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9
10 UNITED STATES DISTRICT COURT
11 EASTERN DISTRICT OF CALIFORNIA
12 SACRAMENTO DIVISION

13
14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,

16 vs.

17 MCKINLEY MORTGAGE CO. LLC, MCKINLEY
MORTGAGE COMPANY, LLC, TOBIAS J.
18 PRESTON, CHARLES G. PRESTON, CALEB J.
PRESTON, and LAURA A. SANFORD,

19 Defendants.
20

Case No.

COMPLAINT

21
22 Plaintiff Securities and Exchange Commission (the “Commission”) alleges:

23 **SUMMARY OF THE ACTION**

24 1. This matter involves the fraudulent offer and sale of securities issued by Alaska
25 Financial Company III LLC (“AFC III” or “the Fund”), a private real estate investment fund that
26 raised \$66 million between 2012 and 2016 from approximately 300 investors, including several
27 Alaska Native Corporations.

28 2. Tobias Preston, his brother Charles Preston, and his son Caleb Preston

1 (collectively, “the Prestons”), along with their affiliated investment advisory entity McKinley
2 Mortgage Co. LLC (“MMC-FL”), raised millions of dollars from retail investors by representing
3 that the promissory notes issued by AFC III provided secure, predictable annual returns of
4 between 6% and 8.25% with “preservation of principal” because AFC III’s investments were to
5 be primarily secured by deeds of trust on real property. Some of the investors who invested in
6 AFC III were unaccredited and unsophisticated.

7 3. In reality, AFC III for years had been losing money. By 2012, it was insolvent and
8 by 2014, it was unable to generate enough revenue to meet its ongoing interest obligations to
9 investors. The Prestons, however, continued to raise money and concealed AFC III’s growing
10 losses by providing investors with false documents stating that AFC III’s assets were earning
11 between 12% and 14%, when many of AFC III’s assets were earning little or no returns. Laura
12 Sanford, AFC III’s Accounting Manager, helped calculate these misleading earnings figures that
13 the Prestons included in materials for investors. The Prestons also falsely told prospective
14 investors that AFC III’s financial statements were audited when they knew the Fund had not been
15 audited since 2010.

16 4. Tobias Preston also improperly used over \$17 million of AFC III’s investor money
17 for his personal benefit, including to purchase a home in Mexico, to make unsecured loans to
18 entities he controlled, and to fund personal business ventures unrelated to AFC III. He also
19 improperly used approximately \$14 million of AFC III’s money to pay for MMC-FL’s
20 operational costs, such as rent and payroll, because MMC-FL did not have sufficient income to
21 cover its expenses. Charles Preston improperly used approximately \$175,000 of AFC III money
22 for a down payment on his personal residence and to pay off debt and personal credit card bills.
23 None of these uses of AFC III investor money were consistent with the offering materials they
24 provided to investors.

25 5. Charles Preston also misused for personal purposes approximately \$700,000 from
26 Alaska Financial Company² LLC (“AFC2”), a smaller fund created by Tobias Preston and
27 Charles Preston before AFC III, through his control of an Alaska-based affiliate of MMC-FL
28 known as McKinley Mortgage Company, LLC (“MMC-AK”). Charles Preston and Tobias

1 Preston also caused MMC-AK to improperly use approximately \$341,000 of AFC III investor
2 money to pay for MMC-AK's business expenses. None of these uses of funds were disclosed in
3 AFC III's or AFC2's offering materials that the Prestons provided to prospective investors.

4 6. Caleb Preston received approximately \$345,000 in unlawful commissions for
5 soliciting investments for AFC III, even though he has never been registered as a broker with the
6 Commission or associated with a registered broker-dealer.

7 7. Based on this conduct, the Prestons and MMC-FL violated the antifraud and
8 registration provisions, and MMC-AK and Sanford violated the antifraud provisions, of the
9 federal securities laws. The Commission seeks orders enjoining Tobias Preston, Charles Preston,
10 Caleb Preston, MMC-FL, MMC-AK, and Laura Sanford from future violations of the federal
11 securities laws; seeking disgorgement plus prejudgment interest against the Prestons, MMC-FL,
12 and MMC-AK; and imposing civil penalties against the Prestons.

13 JURISDICTION AND VENUE

14 8. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the
15 Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)], Sections 21(d) and
16 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and
17 78u(e)], and Sections 209(c), 209(d), and 209(e) of the Investment Advisers Act of 1940
18 ("Advisers Act") [15 U.S.C. §§ 80b-9(c), 80b-9(d), and 80b-9(e)].

19 9. This Court has jurisdiction over this action pursuant to Section 22(a) of the
20 Securities Act [15 U.S.C. § 77v(a)], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C.
21 §§ 78u(d), 78u(e), and 78aa], and Sections 209(d), 209(e), and 214 of the Advisers Act [15
22 U.S.C. §§ 80b-9(d), 80b-9(e), and 80b-14]. Defendants, directly or indirectly, made use of the
23 means and instrumentalities of interstate commerce or of the mails in connection with the acts,
24 transactions, practices, and courses of business alleged in this Complaint.

25 10. Venue is proper in this District pursuant to Section 22(a) of the Securities Act
26 [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]. Since at least
27 2012, MMC-FL, of which Defendants Tobias Preston, Charles Preston, and Caleb Preston were
28 owners and managers, maintained its principal place of business in this District; Defendants

1 Tobias Preston, Caleb Preston, and Laura Sanford reside or resided in Shasta County; and acts,
2 practices, and courses of business alleged in this Complaint occurred within this District.
3 Intradistrict assignment to the Sacramento Division is proper pursuant to Rule 120(d) of the
4 Court's Local Rules because a substantial part of the events or omissions which give rise to these
5 claims occurred in Shasta County.

6 **DEFENDANTS**

7 11. **Tobias Preston**, age 55, is a resident of Redding, California. Tobias Preston is the
8 founding member, majority owner, and President of MMC-FL and MMC-AK. Tobias Preston is
9 also President of AFC III and, through his majority ownership of MMC-FL, indirect majority
10 owner of AFC III and 48.5% indirect owner of AFC2. Tobias Preston has never held securities
11 licenses or been registered with the Commission.

