20
21 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

22 **JURISDICTION AND VENUE**

23 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
24 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
25 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the
26 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
27 78u(d)(3)(A), 78u(e) & 78aa(a).

28 2. Defendants have, directly or indirectly, made use of the means or

1 instrumentalities of interstate commerce or of the mails in connection with the
2 transactions, acts, practices and courses of business alleged in this complaint.

3 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
4 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a)
5 because certain of the transactions, acts, practices and courses of conduct constituting
6 violations of the federal securities laws occurred within this district. In addition,
7 venue is proper in this district because Defendant Scott Allensworth resides in this
8 district.

9 **SUMMARY**

10 4. This matter involves an unregistered and fraudulent securities offering
11 orchestrated by Defendants JustInfo LLC (“JustInfo”); JustInfo’s majority owner,
12 David Weddle; and Scott Allensworth, doing business as Capital Growth Group
13 Associates (“CGGA”) (collectively “Defendants”). JustInfo, a self-described
14 “investment club,” pooled investor funds for the ostensible purpose of trading futures
15 contracts. From at least September 2015 through January 2017, Defendants raised at
16 least \$2,843,000 from approximately 57 investors by selling membership units in an
17 LLC and entering into investment contracts. The offerings were not registered with
18 the SEC as required by the federal securities laws.

19 5. Throughout the period of the offering, Weddle and Allensworth made
20 false and misleading statements to investors regarding the use of investor funds and
21 the profitability of JustInfo’s trading. Weddle and Allensworth misappropriated at
22 least \$1,000,000 in investor funds for their own use and, in a few instances, to make
23 Ponzi payments of purported returns to prior investors. Weddle created false trading
24 reports, which Allensworth sent to investors, to cover up JustInfo’s trading losses and
25 create the false appearance that the investment was profitable. As of March 2017,
26 only \$5,933.53 remained in the futures trading accounts affiliated with Weddle and
27 JustInfo.

28 6. By engaging in this conduct, Defendants violated Sections 5(a) and 5(c)

1 of the Securities Act of 1933 (“Securities Act”), Section 17(a) of the Securities Act
2 and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule
3 10b-5 promulgated thereunder.

4 **THE DEFENDANTS**

5 7. **Defendant JustInfo** is a Kentucky limited liability company with its
6 principal place of business in Somerset, Kentucky. JustInfo holds itself out as a day
7 trading company. JustInfo has not registered any offerings of securities under the
8 Securities Act, nor has it registered a class of any securities under the Exchange Act.

9 8. **Defendant David Weddle** of Somerset, Kentucky, is the founder and
10 majority owner of JustInfo. Weddle holds no securities licenses, and has never been
11 registered with the Commission in any capacity. Weddle has no previous experience
12 trading or working with futures investments of any kind. Weddle is the sole
13 signatory on JustInfo’s bank account.

14 9. **Defendant Scott Allensworth** of Valencia, California does business
15 under the name of Capital Growth Group Associates (“CGGA”). Allensworth is a
16 non-CPA tax preparer who provides tax preparation and accounting services.
17 Allensworth holds no securities licenses, and has never been registered with the
18 Commission in any capacity. Allensworth is the sole signatory on CGGA’s bank
19 account.

20 **OTHER RELEVANT ENTITIES**

21 10. **Dorman Trading, LLC** (“Dorman”) is registered with the CFTC as a
22 futures commission merchant. Weddle and JustInfo maintained futures trading
23 accounts at Dorman until Dorman closed those accounts in March 2017. Dorman is
24 not an SEC-registered broker-dealer.

25 **STATEMENT OF FACTS**

26 **A. The Investment Scheme**

27 11. Defendants JustInfo, Weddle, and Allensworth purported to offer
28 investors the opportunity to share in profits generated from trading futures contracts.

1 Defendants offered and sold securities, in the form of membership units in an LLC
2 and investment contracts, to investors in two phases, referred to in this Complaint as
3 the JustInfo offering and the CGGA offering.

