

ORIGINAL

1 DONALD W. SEARLES (Cal. Bar No. 135705)
Email: searlesd@sec.gov
2 DOUGLAS M. MILLER (Cal. Bar No. 240398)
Email: millerdou@sec.gov
3 M. LANCE JASPER (Cal. Bar No. 244516)
Email: jasperm1@sec.gov
4

FILED
CLERK, U.S. DISTRICT COURT
10/2/2018
CENTRAL DISTRICT OF CALIFORNIA
BY: _____ ER _____ DEPUTY

5 Attorneys for Plaintiff
Securities and Exchange Commission
6 Michele Wein Layne, Regional Director
Alka N. Patel, Associate Regional Director
7 Amy J. Longo, Regional Trial Counsel
444 S. Flower Street, Suite 900
8 Los Angeles, California 90071
Telephone: (323) 965-3998
9 Facsimile: (213) 443-1904

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

10 LODGED
CLERK, U.S. DISTRICT COURT
11 OCT - 1 2018
CENTRAL DISTRICT OF CALIFORNIA
BY _____ DEPUTY

LA CV18-8436 -SVW (JPRx)

14 SECURITIES AND EXCHANGE
COMMISSION,
15
16 Plaintiff,
17 vs.
18 SUSAN WERTH, aka "SUSAN
WORTH," CORPORATE MYSTIC,
19 LLC, COMMERCIAL EXCHANGE
SOLUTIONS, INC. and EXCHANGE
20 SOLUTIONS COMPANY,
21 Defendants.

Case No.
COMPLAINT
(FILED UNDER SEAL)

22
23 Plaintiff Securities and Exchange Commission ("SEC") alleges:

24 **JURISDICTION AND VENUE**

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

1 78u(d)(3)(A), 78u(e) & 78aa(a).

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

6 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
7 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
8 because certain of the transactions, acts, practices and courses of conduct constituting
9 violations of the federal securities laws occurred within this district. In addition,
10 venue is proper in this district because one or more of the victims identified below
11 resides in this district and received communications from Defendants in this district
12 in furtherance of the fraudulent scheme alleged herein.

13 **SUMMARY**

14 4. The SEC brings this emergency action to halt an ongoing investment
15 fraud being perpetrated by defendant Susan Werth, aka Susan Worth (“Werth”), and
16 several entities that she operates and controls: defendants Corporate Mystic, LLC
17 (“CM”), Commercial Exchange Solutions, Incorporated (“CES”), and Exchange
18 Solutions Company (“ESC”) (collectively, the “Defendant Entities”). Since in or
19 about 2015, Werth, through her Defendant Entities, has raised more than \$26 million
20 from at least 17 investors by falsely promising investors that their money would be
21 used to fund short-term, high-interest rate loans in connection with tax-deferred real
22 estate projects, which Werth claims would provide as much as a 50 percent return to
23 investors, sometimes in as little as 45 days. In reality, the investments are a sham.
24 None of the investors’ monies are invested in or used to fund tax-deferred real estate
25 projects, or invested in any manner whatsoever. Instead, Werth is operating a Ponzi-
26 scheme, using over 90% of the investor monies to pay other investors their promised
27 returns, and converting virtually all the rest to fund her lifestyle and to pay her
28 personal expenses.

1 5. Werth was convicted of felony theft and ordered to pay approximately
2 \$235,000 in restitution in 2013. Werth is also the subject of civil default judgments,
3 both alleging fraudulent conduct very similar to that alleged in this complaint, one in
4 Pennsylvania, in 2014, in connection with a \$300,000 fraud, and another in
5 California, in 2013, in connection with a \$400,000 fraud. Concealing her criminal
6 history and civil fraud judgments from investors, since at least 2015, she has
7 marketed herself and the Defendant Entities as facilitators of Section 1031 exchanges
8 – also known as “like kind” exchanges – through which her Section 1031 clients seek
9 to defer tax payments on the sale of properties by re-investing the proceeds in similar
10 properties (“Section 1031 clients”). (Section 1031 allows taxpayers to defer taxes on
11 qualifying gains from the sale of real property, if they reinvest the proceeds in a
12 similar property within 180 days, sometimes referred to as a like-kind exchange).

13 6. Werth tells investors that she and the Defendant Entities facilitate these
14 real estate exchanges, including by assisting with construction projects on newly
15 purchased properties in order to maximize the potential tax benefits of a Section 1031
16 exchange. Werth tells investors that her Section 1031 clients sometimes need large
17 sums of cash on short notice, often in the \$500,000 to \$1 million range, to address
18 unexpected problems with their construction projects which put their ability to
19 qualify for the tax-deferred exchange at risk. According to Werth, this makes her
20 Section 1031 clients willing to borrow large sums of money at high interest rates in
21 order to complete the construction projects on-time. And this is where Werth offers
22 investors the opportunity to make money. She tells investors that if they invest in the
23 Defendant Entities, she will use their money to loan her Section 1031 clients the
24 funds necessary to complete their construction projects on-time. In return, Werth
25 promises the investors as high as a 50 percent return on their investment, which she
26 claims will come from the interest on the loans that she makes to her Section 1031
27 clients.