12 12. **Charles Preston**, age 34, is a resident of Chugiak, Alaska and is Tobias Preston's
13 brother. He is Vice President and a co-owner of MMC-FL and AFC2 and oversees AFC III's
14 Investor Relations department. Charles Preston was associated with MMC-FL at all relevant
15 times and performed certain managerial tasks for MMC-FL. He also managed the operations of
16 MMC-AK and AFC2.

17 13. **Caleb Preston**, age 28, is a resident of Girdwood, Alaska and is Tobias Preston's
18 son. He has managed MMC-FL's marketing and business development operations since 2012
19 and was associated with MMC-FL at all relevant times. In 2014, Caleb Preston became MMC-
20 FL's Director of Marketing. Caleb Preston received commissions from MMC-FL for soliciting
21 investors for AFC III. He has never held securities licenses or been registered with the
22 Commission.

23 14. **Laura Sanford**, age 55, is a resident of Shasta County, California. Sanford was
24 AFC III's Accounting Manager from 2012 to June 2016.

25 15. **McKinley Mortgage Co. LLC** ("MMC-FL") is a limited liability company
26 organized in Florida in 2005 with its principal place of business in Redding, California. MMC-
27 FL is the manager of AFC III and is owned by Tobias Preston (direct 74.2% ownership), Charles
28 Preston (indirect 17.2% ownership), and Caleb Preston (indirect 8.6% ownership). MMC-FL

1 does business in its own name and through numerous alter egos that perform administrative
2 operations to support MMC-FL's business, which includes providing investment advice to AFC
3 III for compensation. MMC-FL has never been registered with the Commission.

4 16. **McKinley Mortgage Company, LLC** ("MMC-AK") is a limited liability
5 company organized in Alaska in 2001 with its principal place of business in Anchorage, Alaska.
6 Tobias Preston founded MMC-AK to originate and invest in private loans secured by real estate.
7 Tobias Preston is the sole owner of MMC-AK, and Tobias Preston and Charles Preston jointly
8 control MMC-AK.

9 **OTHER RELEVANT ENTITIES**

10 17. **Alaska Financial Company III LLC** ("AFC III" or "the Fund") is a limited
11 liability company organized in Alaska in October 2008 with its principal place of business in
12 Anchorage, Alaska. AFC III is a private investment fund that has issued promissory notes to
13 investors offering fixed annual returns of between 6% and 8.25%. According to AFC III's
14 offering materials, money raised through the sale of notes was to be invested in loans secured by
15 deeds of trust on real property. AFC III has approximately \$82 million in outstanding promissory
16 notes (\$66 million of which was raised since October 2012). AFC III stopped soliciting new
17 investments and shut down its website in June 2016.

18 18. **Alaska Financial Company2 LLC** ("AFC2") is a limited liability company
19 organized in Alaska in January 2008. AFC2's principal place of business is Anchorage, Alaska
20 and it is primarily managed and controlled by Charles Preston. Tobias Preston and Caleb Preston
21 also have ownership interests in AFC2. AFC2's offering materials represented that it invests in
22 loans secured by first deeds of trust, and it has issued notes offering fixed returns of 7% and LLC
23 units that paid a hybrid return partially based on AFC2's profits. In total, AFC2 raised
24 approximately \$3 million (\$1.6 million since 2012).

25 **FACTUAL ALLEGATIONS**

26 **I. Background**

27 **A. Organization and Management of the AFC III Investment Fund**

28 19. Tobias Preston and Charles Preston formed MMC-FL in 2005 as an affiliate of

1 MMC-AK, through which Tobias Preston had been originating and acquiring loans secured by
2 real estate since 1989.

3 20. Tobias Preston and Charles Preston formed AFC III in October 2008 as a real
4 estate investment pool that would acquire deeds of trust secured by real estate using the funds
5 generated from the sale of promissory notes to investors. According to AFC III's offering
6 materials, MMC-FL is the sole owner and manager of AFC III and has responsibility for all day-
7 to-day operations and business affairs of AFC III, including advising the Fund on the selection of
8 investments in its portfolio, which included first deeds of trust, real estate, commodities, and
9 unsecured business loans. In exchange for its services, MMC-FL was entitled to receive a 2.5%
10 annual fee from AFC III, consisting of a 1.25% management fee and a 1.25% overhead
11 allowance, paid quarterly. According to the offering materials, these amounts would not be paid
12 until the interest payments due to investors on AFC III's outstanding promissory notes were paid
13 in full.

14 21. MMC-FL and its affiliated entities were primarily engaged in the business of
15 seeking out, negotiating, and acquiring first deeds of trust secured by real estate for the
16 investment portfolios of AFC III and AFC2. MMC-FL's affiliates were wholly dependent on
17 MMC-FL to maintain their business operations, including for expenses such as payroll and rent.
18 MMC-FL, its affiliates, and the AFC investment funds they operated are referred to collectively
19 in this Complaint as the "MMC/AFC Businesses."

20 22. Tobias Preston, as President and 74.2% owner of MMC-FL, controlled and had
21 ultimate authority, directly or indirectly, over all aspects of the MMC/AFC Businesses. Charles
22 Preston, as Vice President and a 17.2% indirect owner of MMC-FL, participated in certain
23 aspects of the management of MMC-FL and AFC III, as described in more detail below. Caleb
24 Preston is an 8.6% indirect owner of MMC-FL, and although he did not initially have a
25 managerial position with MMC-FL, by 2012 Caleb Preston played a significant role in marketing
26 AFC III investments and by 2014 became the Director of Marketing. Caleb Preston also
27 participated in certain aspects of the management of MMC-FL and AFC III, as described in more
28 detail below.

1 23. In addition to the amounts the Prestons improperly received from the MMC/AFC
2 Businesses, as described below, each received base salary payments from one of the affiliated
3 entities.