4 **1. The JustInfo Offering**

5 12. Beginning in November 2015, Weddle and JustInfo offered investors an
6 opportunity to become a part of its self-described “investment club” by entering into
7 investment agreements with JustInfo. The agreements provided that JustInfo would
8 “set up and day trade e-mini futures” and that investors would “profit by earning 70%
9 of all net proceeds generated by the original” investment (minus, in some cases,
10 certain specified expenses). The agreements further provided that investors would
11 receive membership units in JustInfo that constituted between 2% and 10% of the
12 company, and that investors would receive a pro rata share of the “proceeds
13 associated with” those ownership interests. During this first phase of the offering,
14 Weddle and JustInfo raised \$245,000 from a total of 10 investors, who each invested
15 between \$5,000 and \$30,000.

16 13. Investor funds were pooled into a futures account at Dorman and
17 JustInfo and Weddle made trades for the entire pool. Investors did not have any
18 rights to direct the trades and had no control over any other aspect of JustInfo’s
19 operations. Weddle had sole discretion over the trading process.

20 14. At first, Weddle offered the investment opportunity only to a few friends
21 located in Kentucky, and to Allensworth, whom he knew personally. With time,
22 however, he and Allensworth expanded the opportunity to other potential investors
23 during the second phase of the offering.

24 **2. The CGGA Offering**

25 15. Prior to soliciting clients for the JustInfo scheme, Allensworth had
26 solicited clients from his tax preparation business to invest in a prior futures trading
27 scheme run by an individual who has not been charged in this action. In early 2014,
28 Allensworth had induced investors to invest over \$280,000 in this prior scheme.

1 16. By 2015, Allensworth was unable to withdraw his clients' funds from
2 the prior scheme and by late 2016, he had learned that his clients' funds had been
3 misappropriated. Allensworth did not inform his clients of this fact. Instead,
4 Allensworth worked with Weddle and JustInfo to devise a scheme to conceal these
5 losses from his clients and to further defraud them.

6 17. Weddle advised Allensworth that if he could raise at least \$300,000 in
7 new investments, Weddle and JustInfo could use the new money to trade and make
8 up for the loss of the misappropriated funds from the prior scheme. Allensworth
9 agreed to Weddle's proposal and together they launched the CGGA offering and
10 began to solicit investors.

11 18. Allensworth falsely represented to the clients whose funds had been
12 misappropriated in the prior scheme that he had caused all or part of their investments
13 to be transferred to Weddle and JustInfo. These representations were false, because
14 there were no remaining funds to be transferred. Allensworth provided fabricated
15 weekly trading reports and other trading updates to these clients that reflected trading
16 on their behalf by JustInfo, even though he knew he had not actually transferred any
17 of the investors' money to JustInfo and that no trading had been done on their behalf.

18 19. In addition to defrauding the clients who had previously invested in the
19 defunct scheme, Allensworth actively solicited additional tax preparation clients, as
20 well as their families and friends, to enter into investment contracts with JustInfo. As
21 a result of Allensworth's increased solicitation efforts, Allensworth and Weddle
22 brought in at least 47 additional investors from January 2016 through January 2017,
23 and raised approximately \$2,598,000.

24 20. Weddle and Allensworth each spoke to potential investors about the
25 investment opportunity during in-person meetings and via telephone. Weddle and
26 Allensworth also held at least one investor presentation during which they both spoke
27 and presented the details of the investment opportunity to prospective and current
28 investors.

1 21. Weddle prepared offering materials that purported to describe JustInfo's
2 trading strategy, and frequently helped to close sales by speaking to investors and
3 answering their questions.

4 22. The majority of investor contributions ranged from \$5,000 to \$25,000 in
5 this second phase; however, one investor contributed at least \$1,125,000, which was a
6 combination of her own money and money from her family and friends.

7 23. Neither Weddle nor Allensworth verified whether investors were
8 accredited investors as defined in Rule 501 of Regulation D, 17 C.F.R. § 230.50. At
9 least some investors were not in fact accredited. No financial statements or financial
10 information were provided to investors.

11 24. The structure of the investment changed in the second phase of the
12 offering. Under the new structure, investors were not offered ownership interests in
13 an LLC. Rather, they entered into investment contracts with CGGA that specified
14 that investors' funds would be placed into a futures trading account and traded.

15 25. The agreements provided that "[t]he Investor will profit by earning 20-
16 25% of the proceeds generated by the brokerage investment," and that "[t]he
17 Company will report monthly to the Investor regarding profits, losses as well as new
18 trade opportunities discovered during the period." In addition, Weddle and
19 Allensworth repeatedly represented to investors that they could expect a 20-25%
20 return per month on their investments.