1 7. Among the many misrepresentations Werth makes to investors while
2 soliciting their investments is that she cannot use her own money to facilitate these
3 lucrative exchange loans because she is just a “neutral third party” who acts as an
4 intermediary between the investors and the Section 1031 clients. She also tells
5 investors that their investments are low-risk, claiming that she and the Defendant
6 Entities will place first position liens on the properties underlying the real estate
7 exchanges. Werth gives investors a “corporate guarantee,” claiming that the
8 Defendant Entities will pay back the investors if her Section 1031 clients default on
9 their payments. Werth then gives investors what she claims are the Defendant
10 Entities’ bank account statements, which suggest that the Defendant Entities have
11 enough funds in their bank accounts to pay investors back in the event of a default.

12 8. These representations Werth and the Defendant Entities made to
13 investors, as well as many others, are materially false and misleading. The corporate
14 guarantees that Werth gave investors are worthless, because neither Werth nor the
15 Defendant Entities have the millions of dollars it would take to make investors whole
16 in the event of default. The bank statements that Werth gave to investors were
17 forgeries, as were many of the other documents Werth gave to investors to convince
18 them to invest. In short, Werth and the Defendant Entities are nothing more than a
19 fraud, and the Section 1031 exchange business that was supposed to be the backbone
20 of these investments simply does not exist.

21 9. Werth has concealed this reality to date by using approximately \$24
22 million of the \$26 million she raised to make Ponzi payments to earlier investors. As
23 for the approximately \$2 million that remained, she spent that on herself and her
24 personal expenses. And not only were the securities Werth sold to investors
25 completely worthless, but she never registered them with the Commission as she was
26 required to do.

27 10. Werth’s scheme is ongoing. As of at least mid-August 2018, Werth was
28 still making Ponzi payments to investors and continuing to promise investors that she

1 would repay their principal with interest in the near future. Werth and the Defendant
2 Entities operate no legitimate business, making the only potential source of funds for
3 repayment new investor funds. Werth is continuing to solicit new investors, as
4 recently as September 2018, using the new business name “Exchange Development
5 Company.”

6 11. By engaging in this conduct, Werth and the Defendant Entities have
7 each violated and continue to violate the antifraud provisions of Sections 17(a)(1), (2)
8 & (3) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act,
9 15 U.S.C. § 78j(b), and Rules 10b-5(a), (b) and (c) thereunder, 17 C.F.R. 240.10b-
10 5(a),(b) & (c), and the registration provisions of Sections 5(a) and (c) of the Securities
11 Act, 15 U.S.C. § 77e(a) and (c).

12 12. The SEC seeks against Defendants a temporary restraining order and
13 preliminary and permanent injunctions prohibiting future such violations; an order
14 freezing Defendants’ assets, requiring preservation of documents, and ordering an
15 accounting; and disgorgement of Defendants’ ill-gotten gains, prejudgment interest,
16 and civil penalties.

17 THE DEFENDANTS

18 13. **Defendant Susan Werth**, also known as Susan Worth (“Werth”), is a
19 resident of San Diego, California; she is the chief executive, sole owner, and operator
20 of Defendants Corporate Mystic, LLC, Commercial Exchange Solutions,
21 Incorporated, and Exchange Solutions Company, and she controls their bank
22 accounts. Werth is not registered with the Commission in any capacity.

23 14. In 2013, Werth was convicted of felony theft and elder abuse in
24 California Superior Court, Case No. FWV1202510, sentenced to five years of
25 probation and ordered to pay restitution in the amount of \$235,000. In 2012, Werth
26 was sued for fraud in the United States District Court for the Eastern District of
27 Pennsylvania, Case No. 12-003431, for allegedly borrowing approximately \$300,000
28 from two individuals and never repaying the loan, the \$90,000 loan fee, or any of the

1 interest that she owed them. In 2011, Werth was sued in the State Superior Court of
2 California, San Diego County, Case No. 37-2011-103130-CU-FR-CTL, for fraud for,
3 among other reasons, allegedly holding herself out as a financial, real estate, and
4 investment consultant and then defrauding her clients of the money she was supposed
5 to invest. Default judgments were entered against Werth in both those civil lawsuits.

6 15. During her investigative testimony before the SEC, in connection with
7 the conduct alleged in this Complaint, Werth invoked her Fifth Amendment privilege
8 against self-incrimination as to all substantive questions and in response to the SEC's
9 request for production of documents.