4 **B. AFC III's Investment Offerings**

5 24. Since November 2008, AFC III has offered four series of investments in its
6 promissory notes. The terms for each of the investment series are essentially identical, with the
7 only differences being the interest rate paid to investors (ranging from 6% to 8.25%), the period
8 to maturity (ranging from 6 months to 3 years), and the commission rate paid to broker-dealers
9 who sell the securities (ranging from none to 6%). Since November 2008, AFC III provided
10 investors with offering memoranda, which AFC III modified in July 2009, February 2011, and
11 January 2013 (the memoranda and addenda are collectively referred to herein as "offering
12 materials").

13 25. Tobias Preston, Charles Preston, and Caleb Preston reviewed and approved the
14 offering materials that have been distributed to investors since 2012. The MMC-FL Marketing
15 Department, under Caleb Preston's direction, and the MMC-FL Investor Relations Department,
16 under Charles Preston's direction, distributed the offering materials to prospective and existing
17 investors through mail, email, and in-person meetings. Tobias Preston or Charles Preston signed
18 documents related to the offering, such as subscription agreements, the promissory notes
19 themselves, and investment confirmation letters. Sanford, in her role as Accounting Manager,
20 reviewed relevant portions of the offering materials on numerous occasions since 2012 and was
21 generally familiar with the representations made to investors in the offering materials.

22 26. According to the offering materials, AFC III uses money raised from investors to
23 "provide a pool of funds from which [AFC III] will make or purchase mortgage loans and other
24 receivables secured by real estate." Furthermore, the Prestons claimed in the offering materials
25 that holders of the promissory notes would receive "a security interest in certain of [AFC III's]
26 assets, primarily the pool of mortgage loans funded by the proceeds" from the promissory notes,
27 and that "[a]ll loans will be secured by a first position deed of trust on commercial, investment or
28 residential real property, including undeveloped or partially developed property on a limited

1 basis.”

2 27. According to the AFC III offering materials, the Fund could make loans to MMC-
3 FL and its affiliates only if the loans were secured by real estate. The 2011 addendum allowed
4 for unsecured “alternative” investments, up to a maximum of 7.5% of AFC III’s portfolio. The
5 2013 addendum permitted AFC III to invest in first trust deeds that were secured by real estate in
6 Mexico, up to a maximum of 25% of AFC III’s portfolio.

7 28. Moreover, according to the offering materials, AFC III could loan MMC-FL
8 money to pay commissions to broker-dealers for their sales of AFC III securities, at the rate
9 applicable to each investment series, which was called a “formation loan,” to be paid back by
10 MMC-FL to AFC III over time.

11 **II. MMC-FL and Tobias Preston Misused \$31 Million of AFC III Investor Money**

12 **A. MMC-FL, Through Tobias Preston, Improperly Transferred \$18.2 million from** 13 **AFC III to Itself**

14 29. Starting in 2012 and continuing through 2016, Tobias Preston improperly
15 transferred increasing amounts of AFC III investor money to MMC-FL in excess of the allowed
16 annual management fees and overhead expenses. Tobias Preston transferred this money to
17 MMC-FL to support the operations of the MMC/AFC Businesses, which did not generate
18 sufficient income of their own, and to benefit Tobias Preston personally. These improper
19 transfers became larger as MMC-FL’s financial condition worsened and Tobias Preston increased
20 AFC III’s investments in unsecured loans to his entities and direct investments in real estate that
21 produced no immediate returns to the Fund, as described in more detail below.

22 30. MMC-FL took approximately \$700,000 more in 2012 than the annual 2.5% in
23 management fees and overhead allowance authorized by the offering materials and \$1.5 million
24 more in 2013. By 2014, AFC III could not fully satisfy its interest obligations to its investors
25 from current earnings on its assets. Tobias Preston continued to direct MMC-FL, however, to
26 take money from AFC III between 2014 and 2016 in excess of the amounts of fees and overhead
27 allowance authorized by the offering materials. Tobias Preston made unauthorized transfers to
28 MMC-FL of \$4.2 million in 2014, \$6 million in 2015, and \$5.8 million in 2016. In total, MMC-

1 FL improperly took \$18.2 million from AFC III between October 2012 and December 2016,
2 which was contrary to the disclosures to AFC III's investors.

3 31. Tobias Preston used \$4.3 million of the total \$18.2 million he improperly
4 transferred through MMC-FL for a variety of personal purposes, including approximately \$1.7
5 million to purchase a home at a luxury resort in Mexico; approximately \$650,000 to withdraw
6 cash and to pay for personal services and luxury items; and \$2 million to fund other businesses
7 that he owned and controlled.

8 32. Tobias Preston knew, or was reckless in not knowing, that these uses of AFC III
9 money were contrary to the representations made in AFC III's offering materials. Additionally,
10 Tobias Preston knew, or was reckless in not knowing, that the conflicts of interest inherent in
11 these transactions were not adequately disclosed to, or consented to by, the AFC III investors.

12 33. MMC-FL used the remaining \$13.9 million of the \$18.2 million that Tobias
13 Preston improperly transferred to maintain the operations of the MMC/AFC Businesses, which
14 suffered from recurring cash shortfalls. MMC-FL had essentially no income aside from the
15 management fees and overhead allowance it received from AFC III, which was insufficient to
16 sustain the operations of the MMC/AFC Businesses, and MMC-FL had essentially no assets aside
17 from unsecured and uncollectable receivables from Tobias Preston and MMC-FL's affiliated
18 companies.

19 34. To conceal the growing amount of AFC III funds taken through MMC-FL, Tobias
20 Preston directed Sanford to record many of the transfers as "receivables" so that AFC III's books
21 would show them as "assets." For example, Tobias Preston directed Sanford to classify
22 approximately \$5 million as "Notes Receivable from Affiliate" and "formation loans," even
23 though these affiliate notes were not secured by real estate and the vast majority of "formation
24 loan" transfers were not associated with commissions paid to broker-dealers.

25 35. Sanford made these entries in AFC III's financial books and records without
26 confirming whether these loans were actual receivables from MMC-FL or permitted by AFC III's
27 offering materials. Tobias Preston also directed Sanford to classify millions of dollars of transfers
28 from AFC III to MMC-FL as "suspense" items, which had no stated purpose or documentation.