21 26. The CGGA agreements, which Allensworth prepared, provided that
22 "CGGA and its affiliates" would handle all aspects of the day trading operations and
23 would distribute investors' share of the trading profits. The investors were not
24 required to take any part in the management of JustInfo, and they did not do so.

25 **B. Defendants' Antifraud Violations**

26 **1. Misappropriation of Investors' Proceeds**

27 27. Weddle and Allensworth misused and misappropriated investor funds.
28 The investment agreements provided that, with the exception of funds for certain

1 specified expenses, all of the investors' funds would be transferred into the futures
2 trading account for trading. Instead of transferring the funds as required by the
3 agreements, Weddle and Allensworth diverted a substantial portion of the funds for
4 their own use.

5 28. JustInfo and CGGA each had a single bank account. Weddle was the
6 sole signatory on the JustInfo account and Allensworth was the sole signatory on the
7 CGGA account.

8 29. JustInfo and CGGA raised a combined total of \$2.843 million between
9 September 2015 and January 2017, with the JustInfo offering raising \$245,000 and
10 the CGGA offering raising \$2,598,129. Approximately \$2.8 million was supposed to
11 be transferred to the futures trading account for trading, but only about \$1.78 million
12 was so transferred. Of the remaining amount, Weddle diverted approximately
13 \$338,000 for his own personal use and used approximately \$37,000 to make Ponzi
14 payments to investors. The rest was misappropriated by Allensworth.

15 30. Allensworth personally solicited approximately \$1.498 million of the
16 approximately \$2.843 million total raised in the two offerings. Allensworth
17 represented to investors that the funds that they provided would be forwarded directly
18 to JustInfo for trading. But instead of forwarding the funds as promised to investors,
19 Allensworth deposited investor funds into his own account, commingling them with
20 the funds from his tax preparation business. Allensworth then sent only about \$1.124
21 million to JustInfo, improperly retaining more than \$373,000 for his own use. In
22 addition, Allensworth obtained another \$292,000 to which he was not entitled from
23 JustInfo. In total, Allensworth misappropriated more than \$665,000 of investor
24 funds.

25 31. Weddle and Allensworth each represented to investors that their only
26 compensation was to be 30% of the trading profits, split evenly between them. But
27 JustInfo never had a profitable month and in fact suffered devastating losses. Thus,
28 there was no profit to split and Weddle and Allensworth were entitled to no

1 compensation.

2 32. The misrepresentations regarding the use of investor funds and Weddle
3 and Allensworth's compensation were material. A reasonable investor would find it
4 important to his or her investment decision that investor funds would not be
5 transferred to the trading account but instead would be misappropriated for Weddle
6 and Allensworth's own use.

7 **2. Misrepresentations Regarding Trading Methodology and Investment**
8 **Security**

9 33. Weddle represented to investors that JustInfo followed a trading
10 methodology which would limit losses to investors. Weddle represented that JustInfo
11 would (1) trade only one futures contract per every \$2,000 invested (*i.e.*, trade only
12 \$50 per \$2,000 invested), thereby limiting the number of contracts traded per day and
13 lowering the risk of losing a large percentage of the total funds in any one day; and
14 (2) stop trading on any day after achieving either a one percent gain or a two percent
15 loss. Weddle further represented that he would "never waver" from this trading
16 methodology. Weddle made these representations in offering documents that he
17 prepared and in a June 23, 2016 presentation to investors (among other places).

18 34. On July 19, 2016, Weddle sent out a letter to investors titled "A Change
19 in Trading Policy," which stated that JustInfo had grown and was trading more
20 contracts than was manageable per day. The letter explained that in order to deal
21 with this growth, JustInfo would lower the number of contracts traded daily to
22 prevent haphazard trading. The letter reiterated the importance of the adherence to
23 the supposed methodology, stating: "I cannot sacrifice our trading methodology that
24 has made all of us quite a bit of money to date."

25 35. The representations regarding the trading methodology were false.
26 Weddle did not follow the trading methodology that he had outlined to investors, and
27 was not following the methodology at the time the representations were made. In
28 addition, contrary to representations to investors, no trading by Weddle made

1 investors “quite a bit of money”; rather, JustInfo consistently incurred substantial
2 losses.

3 36. Weddle’s representations regarding JustInfo’s trading methodology were
4 material to investors. Investors considered the security of the investment to be an
5 important factor in their decision to invest, and Weddle stressed that adherence to the
6 trading methodology would limit the investors’ risk. It would have been important to
7 investors to know that Weddle was not following the trading methodology he touted,
8 and that his trading was not generating returns.