10 16. **Defendant Corporate Mystic, LLC** ("CM") is a California corporation
11 with its principal place of business in San Diego, California, and registered on or
12 about September 2, 2010. Werth has controlled Corporate Mystic and its bank
13 accounts at all relevant times. Corporate Mystic has not registered any offerings of
14 securities under the Securities Act, nor has it registered a class of any securities under
15 the Exchange Act.

16 17. **Defendant Commercial Exchange Solutions, Inc.** ("CES") is a
17 Wyoming corporation with its principal place of business in San Diego, California,
18 and registered on or about December 2, 2014. Werth has controlled CES and its bank
19 accounts at all relevant times. CES has not registered any offerings of securities
20 under the Securities Act, nor has it registered a class of any securities under the
21 Exchange Act.

22 18. **Defendant Exchange Solutions Company** ("ESC") is a Wyoming
23 Corporation with its principal place of business in San Diego, California, and
24 registered on or about February 20, 2015. Werth has controlled ESC and its bank
25 accounts at all relevant times. ESC has not registered any offerings of securities
26 under the Securities Act, nor has it registered a class of any securities under the
27 Exchange Act.

1 **FACTUAL ALLEGATIONS**

2 **A. Defendants' Unregistered Offering**

3 19. Since in or about 2015 and continuing to the present, Werth has raised
4 more than \$26 million from at least 17 different investors, each of whom has invested
5 in one or more of Werth's Defendant Entities.

6 20. Werth represents to investors that she and the Defendant Entities are in
7 the business of "facilitating" real estate exchanges under Section 1031, which she
8 says is a tax code provision that allows taxpayers to defer paying taxes on the gains
9 from the sale of a business or investment property if the taxpayer reinvests the
10 proceeds in a similar property within 180 days.

11 21. The investment documents that Werth typically presents to investors
12 include private placement memoranda, investment proposals, business plans,
13 memoranda of understanding, promissory notes, loan agreements, corporate
14 guarantees, collateral account agreements, bank statements, professional resumes, and
15 letters and other documents from accounting, tax and property and business
16 evaluation firms.

17 22. One of the central forms of investment that Werth uses to induce
18 investors to give her and her companies money are the promissory notes issued by
19 Corporate Mystic, CES, and ESC. Pursuant to these promissory notes, an investor
20 agrees to provide one of Werth's Defendant Entities with money, which the investor
21 is led to believe will result in both the return of principal and a sizeable profit in a
22 short period of time based on Werth's claimed expertise in facilitating 1031
23 exchanges.

24 23. No registration statement was or is in effect as to the securities offered
25 by Werth and the Defendant Entities.

26 24. Werth and the Defendant Entities, directly and indirectly, sold and
27 offered to sell unregistered securities in interstate commerce, by soliciting individuals
28 and entities in multiple states, including California, New Mexico, and Florida, to

1 invest in the Defendant Entities, including during face-to-face meetings, over the
2 telephone, and through various forms of electronic communication, including on a
3 website, www.commercialexchangesolutions.com, through email communications,
4 and via text messages.

5 25. Werth also created private placement memoranda (“PPMs”), investment
6 proposal letters, and other written materials designed to solicit investors to invest in
7 the Defendant Entities and distributed those materials to investors and prospective
8 investors.

9 26. Werth and the Defendant Entities conducted this unregistered offering
10 from in or about 2015 to the present as part of a single, integrated, ongoing financing
11 scheme, where they offered and sold the securities in the same or similar manner, for
12 the same type of consideration, and for the same general purpose.

13 **B. Defendants’ Purported Section 1031 Exchange Business**

14 27. Werth represents to actual and prospective investors that she and the
15 Defendant Entities are in the business of facilitating Section 1031 exchanges, by
16 providing their Section 1031 clients with services such as preconstruction consulting,
17 managing construction contractors, and reviewing and releasing funds to contractors
18 and vendors.

19 28. Werth represents that, due to the volatility of construction costs and the
20 complications of aspects such as budgeting, some of the Section 1031 exchanges that
21 she and the Defendant Entities facilitate experience undervaluation or funding issues
22 near the end of the 180-day exchange window. Werth claims that these issues could
23 directly impact the ultimate tax benefit realized through the Section 1031 exchange,
24 so one of the services the Defendant Entities claim to provide is securing funding for
25 their clients.

26 29. Werth further represents that if they invest in the Defendant Entities, she
27 will use their money to loan her Section 1031 clients the funds necessary to complete
28 their construction projects on time. In return, Werth promises investors as high as a

1 50 percent return on their investment, which she claims will come from the interest
2 on the loans that she makes to her Section 1031 clients.