1 36. Tobias Preston knew, or was reckless in not knowing, that these \$13.9 million in
2 transfers from AFC III to MMC-FL were inconsistent with the representations made in AFC III's
3 offering materials. He also knew, or was reckless in not knowing, that MMC-FL and its affiliates
4 did not have sufficient assets or income to pay back these amounts. Additionally, Tobias Preston
5 knew, or was reckless in not knowing, that the conflicts of interest inherent in these transactions
6 were not adequately disclosed to, or consented to by, the AFC III investors.

7 37. Charles Preston, as Vice President of MMC-FL, had access to and regularly
8 reviewed AFC III's and MMC-FL's financial books and records since at least 2012 and was
9 aware of the Fund's deteriorating financial condition. Charles Preston also discussed AFC III's
10 financial condition and financial transactions with Tobias Preston on numerous occasions
11 between 2012 and 2016. Charles Preston knew, or was reckless in not knowing, that the \$18.2
12 million in transfers from AFC III to MMC-FL were contrary to the representations made in AFC
13 III's offering materials, and that MMC-FL and its affiliates did not have sufficient assets or
14 income to pay back these amounts. Additionally, Charles Preston knew, or was reckless in not
15 knowing, that the conflicts of interest inherent in these transactions were not adequately disclosed
16 to, or consented to by, the AFC III investors.

17 38. Caleb Preston, as an officer of MMC-FL since at least 2014, had access to AFC
18 III's and MMC-FL's financial books and records and was aware of the Fund's worsening
19 financial condition during that time. Caleb Preston also discussed AFC III's financial condition
20 and financial transactions with Tobias Preston and urged that they address the "financial
21 bleeding." Caleb Preston knew, or was reckless in not knowing, that the millions of dollars in
22 transfers from AFC III to MMC-FL since 2014 were contrary to the representations made in AFC
23 III's offering materials and that MMC-FL and its affiliates did not have sufficient assets or
24 income to pay back these amounts. Additionally, Caleb Preston knew, or was reckless in not
25 knowing, that the conflicts of interest inherent in these transactions were not adequately disclosed
26 to, or consented to by, the AFC III investors.

27 39. Sanford knew, or should have known, that the loans from AFC III to MMC-FL
28 and its affiliates were not permitted by AFC III's offering materials provided to investors.

1 **B. Tobias Preston Took An Additional \$12.7 Million from AFC III for Other**
2 **Improper Investments**

3 40. In addition to the \$18.2 million that Tobias Preston caused MMC-FL to take from
4 AFC III, between 2014 and 2016 he also transferred \$12.7 million directly from AFC III for other
5 improper uses, including \$12.1 million to make unsecured loans to entities that Tobias Preston
6 personally controls. As described below, at all times since 2012, AFC III's "alternative
7 investments," such as unsecured loans to affiliates, exceeded the 7.5% threshold set forth in the
8 2011 addendum to AFC III's offering memorandum. Therefore, these uses of AFC III money
9 were improper.

10 41. Tobias Preston's entities that received AFC III investor money had no independent
11 sources of income, and, therefore, could not repay the money to AFC III. Through these entities,
12 Tobias Preston purchased real estate in Mexico and the United States for the benefit of his
13 personal business ventures, including undeveloped land in Mexico that he knew would require
14 years and millions of dollars in additional funds to develop.

15 42. Tobias Preston did not provide AFC III with secured interests in any of the
16 projects or in the real estate for which this money was used. Nor did Tobias Preston disclose
17 these transactions and the conflicts of interest related to them to AFC III investors.

18 43. Tobias Preston also took \$585,000 from AFC III to fund personal business
19 ventures unrelated to AFC III, without disclosing these transactions and the conflicts of interest
20 associated with them to AFC III investors. Tobias Preston sold certain properties related to the
21 transactions described above and returned \$3.6 million to the Fund.

22 44. Tobias Preston knew, or was reckless in not knowing, that these transactions were
23 contrary to the representations made in AFC III's offering materials and that the entities that
24 received the money had no independent sources of revenue or other assets with which to repay
25 AFC III. Additionally, he knew, or was reckless in not knowing, that the conflicts of interest
26 inherent in these transactions were not adequately disclosed to, or consented to by, the AFC III
27 investors.

28 45. In determining to use AFC III investor money for \$12.1 million in unsecured loans

1 to Tobias Preston's businesses, MMC-FL and Tobias Preston advised AFC III on investing in and
2 purchasing securities.

3 46. Charles Preston and Caleb Preston knew, or were reckless in not knowing, that
4 Tobias Preston transferred the \$12.7 million to entities he controlled to fund Tobias Preston's
5 personal business ventures. In 2015, Charles Preston assisted Tobias Preston in creating bank
6 accounts for Tobias Preston's entities that received the \$12.1 million in unsecured loans to buy
7 raw land and other real estate in Mexico and the United States.

8 47. AFC III's financial records, to which Charles Preston and Caleb Preston had
9 access, showed that this \$12.1 million flowed from AFC III to Tobias Preston's entities and were
10 documented as "loans." AFC III's and MMC-FL's records concerning these transactions,
11 however, did not show that AFC III had any secured interest in these loans, as required by the
12 offering materials. Despite this knowledge, Charles Preston and Caleb Preston reviewed,
13 approved, and authorized the distribution of AFC III "Portfolio Updates" to investors, which
14 misrepresented these loans as being secured by real estate and providing significant returns to the
15 Fund.

16 **C. Misrepresentations to Investors and Auditors**

17 48. The Prestons raised \$66 million through AFC III between October 2012 and June
18 2016 from approximately 300 investors. In soliciting these investments, they failed to disclose to
19 the investors the amounts taken from AFC III by MMC-FL and AFC III's ongoing losses and
20 insolvency. MMC-FL and the Prestons also made material misrepresentations regarding AFC III
21 in order to continue raising money from new investors and rolling over existing notes.