9 **3. Misrepresentations Regarding Rate of Return**

10 37. Weddle misrepresented the rate of return to prospective and existing
11 investors. For example, a JustInfo offering document that Weddle prepared and
12 circulated in or around February 2016 stated: “[N]et return per client to date has been
13 over 20% per month on their original investment for those clients that have been in
14 for over a month.”

15 38. Further, during a June 23, 2016 presentation attended by current and
16 existing investors, Weddle represented that the investment would average 20-22% net
17 return per month.

18 39. A July 19, 2016 letter to investors, authored by Weddle, stated that the
19 investment would “continue to provide a 20% monthly return,” and further stated that
20 “[a] 20% return per month (240% a year) is unheard of, but we have been able to
21 achieve those results thus far....” Weddle further represented to investors in that
22 letter that “[y]ou should continue to make 20% on those contracts each and every
23 month...”

24 40. The representations about the rate of return that JustInfo was generating
25 were false. At the time Weddle made these misrepresentations, JustInfo had
26 experienced significant, sustained trading losses. Weddle began losing money as
27 early as January 2016 – well before the majority of investors had invested – and
28 never made a net profit after that.

1 41. Weddle drafted, and Allensworth disseminated to investors, false weekly
2 JustInfo trading reports. The trading reports purported to show trading activity and
3 profits allocated to the particular investor, and purported to show returns of
4 approximately 20-25% per month. But the results in the trading reports were wholly
5 fabricated.

6 42. The misrepresentations regarding the returns on investment were
7 material to investors. Reasonable investors would consider the returns on investment
8 important to the investment decision. Since none of the investors had direct access to
9 the Dorman futures trading accounts or statements, representations made by Weddle
10 and the reports issued by JustInfo were the only sources of information that investors
11 had regarding the performance of their investments. The inaccurate returns shown on
12 the fabricated trading reports encouraged several investors to reinvest on multiple
13 occasions.

14 43. On more than one occasion, Weddle fabricated a Dorman account
15 statement. In or about March 2017, when the single largest investor asked to see a
16 Dorman account statement, Weddle fabricated a trading statement purporting to be a
17 single day's snapshot of an account for the benefit of that investor. The fake account
18 statement showed over \$4 million on account for the benefit of that investor alone. In
19 reality, on that date, the total balance in all of the Dorman accounts Weddle and
20 JustInfo controlled was less than \$6,000.

21 44. Allensworth, who had previously lost his clients' money in a similar
22 scam, unquestioningly passed on the false information provided by Weddle.
23 Allensworth knew, or was reckless or negligent in not knowing, that at least some of
24 the trading information Weddle provided was false. At the very least, Allensworth
25 knew that the trading reports for the investors who had lost money in the prior
26 defunct futures trading scheme were false. Weddle had not transferred any money
27 from the defunct scheme to JustInfo, and therefore knew that any statements
28 regarding the returns for those clients were fabricated.

1 45. In or around December 2016, investors' withdrawal requests were not
2 being fulfilled because JustInfo did not have the money to make payments. Weddle
3 falsely told Allensworth that the JustInfo accounts were under audit by Dorman and
4 that the money in Dorman accounts had been frozen.

5 46. This scenario was similar to the excuse that the orchestrator of the prior
6 scheme had provided to Allensworth, and should have served as a red flag to
7 Allensworth that the funds in question were no longer in the account. The accounts
8 were not in fact frozen, but despite his previous experience, Allensworth did not
9 question Weddle's claims and instead passed along information about the fake audit
10 to investors.

11 47. Allensworth continued to solicit investors, make misrepresentations, and
12 transfer investor funds to JustInfo through at least the end of January 2017.

13 **4. Defendants' Misrepresentations Were Material and Made with**
14 **Scienter**

15 48. All of the false and misleading statements JustInfo, Weddle, and
16 Allensworth made were material. A reasonable investor would consider the
17 investment's returns, trading methodology and use of funds important to the
18 investment decision. Further, a reasonable investor would have considered it
19 important to know that JustInfo was sustaining heavy losses, that it was not adhering
20 to a trading methodology, and that the returns, if any, were much less than those
21 described in the offering documents and trading reports. A reasonable investor would
22 have further considered it important to know that investor funds would be used to pay
23 Weddle and Allensworth's personal expenses and to make Ponzi payments instead of
24 being transferred to the futures trading account.