22 ***Misrepresentations and Omissions Regarding the Uses of AFC III Investor Money***

23 49. Since October 2012, as described above, MMC-FL improperly took a total of
24 \$18.2 million from AFC III in excess of the 2.5% annual management fees and overhead
25 allowance disclosed to investors in the offering materials. MMC-FL and the Prestons continued
26 to represent to new AFC III investors at least through June 2016 that a maximum of 2.5%
27 annually would be taken and that the fees would not be paid until after the interest amounts owed
28 to investors were fully paid. MMC-FL and the Prestons did not disclose to investors that MMC-

1 FL had in fact taken—and spent—far more than the 2.5%.

2 50. According to the 2011 addendum to AFC III’s offering memorandum, a maximum
3 of 7.5% of the money invested in AFC III would be used for “alternative investments” such as
4 unsecured loans and direct investments in real estate. In reality, Tobias Preston improperly
5 transferred amounts from AFC III to MMC-FL far in excess of the 7.5% threshold for alternative
6 investments. In total, AFC III’s “alternative” investments have exceeded the 7.5% threshold
7 since 2012 and at times constituted as much as 28% of AFC III’s assets. MMC-FL and the
8 Prestons did not disclose these improper uses of AFC III funds to investors.

9 51. According to the 2013 addendum to AFC III’s offering memorandum, a maximum
10 of 25% of the money invested in AFC III would be used to invest in loans associated with real
11 estate outside the United States, and that such loans would be secured by first position deeds of
12 trust or mortgages. AFC III’s international investments, however, have exceeded the 25%
13 threshold since 2014 and by June 2016 constituted 40% of AFC III’s portfolio. In addition,
14 Tobias Preston improperly used approximately \$5.1 million of AFC III funds to make unsecured
15 loans to entities he controlled, which made investments in undeveloped land in Mexico between
16 2014 and 2016. AFC III did not have a secured interest in these properties. MMC-FL and the
17 Prestons did not disclose these improper uses of AFC III funds to investors.

18 ***Misrepresentations Regarding AFC III’s Financial Performance***

19 52. MMC-FL and the Prestons issued two reports on a quarterly basis to describe AFC
20 III’s assets and financial performance to prospective and current AFC III investors. The first
21 document, entitled the quarterly “Fact Sheet,” contained a high-level summary of AFC III, its
22 categories of assets, and the purported “weighted yield” across those assets. After the Prestons
23 reviewed and approved a Quarterly Fact Sheet for distribution to investors, Caleb Preston
24 provided the most recent Fact Sheets to prospective investors who showed an interest in an AFC
25 III investment at in person meetings, through email communications, or via U.S. mail. Quarterly
26 Fact Sheets were also available to prospective investors on AFC III’s website since at least 2014.

27 53. The second document, entitled the quarterly “Portfolio Update,” listed the specific
28 secured trust deeds in AFC III’s portfolio and the purported yields that AFC III received from the

1 loans secured by those trust deeds. The Portfolio Updates also listed the total amounts of other
2 general categories of AFC III's assets, including "cash," "current assets," "long term assets," and
3 "real estate held," with no further details.

4 54. Tobias Preston, Charles Preston, and Caleb Preston reviewed and approved the
5 content of the quarterly Fact Sheets and Portfolio Updates from at least 2012 through 2016 before
6 these documents were distributed to investors. After the Prestons reviewed and approved a
7 Portfolio Update for a particular quarter, Caleb Preston provided the most recent Portfolio
8 Updates to prospective investors who showed an interest in an AFC III investment at in-person
9 meetings, through email communications, or via U.S. mail. Additionally, Charles Preston sent
10 the most recent Portfolio Update to AFC III investors via U.S. mail every quarter.

11 55. The Fact Sheets and Portfolio Updates provided to prospective and current
12 investors of AFC III misrepresented since 2012 that AFC III's assets generated a "weighted
13 yield" of between 12% and 14%, which made it appear that the returns across all of AFC III's
14 assets exceeded the Fund's breakeven point, calculated internally to be approximately 12%. The
15 "weighted yield" represented to investors in the Fact Sheets, however, was inaccurate because the
16 Prestons directed Sanford to calculate it based only on the returns from first deeds of trust and to
17 exclude other assets that provided little or no return to AFC III.

18 56. Beginning in 2012, Tobias Preston directed Sanford to create an internal yield
19 report that included assets producing little or no return for the Fund, in addition to the first trust
20 deeds, to understand the true return across all of AFC III's assets. This report showed that AFC
21 III's true yield was significantly below the breakeven point—at times as low as 8%. Tobias
22 Preston directed Sanford not to disclose the true yield number to anyone else. By December
23 2015, the first deeds of trust used to calculate the purported "weighted yield" comprised only
24 about 65% of AFC III's assets, and by the end of 2016 this decreased to 56%.

25 57. The "weighted yield" numbers were also misleading in that they included the
26 \$12.1 million of unsecured loans Tobias Preston made to his own businesses, which were listed as
27 secured assets of AFC III on the Portfolio Updates, even though the loans were not secured by
28 trust deeds on real estate. The Portfolio Updates falsely represented that AFC III received returns

1 of over 10 percent for most of these loans, when AFC III received little or no returns from them.
2 The Portfolio Updates also misrepresented an unsecured \$160,000 loan to Charles Preston,
3 discussed below, as a loan secured by a first deed of trust on real estate.

4 58. MMC-FL and the Prestons knew, or were reckless in not knowing, that the
5 inaccurate “weighted yield” figures provided to investors in the Fact Sheets were materially
6 misleading because they did not include a significant portion of AFC III’s assets that produced
7 little or no return.

8 59. Sanford was aware, through communications with the Prestons and other MMC-
9 FL employees, that the Fact Sheets were distributed to investors and prospective investors on a
10 quarterly basis. Sanford, since at least 2013, knew, or should have known, that the “weighted
11 yield” figures she calculated to provide to investors in the Fact Sheets were not accurate.