25 49. Weddle and Allensworth acted with scienter. Weddle and Allensworth
26 knew, or were reckless in not knowing, that JustInfo was sustaining heavy losses
27 from its earliest days of trading and that, the representations about JustInfo's trading
28 methodology and the security of the investment were false. In addition, Weddle and

1 Allensworth knew, or were reckless in not knowing, that the JustInfo trading reports
2 disseminated to investors contained false and misleading statements about the rate of
3 return. Moreover, Weddle and Allensworth each controlled at least one of the bank
4 accounts that received investor funds and knew, or were reckless in not knowing, that
5 they were misappropriating investor funds for their own personal expenses and to
6 make Ponzi payments.

7 50. In addition, Weddle and Allensworth failed to exercise reasonable care
8 by, among other things, misappropriating investor funds, making Ponzi payments,
9 and making material false and misleading representations, and thus were at least
10 negligent.

11 **5. Weddle and Allensworth Engaged in a Scheme to Perpetuate the**
12 **Fraud and Avoid Detection**

13 51. Weddle and Allensworth engaged in a scheme to defraud investors.
14 Weddle and Allensworth engaged in numerous deceptive acts to perpetrate the
15 scheme. For example, Weddle, with Allensworth's knowledge, used new investor
16 money to pay fabricated returns to old investors who sought to withdraw funds.
17 Weddle orchestrated these Ponzi payments to investors – even as JustInfo was
18 sustaining heavy trading losses – to cover up the losses and encourage reinvestment.

19 52. For example, one investor sought to withdraw her \$25,000 investment
20 seven weeks after she had invested. Weddle returned the \$25,000 and paid her an
21 additional \$9,699.59 as her purported return. Weddle explained that the additional
22 funds represented “about a 28% return on your capital.” But the purported return
23 came from new investor funds, and not trading profits. After receiving the 28%
24 return on her initial investment, the investor decided to reinvest multiple times. Her
25 net investment totaled over \$1.1 million.

26 53. Allensworth was aware of the Ponzi payments that Weddle was making.
27 Weddle routinely informed Allensworth that he was using new investor funds to pay
28 old investors.

1 54. Allensworth also made Ponzi payments to investors after being
2 encouraged to do so by Weddle. Starting in or around March 2016, when
3 Allensworth requested withdrawals on behalf of his clients, Weddle often delayed
4 making the payments and proposed that Allensworth instead pay the investors from
5 the proceeds of new investments. Allensworth accepted Weddle's advice and made
6 Ponzi payments to investors who had requested withdrawals. Initially, Allensworth
7 acted at Weddle's suggestion in making such payments; however, as the scheme
8 evolved, Allensworth frequently decided on his own initiative to make Ponzi
9 payments. Allensworth referred to the use of new investor money to cover
10 withdrawals by old investors "creative accounting."

11 55. In December 2016, JustInfo's largest investor requested a large
12 withdrawal. Because JustInfo did not have the money to fulfill this and other
13 withdrawal requests, Weddle represented to investors and to Allensworth that the
14 futures trading accounts at Dorman were under audit and all investor funds had been
15 frozen and could not be withdrawn.

16 56. Despite the experience of previously losing his clients' money in another
17 futures trading scam, Allensworth did not question Weddle's claim or undertake any
18 due diligence efforts to confirm that the accounts were in fact under audit. He also
19 turned a blind eye to numerous investor complaints and concerns about JustInfo's
20 inability to fulfill their withdrawal requests. Instead, he simply passed information
21 about the fake audit along to investors and continued to solicit investors, make
22 misrepresentations, and transfer investor funds to JustInfo through at least the end of
23 January 2017.

24 57. Weddle continued to fabricate and Allensworth continued to disseminate
25 the false trading reports and account statements through at least March 2017. Weddle
26 and Allensworth also continued to solicit investors and take new investor money
27 through at least January 2017.

28 58. Throughout the course of their fraud, Weddle and Allensworth took

1 steps to avoid regulatory scrutiny. Weddle lied to Dorman on account opening
2 documents by falsely representing that he was trading only for himself and not on
3 behalf of others. Weddle also made multiple false statements regarding their trading
4 activities in response to compliance inquiries by the trading platform that JustInfo
5 used in late 2016 and early 2017.

6 59. Allensworth was aware of these lies. Further, Weddle told Allensworth
7 on multiple occasions that they were likely violating the federal securities laws and
8 that they needed to fly under the radar. For example, in a June 2016 email to
9 Allensworth, Weddle acknowledged that he could get into “quite a bit of trouble” if it
10 were discovered that he was trading on behalf of others. Allensworth responded by
11 saying, “All noted...All understood...I fully get the dynamics but I do believe we
12 have protected ourselves the best way we can.”

13 60. Given his control of JustInfo, Weddle’s scienter is imputable to JustInfo.

14 **C. Defendants’ Registration Violations**

15 61. The investment contracts in the JustInfo and CGGA offerings were
16 securities under the federal securities laws. The contracts involved an investment of
17 money in a common enterprise with profits to come solely from the efforts of others.
18 The membership units in the LLC offered and sold by JustInfo were also securities.

19 62. During all relevant times, the securities offerings were required to be
20 registered under the securities laws. Neither the JustInfo offering nor the CGGA
21 offering was registered with the SEC. The JustInfo and CGGA offering documents
22 were silent as to any registration exemption and the offerings were not exempt from
23 registration.

24 63. Both Weddle and Allensworth solicited investors through, among other
25 things, emails and live presentations. Both offerings included investors from multiple
26 states.

27 64. Neither Weddle nor Allensworth asked or verified whether potential
28 investors were accredited investors as defined in Rule 501 of Regulation D, 17 C.F.R.

1 § 230.501. Many of the investors were unaccredited and unsophisticated.

2 65. Investors were not involved in JustInfo's trading decisions.
3 Accordingly, investors were completely reliant on JustInfo, Weddle, and Allensworth
4 for the investment's overall success.

5 66. During all relevant times, Weddle and Allensworth, in both the JustInfo
6 and CGGA offerings, made use of the means or instrumentalities of interstate
7 commerce or of the mails in connection with the transactions, acts, practices, and
8 courses of business alleged in this complaint.

9 **FIRST CLAIM FOR RELIEF**

10 **Fraud in the Connection with the Purchase and Sale of Securities**

11 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

12 **(Against All Defendants)**

13 67. The SEC realleges and incorporates by reference paragraphs 1 through
14 66 above.

15 68. JustInfo, Weddle, and Allensworth engaged in a fraudulent offering
16 scheme which they furthered through numerous deceptive acts. Among other things,
17 as previously alleged, Weddle misappropriated investor funds which he used for his
18 own purposes and to make Ponzi payments to investors in order to create the
19 appearance that the investment was profitable, to cover up losses and to encourage
20 reinvestment. He also fabricated trading reports and Dorman account statements to
21 cover up losses and deceive investors into believing that JustInfo was using their
22 funds to make profitable trades, thereby inducing additional investments. Weddle
23 also provided false information to Dorman and to the trading platform company to
24 conceal that he was trading on behalf of other people. Weddle was acting on behalf
25 of JustInfo in perpetrating these acts, and his actions are attributable to JustInfo.

26 69. Allensworth also engaged in deceptive acts that furthered the fraudulent
27 offering scheme. As with Weddle, Allensworth misappropriated investor funds for
28 his own use and to make Ponzi payments. Allensworth also distributed the false

1 trading reports to investors to deceive them into believing their funds were bring
2 profitably traded, thereby inducing new investment.

3 70. Weddle and Allensworth also made material false representations to
4 investors. Among other things, Weddle, on behalf of JustInfo, falsely represented
5 that all investor funds would be transferred to the Dorman futures trading account or
6 used for specified trading related expenses; that JustInfo had followed and would
7 continue to follow a specific trading methodology that would limit the risk of the
8 investment; that the net return per client had been and would continue to be over 20%
9 per month on their original investment; and that Weddle and Allensworth's combined
10 compensation would be limited to 30% of the trading profits. Each of those false
11 representations was material to investors.

12 71. Allensworth similarly made material false representations to investors.
13 Through the CGGA investment agreements, Allensworth falsely represented that
14 investor funds would be transferred in full to the Dorman futures trading account,
15 when in fact he misappropriated investor funds for his own use. He further told
16 investors that Weddle and Allensworth's compensation would be limited to 30% of
17 the trading profits.