12 ***Misrepresentations Regarding Audited Financials***

13 60. According to AFC III’s offering materials, investors would receive annual audited
14 financial statements upon request, and the 2013 addendum stated that AFC III “had its financial
15 statements audited” beginning in 2009. However, no audit of AFC III’s financial statements was
16 completed after 2010.

17 61. In 2012, Tobias Preston retained a national audit firm (the “Audit Firm”) to audit
18 AFC III’s financial statements for 2011. The Audit Firm informed Tobias Preston that it was not
19 able to complete its audit because it found AFC III’s books and records to be inaccurate,
20 incomplete, and ultimately not auditable. The Audit Firm also requested access to financial
21 information relating to MMC-FL and its affiliates to assess the collectability of AFC III’s
22 intercompany receivables, but Tobias Preston refused to provide information regarding MMC-
23 FL’s finances to the Audit Firm.

24 62. AFC III’s lack of reliable books and records and Tobias Preston’s refusal to
25 provide financial information regarding MMC-FL and its affiliates led to the resignation of AFC
26 III’s former CFO and the cessation of work by the Audit Firm in 2013. Although the Prestons
27 knew that the Audit Firm performed no audit work after September 2013, they continued
28 representing in the quarterly Fact Sheets through 2015 that the Audit Firm was AFC III’s auditor.

1 63. In 2014, Tobias Preston retained a new auditor to perform an audit of AFC III.
2 The new auditor experienced the same problems as the Audit Firm and could not complete an
3 audit, primarily because Tobias Preston and Sanford, at Tobias Preston's direction, refused to
4 provide him with MMC-FL's financial books and records so that he could assess the collectability
5 of AFC III's receivables from MMC-FL. Tobias Preston and Sanford, at Tobias Preston's
6 direction, represented to the auditor that the receivables owed to AFC III by MMC-FL and its
7 affiliates were legitimate assets of AFC III allowed by the offering materials, such as "formation
8 loans" and loans to affiliates secured by real estate.

9 64. These representations were false because most of the amounts classified as
10 "formation loans" were not used to pay commissions to broker-dealers who solicited the
11 underlying investments and because none of AFC III's "loans" to MMC-FL and its affiliates were
12 secured by real estate. Additionally, Tobias Preston and Sanford, at Tobias Preston's direction,
13 falsely represented to the auditor that MMC-FL was financially sound and could "stand on its
14 own."

15 65. Charles Preston and Caleb Preston knew that AFC III's financial books and
16 records had not been audited since 2010 because of the condition of AFC III's books and because
17 Tobias Preston and Sanford, at Tobias Preston's direction, refused to provide the auditors with
18 information about MMC-FL's finances. Prospective and existing investors asked Charles Preston
19 and Caleb Preston to see AFC III's audited financials, which should have been available to them
20 according to the offering materials. Charles Preston and Caleb Preston, however, did not provide
21 prospective and existing investors with current audited financials and instead told investors that
22 an audit of AFC III would be completed in the near future or sent investors audited financials
23 from 2010. The 2010 audited financials did not reflect the millions of dollars in amounts owed to
24 AFC III by MMC-FL and its affiliates since 2012, and thus misled investors into believing that
25 AFC III's financial condition was sound.

26 66. The Prestons knew, or were reckless in not knowing, that the failure to provide the
27 auditors with auditable books for AFC III and requested financial records for MMC-FL prevented
28 AFC III's financial statements from being audited, as the Prestons represented to investors they

1 would be.

2 67. The Prestons continued to represent to new investors at least through June 2016
3 that AFC III “had its financial statements audited” beginning in 2009, and did not disclose to
4 investors that AFC III’s auditors had repeatedly concluded since 2013 that they could not
5 complete an audit of the Fund’s books and records.

6 68. Although Sanford acted at Tobias Preston’s direction in not providing the auditors
7 with the information they requested regarding MMC-FL’s finances, in her role as Accounting
8 Manager of the Fund she knew, or should have known, that there was no basis for representing to
9 the auditors that MMC-FL was financially sound or that the receivables owed to AFC III by
10 MMC-FL were legitimate assets allowed by AFC III’s offering materials.

11 **D. Other Misuse of Investor Money**

12 69. In 2013, Tobias Preston caused AFC III to loan Charles Preston \$160,000.
13 Charles Preston used the \$160,000 to pay a down payment on his personal residence and pay off
14 debt. AFC III received no security interest in connection with the loan, but it was reported as a
15 secured first trust deed loan in AFC III’s quarterly Portfolio Updates to investors. Charles
16 Preston also misappropriated \$13,500 from AFC III to pay his personal credit card bills. To date,
17 Charles Preston has repaid to AFC III \$100,000 of the funds he improperly used.

18 70. From 2012 to 2016, Charles Preston misappropriated or misused approximately
19 \$700,000 from AFC2 to withdraw as cash, to pay his personal credit card bills, to make a down
20 payment for a Tesla, and to use for other personal purposes. Charles Preston and Tobias Preston
21 managed AFC2 and prepared and distributed offering materials representing that AFC2 would
22 invest in loans secured by first deeds of trust on real estate, and set forth the compensation to
23 which Charles Preston and Tobias Preston would be entitled. Based on AFC2’s offering
24 materials, Charles Preston was not entitled to the \$700,000 he used from AFC2 for personal
25 purposes.

26 71. From 2012 to 2014, Charles Preston and Tobias Preston also caused MMC-AK to
27 misappropriate approximately \$341,000 from AFC III. During this time period, Tobias Preston
28 and Charles Preston transferred AFC III investor funds to MMC-AK and then used the money to

1 redeem an MMC-AK investor and to pay for MMC-AK's ongoing business expenses, such as
2 rent and payroll. These uses of AFC III funds were not permitted by AFC III's offering materials.

3 72. Caleb Preston received commissions, in addition to his base salary, for selling
4 AFC III investments to investors, which totaled \$345,200. However, Caleb Preston was not
5 registered with the Commission as a broker or associated with a registered broker-dealer, as
6 required when he earned these commissions.