18 72. Weddle and Allensworth acted with scienter. Each knew, or was
19 reckless in not knowing, that they had misappropriated funds and engaged in the
20 other deceptive acts. Among other things, Weddle and Allensworth respectively
21 controlled the JustInfo and CGGA bank accounts into which investor funds were
22 deposited and personally orchestrated the misappropriation and Ponzi payments.
23 Further, Weddle and Allensworth knew, or were reckless in not knowing, that the
24 misrepresentations that were made to investors were not true. Among other things,
25 Weddle fabricated false trading reports and statements, and Allensworth disseminated
26 the fabricated trading reports to investors despite knowing that the reports were false.

27 73. Because Weddle was, at all relevant times, acting on behalf of JustInfo,
28 Weddle's scienter is attributable to JustInfo.

1 74. By engaging in the conduct described above, Defendants, JustInfo,
2 Weddle, and Allensworth, with scienter, directly or indirectly, in connection with the
3 purchase or sale of a security, by the use of means or instrumentalities of interstate
4 commerce, of the mails, or of the facilities of a national securities exchange: (a)
5 employed devices, schemes, or artifices to defraud; (b) made untrue statements of a
6 material fact or omitted to state a material fact necessary in order to make the
7 statements made, in the light of the circumstances under which they were made, not
8 misleading; and (c) engaged in acts, practices, or courses of business which operated
9 or would operate as a fraud or deceit upon other persons.

10 75. By engaging in the conduct described above, Defendants JustInfo,
11 Weddle, and Allensworth violated, and unless restrained and enjoined will continue
12 to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a),
13 10b-5(b), and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a), 240.10b-5(b) &
14 240.10b-5(c).

15 **SECOND CLAIM FOR RELIEF**

16 **Fraud in the Offer or Sale of Securities**

17 **Violations of Section 17(a)(1) and (3) of the Securities Act**

18 **(Against All Defendants)**

19 76. The SEC realleges and incorporates by reference paragraphs 1 through
20 66 above.

21 77. As alleged above in this complaint, among other allegations, Defendants
22 JustInfo, Weddle, and Allensworth participated in a scheme to defraud JustInfo's
23 investors, which included providing false information to Dorman Trading; drafting,
24 revising, reviewing, and/or distributing false and misleading offering materials and
25 trading information; misappropriating investor funds for personal use; and making
26 Ponzi payments to investors. Since Weddle and Allensworth, respectively, controlled
27 the JustInfo and CGGA bank accounts into which investor funds were deposited and
28 since they were the ones orchestrating the misappropriation and Ponzi payments, they

1 knew, or were reckless in not knowing, that they committed deceptive acts in
2 furtherance of the fraudulent scheme.

3 78. By engaging in the conduct described above, Defendants JustInfo,
4 Weddle, and Allensworth, and each of them, directly or indirectly, in the offer or sale
5 of securities, and by the use of means or instruments of transportation or
6 communication in interstate commerce or by use of the mails directly or indirectly:
7 (a) with scienter, employed devices, schemes, or artifices to defraud; and (b) with at
8 least negligence, engaged in transactions, practices, or courses of business which
9 operated or would operate as a fraud or deceit upon the purchaser.

10 79. By engaging in the conduct described above, Defendants JustInfo,
11 Weddle, and Allensworth violated, and unless restrained and enjoined will continue
12 to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§
13 77q(a)(1) & 77q(a)(3).

14 **THIRD CLAIM FOR RELIEF**

15 **Fraud in the Offer or Sale of Securities**

16 **Violations of Section 17(a)(2) of the Securities Act**

17 **(Against All Defendants)**

18 80. The SEC realleges and incorporates by reference paragraphs 1 through
19 66 above.

20 81. JustInfo, Weddle, and Allensworth obtained money by means of material
21 misrepresentations. As discussed above, JustInfo, Weddle, and Allensworth raised
22 approximately \$2,843,000 from investors in the offerings by making materially false
23 and misleading statements.

24 82. Among other things, Weddle, on behalf of JustInfo, obtained money or
25 property by falsely representing that all investor funds would be transferred to the
26 Dorman futures trading account or used for specified trading related expenses; that
27 JustInfo had followed and would continue to follow a specific trading methodology
28 that would limit the risk of the investment; that the net return per client had been and

1 would continue to be over 20% per month on their original investment; and that
2 Weddle and Allensworth's combined compensation would be limited to 30% of the
3 trading profits. Each of those false representations was material to investors.