7 73. In his role leading MMC-FL's marketing of AFC III investments since 2012,
8 Caleb Preston actively solicited investments in AFC III via general solicitation through the
9 internet and communicated regularly with prospective investors via email, phone, and in-person
10 meetings about the merits of an investment in AFC III. Caleb Preston, therefore, regularly
11 participated at key points in the chain of distribution of AFC III investments, including the
12 solicitation, negotiation, and recommendation of investments, and was compensated based
13 directly on transactions in securities.

14 **E. Investments in AFC III Sold to Unaccredited Investors**

15 74. MMC-FL and the Prestons caused AFC III to make Form D filings since 2013
16 stating that AFC III qualified for an exemption from registration of its securities offering under
17 Rule 506(c), which allows for general solicitation of investors, such as through AFC III's website
18 and social media platforms, but limits sales to accredited investors. MMC-FL and the Prestons,
19 however, facilitated investments in AFC III from unaccredited investors since at least 2013.

20 75. Caleb Preston and Charles Preston, at Tobias Preston's direction, accepted
21 approximately \$3 million of investments from unaccredited investors by directing investors to
22 send money to MMC-FL, which used the money to purchase AFC III notes. These unaccredited
23 investors received AFC III offering materials and returns consistent with AFC III's offering
24 materials. MMC-FL typically transferred investments made by unaccredited investors to AFC III
25 soon after the investment was made. MMC-FL and the Prestons never provided the unaccredited
26 investors with audited financials.

27 //

28 //

FIRST CLAIM FOR RELIEF

***Violations of Section 17(a) of the Securities Act by
MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston
(Securities Fraud)***

76. The Commission hereby incorporates Paragraph Nos. 1 through 75 by reference.

77. By engaging in the conduct described above, Defendants MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails,

(1) with scienter, employed devices, schemes, and artifices to defraud;

(2) obtained money or property by means of untrue statements of material fact and by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(3) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon purchasers.

78. By reason of the foregoing, Defendants MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston violated and, unless restrained and enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

***Violations of Sections 17(a)(1) and (3) of the Securities Act by MMC-AK
(Securities Fraud)***

79. The Commission hereby incorporates Paragraph Nos. 1 through 78 by reference.

80. By engaging in the conduct described above, Defendant MMC-AK directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails,

(1) with scienter, employed devices, schemes, and artifices to defraud; and

(3) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon purchasers.

1 81. By reason of the foregoing, Defendant MMC-AK violated and, unless restrained
2 and enjoined, will continue to violate Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C.
3 §§ 77q(a)(1) and (3)].

4 **THIRD CLAIM FOR RELIEF**

5 ***Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by***
6 ***MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston***
(Securities Fraud)

7 82. The Commission hereby incorporates Paragraph Nos. 1 through 81 by reference.

8 83. By engaging in the conduct set forth above, Defendants MMC-FL, Tobias Preston,
9 Charles Preston, and Caleb Preston directly or indirectly, by use of means or instrumentalities of
10 interstate commerce, or of the mails, or of a facility of a national securities exchange, in
11 connection with the purchase or sale of securities, with scienter,

12 (a) employed devices, schemes, and artifices to defraud;

13 (b) made untrue statements of material fact and omitted to state material facts
14 necessary in order to make the statements made, in the light of the
15 circumstances under which they were made, not misleading; and

16 (c) engaged in acts, practices, and courses of business that operated or would
17 operate as a fraud or deceit upon any person.

18 84. By reason of the foregoing, Defendants MMC-FL, Tobias Preston, Charles
19 Preston, and Caleb Preston violated and, unless restrained and enjoined, will continue to violate
20 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
21 § 240.10b-5].

22 **FOURTH CLAIM FOR RELIEF**

23 ***Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c)***
24 ***thereunder by MMC-AK***
(Securities Fraud)

25 85. The Commission hereby incorporates Paragraph Nos. 1 through 84 by reference.

26 86. By engaging in the conduct set forth above, Defendant MMC-AK directly or
27 indirectly, by use of means or instrumentalities of interstate commerce, or of the mails, or of a
28 facility of a national securities exchange, in connection with the purchase or sale of securities,

1 with scienter,

2 (a) employed devices, schemes, and artifices to defraud; and

3 (c) engaged in acts, practices, and courses of business that operated or would
4 operate as a fraud or deceit upon any person.

5 87. By reason of the foregoing, Defendant MMC-AK violated and, unless restrained
6 and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
7 Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)].

8 **FIFTH CLAIM FOR RELIEF**

9 *Violations of Sections 5(a) and (c) of the Securities Act by*
10 *MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston*
(Unregistered Securities Offerings)

11 88. The Commission hereby incorporates Paragraph Nos. 1 through 87 by reference.

12 89. Defendants MMC-FL, Tobias Preston, Charles Preston, and Caleb Preston, by
13 engaging in the conduct described above, directly or indirectly, made use of means or instruments
14 of transportation or communication in interstate commerce or of the mails, to offer to sell or to
15 sell securities, or to carry or cause such securities to be carried through the mails or in interstate
16 commerce for the purpose of sale or for delivery after sale.

17 90. No registration statement has been filed with the SEC or has been in effect with
18 respect to any of the offerings or securities alleged herein, and no exemption from registration
19 applies.

20 91. By reason of the foregoing, Defendants MMC-FL, Tobias Preston, Charles
21 Preston, and Caleb Preston have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C.
22 §§ 77e(a) and 77e(c)], and unless restrained and enjoined will continue to violate these
23 provisions.

24 **SIXTH CLAIM FOR RELIEF**

25 *Violations of Sections 206(1) and 206(2) of the Advisers Act by*
26 *MMC-FL and Tobias Preston*
(Investment Adviser Fraud)

27 92. The Commission hereby incorporates Paragraph Nos. 1 through 91 by reference.

28 93. At all relevant times, Defendants MMC-FL and Tobias Preston were “investment

1 advisers” within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-
2 2(a)(11)]. Defendants MMC-FL and Tobias Preston each were in the business of providing
3 investment advice concerning securities for compensation. Defendant Tobias Preston was also an
4 investment adviser due to his ownership, management, and control of Defendant MMC-FL.