4 83. Allensworth similarly made obtained money or property by means of
5 material false representations to investors. Through the CGGA investment
6 agreements, Allensworth falsely represented that investor funds would be transferred
7 in full to the Dorman futures trading account. He further told investors that Weddle
8 and Allensworth's compensation would be limited to 30% of the trading profits.
9 Allensworth also disseminated the fabricated trading reports to investors despite
10 knowing that the reports were false.

11 84. Defendants JustInfo, Weddle, and Allensworth, by engaging in the
12 conduct described above, directly or indirectly, in the offer or sale of securities by the
13 use of means or instruments of transportation or communication in interstate
14 commerce or by the use of the mails, with scienter or negligence, obtained money or
15 property by means of untrue statements of a material fact or by omitting to state a
16 material fact necessary in order to make the statements made, in light of the
17 circumstances under which they were made, not misleading.

18 85. By engaging in the conduct described above, Defendants JustInfo,
19 Weddle, and Allensworth violated, and unless restrained and enjoined, will continue
20 to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

21 **FOURTH CLAIM FOR RELIEF**

22 **Unregistered Offer and Sale of Securities**

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

24 **(Against All Defendants)**

25 86. The SEC realleges and incorporates by reference paragraphs 1 through
26 66 above.

27 87. The investment contracts and LLC membership interests offered and
28 sold in the JustInfo and CGGA offerings were securities, and the offer and sale of the

1 securities were required to be registered with the SEC, but were not registered. The
2 offerings were not exempt from registration under any exemption.

3 88. By engaging in the conduct described above, Defendants JustInfo,
4 Weddle, and Allensworth, and each of them, directly or indirectly, singly and in
5 concert with others, has made use of the means or instruments of transportation or
6 communication in interstate commerce, or of the mails, to offer to sell or to sell
7 securities, or carried or caused to be carried through the mails or in interstate
8 commerce, by means or instruments of transportation, securities for the purpose of
9 sale or for delivery after sale, when no registration statement had been filed or was in
10 effect as to such securities, and when no exemption from registration was applicable.

11 89. By engaging in the conduct described above, Defendants JustInfo,
12 Weddle, and Allensworth has violated, and unless restrained and enjoined will
13 continue to violate, Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) & 77e(c).

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 JustInfo, Weddle, and Allensworth, and their
22 officers, agents, servants, employees and attorneys, and those persons in active
23 concert or participation with any of them, who receive actual notice of the judgment
24 by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c),
25 and 17(a) of the Securities Act [15 U.S.C. § 77e(a), 77 e(c), 77q(a)], and Section
26 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17
27 C.F.R. § 240.10b-5].
28

1 **III.**

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

4 **IV.**

5 Order Defendants to pay civil penalties under Section 20(d) of the Securities
6 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §
7 78u(d)(3)].

8 **V.**

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

13 **VI.**

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

16 Dated: October 11, 2017

17 */s/ Kristin S. Escalante*

18 Kristin S. Escalante

19 Attorney for Plaintiff

20 Securities and Exchange Commission

Complaints and Other Initiating Documents

[2:17-cv-07426 v. JUSTINFO LLC et al](#)

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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The following transaction was entered by Escalante, Kristin on 10/11/2017 at 12:49 PM PDT and filed on 10/11/2017

Case Name: v. JUSTINFO LLC et al
Case Number: [2:17-cv-07426](#)
Filer: Securities and Exchange Commission
Document Number: [1](#)

Docket Text:

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

2:17-cv-07426 Notice has been electronically mailed to:

Kristin S Escalante escalantek@sec.gov, delgadilloj@sec.gov, irwinma@sec.gov, longoa@sec.gov

2:17-cv-07426 Notice has been delivered by First Class U. S. Mail or by other means BY THE FILER to :

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Document description:Main Document

Original filename:C:\Users\delgadilloj\Desktop\2017.10.11 JustInfo Complaint (FINAL).pdf

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[STAMP cacdStamp_ID=1020290914 [Date=10/11/2017] [FileNumber=24358332-0] [2d5bfc8f54d8fee3f5a3480cc74d9424676e93ddb0ccda94faf18cfb53d096a07fa133e7c8095bcb9981e21640e9c57d21794332e1b438e5c2768b28b9c3dc71]]