5 94. As set forth above, Defendants MMC-FL and Tobias Preston defrauded their
6 client, AFC III, by misusing money from their advisory client and engaging in self-dealing with
7 their client through a scheme to defraud and through transactions, practices, and courses of
8 business which operated as a fraud or deceit upon their advisory client.

9 95. Defendants MMC-FL and Tobias Preston, by use of the mails or any means or
10 instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or
11 recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud clients
12 and/or potential clients; or (b) have engaged or are engaging in transactions, practices, or courses
13 of business which operate as a fraud or deceit upon a client or prospective client.

14 96. As a result, Defendants MMC-FL and Tobias Preston have violated Sections
15 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)], and unless restrained and
16 enjoined will continue to violate these provisions.

17 **SEVENTH CLAIM FOR RELIEF**

18 *Aiding and Abetting*
19 *Violations of Sections 206(1) and 206(2) of the Advisers Act by*
20 *Charles Preston and Caleb Preston*

21 97. The Commission hereby incorporates Paragraph Nos. 1 through 96 by reference.

22 98. As described above, Defendants MMC-FL and Tobias Preston were “investment
23 advisers” within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-
24 2(a)(11)] and, based on the conduct alleged above, Defendants MMC-FL and Tobias Preston
25 violated Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)].

26 99. By engaging in the acts and conduct alleged above, Defendants Charles Preston
27 and Caleb Preston knowingly and recklessly provided substantial assistance to Defendants MMC-
28 FL and Tobias Preston in (a) employing devices, schemes, or artifices to defraud MMC-FL’s and
Tobias Preston’s client, AFC III; or (b) engaging in transactions, practices, or courses of business

1 which operate as a fraud or deceit upon MMC-FL's and Tobias Preston's client, AFC III.

2 100. By reason of the foregoing, Defendants Charles Preston and Caleb Preston aided
3 and abetted MMC-FL's and Tobias Preston's violations of Sections 206(1) and (2) of the
4 Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)], and unless restrained and enjoined, will continue to
5 aid and abet such violations.

6 **EIGHTH CLAIM FOR RELIEF**

7 *Violations of Section 15(a) of the Exchange Act by Caleb Preston*
8 *(Unregistered Broker-Dealer)*

9 101. The Commission hereby incorporates Paragraph Nos. 1 through 100 by reference.

10 102. Defendant Caleb Preston, directly or indirectly, through use of the means or
11 instruments of transportation or communication in interstate commerce or the mails, acted as a
12 broker and/or effected transactions in, and induced or attempted to induce the purchase or sale of,
13 securities (other than an exempted security or commercial paper, bankers' acceptances or
14 commercial bills) without being registered with the Commission in accordance with Section 15(b)
15 of the Exchange Act [15 U.S.C. § 78o(b)].

16 103. By reason of the foregoing, Defendant Caleb Preston violated Section 15(a) of the
17 Exchange Act [15 U.S.C. § 78o(a)], and unless restrained and enjoined will continue to violate
18 this provision.

19 **NINTH CLAIM FOR RELIEF**

20 *Violations of Section 17(a)(3) of the Securities Act by Laura Sanford*
21 *(Securities Fraud)*

22 104. The Commission hereby incorporates Paragraph Nos. 1 through 103 by reference.

23 105. Defendant Sanford has, by engaging in the conduct set forth above, directly or
24 indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or
25 communication in interstate commerce, or of the mails, engaged in transactions, practices, or
26 courses of business which operated or would operate as a fraud or deceit upon the purchasers of
27 such securities.

28 106. By reason of the foregoing, Defendant Sanford has directly or indirectly violated

1 Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)], and unless restrained and enjoined
2 will continue to violate this provision.

3 **RELIEF REQUESTED**

4 WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

5 **I.**

6 Permanently enjoining Defendants MMC-FL, MMC-AK, Tobias Preston, Charles
7 Preston, and Caleb Preston from directly or indirectly violating Section 17(a) of the Securities Act
8 [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
9 thereunder [17 C.F.R. § 240.10b-5], and Defendant Sanford from directly or indirectly violating
10 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

11 **II.**

12 Permanently enjoining Defendants MMC-FL, Tobias Preston, Charles Preston, and Caleb
13 Preston from directly or indirectly violating Sections 206(1) and 206(2) of the Advisers Act [15
14 U.S.C. §§ 80b-6(1) and 80b-6(2)].

15 **III.**

16 Permanently enjoining Defendants MMC-FL, Tobias Preston, Charles Preston, and Caleb
17 Preston from directly or indirectly violating Section 5 of the Securities Act [15 U.S.C. § 77e].

18 **IV.**

19 Permanently enjoining Defendant Caleb Preston from directly or indirectly violating
20 Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

21 **V.**

22 Permanently enjoining Defendants MMC-FL, MMC-AK, and Tobias Preston from,
23 directly or indirectly, participating in the issuance, offer, or sale of any security of any entity
24 controlled by, or under joint control with, any of them.

25 **VI.**

26 Ordering Defendants MMC-FL, MMC-AK, Tobias Preston, Charles Preston, and Caleb
27 Preston to disgorge their ill-gotten gains from the conduct alleged herein, plus prejudgment
28 interest thereon.

VII.

Ordering Defendants Tobias Preston, Charles Preston, and Caleb Preston to pay civil 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. § 78u(d)].

VIII.

Ordering Defendants MMC-FL, MMC-AK, Tobias Preston, Charles Preston, Caleb Preston, and Laura Sanford to comply with the undertakings set forth in the Consents of Defendants MMC-FL, MMC-AK, Tobias Preston, Charles Preston, Caleb Preston, and Laura Sanford, filed concurrently herewith.

IX.

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

X.

Granting such other and further relief as this Court may determine to be just, equitable, and necessary.

Dated: March 22, 2018

Respectfully submitted,

/s/ John P. Mogg

John P. Mogg
Attorneys for Plaintiff
SECURITIES AND EXCHANGE
COMMISSION