3 30. Werth further represents to investors that their investments in the
4 Defendant Entities are low-risk, claiming that she and the Defendant Entities will
5 place first position liens on the properties underlying the real estate exchanges.
6 Werth also gives investors a “corporate guarantee,” which means the Defendant
7 Entities will agree to pay back investors if their Section 1031 clients default on their
8 payments.

9 31. Werth and the Defendant Entities represent that because they are
10 “neutral third parties” in the Section 1031 exchanges, they do not invest their own
11 funds in the projects, which they claim could cause “adverse tax consequences.”
12 Instead, they purport to act as an intermediary by soliciting funds from third parties
13 on a short term basis.

14 32. Werth and the Defendant Entities further represent that the only money
15 they make in the process comes from fees paid by their Section 1031 clients, plus a
16 small portion of the interest paid by their Section 1031 clients. In other words, Werth
17 represents that she does not keep any of the investors’ money, and that it all will go to
18 the exchanges.

19 **C. Defendants’ Promissory Notes are Investment Contracts**

20 33. The investments that Werth and the Defendant Entities offered to
21 investors in connection with the purported Section 1031 exchange projects were
22 securities in the form of investment contracts, and also in the form of notes.

23 34. Werth and the Defendant Entities regularly described the short term
24 funding that their purported clients needed for the Section 1031 exchange projects as
25 “investments,” and described the individuals and entities they solicited to provide that
26 funding as “investors.”

27 35. According to the PPM received by at least one investor in or about July
28 2016, investor funds would be pooled into CES’s construction project bank accounts

1 and would be used for the business of making investments in Section 1031
2 exchanges, including investments for construction, rehabilitation, and development of
3 real property. The PPM claimed that these investments would be secured by a
4 security instrument encumbering the real property underlying the Section 1031
5 exchanges.

6 36. The PPM described Werth as the Chief Executive Officer and Director
7 of CES, and as someone with over twenty years of experience as a “1031 exchange
8 specialist” and “Construction Exchange Officer.”

9 37. Werth and the Defendant Entities made the same or similar
10 representations to other investors in other documents. For example, in or about April
11 2017, Werth created an “Investment Proposal” about CES and distributed it to
12 another investor. The Investment Proposal described the investor as an “investor”
13 and represented that investor funds would go through the “CES financial center,”
14 where the funds would be kept in separate accounts for each exchange project just so
15 that CES was “never” in actual receipt of the funds provided by the investor.

16 38. The Investment Proposal described CES as being engaged in the
17 business of Section 1031 tax deferred exchanges that require a certain level of debt on
18 the new property, which CES obtained through investors in a “private investment
19 transaction.”

20 39. Like the PPM, the Investment Proposal represented that any investment
21 in the Section 1031 exchanges would be collateralized by a security instrument
22 encumbering the property (a deed of trust in the “1st position”) and identified Werth
23 as the Chief Executive Officer and Director of CES.

24 40. Werth and the Defendant Entities made the same or similar
25 representations to other investors during face-to-face meetings, over the telephone,
26 and through electronic communications, including through a website
27 www.commercialexchangesolutions.com website, emails, and text messages.

28 41. For example, Werth represented to one investor that she was the Chief

1 Executive Officer of CES, which she said was set up for the purpose of providing
2 services and funding to clients who are in the process of completing Section 1031
3 exchanges and need more funds than they anticipated at or near the end of the 180-
4 day window. Werth further represented that investor funds would be used solely for
5 the purpose of paying for the construction projects, would not be used by Werth for
6 any personal expenses, and that investments in the construction projects would be
7 collateralized by a security instrument encumbering the property (*i.e.*, a first deed of
8 trust).

9 42. Investors who agreed to invest in the Defendant Entities would receive a
10 promissory note from Werth. Although the terms of the promissory notes varied
11 from investor to investor, the notes typically came due in 30 days, 45 days, 90 days,
12 or a similarly short period of time, and promised the investors high rates of return,
13 typically ranging from 10 percent to as high as 50 percent over the short duration of
14 the note.

15 43. In addition, Werth and the Defendant Entities typically entered into
16 Memoranda of Understanding, Loan Agreements, Collateral Agreements, and/or
17 Corporate Guarantees with the investors at or around the time they issued the
18 promissory notes.

19 44. The Memoranda of Understanding purported to identify, among other
20 things, the properties that will receive the investors' funds in order to complete the
21 Section 1031 exchange project(s) and even provided the investors with pictures and
22 parcel identification numbers for those properties.

23 45. The corporate guarantees and collateral agreements that Werth and the
24 Defendant Entities provided to investors typically represented that one of the
25 Defendant Entities would set aside a certain amount of money in one or more of its
26 bank accounts to ensure that investors would be repaid in the event that one of the
27 Defendant Entities' Section 1031 clients failed to pay back the principal and interest
28 owed to the investors.

1 **D. Defendants' Material Misrepresentations and Omissions**

2 46. Werth and the Defendant Entities knew, or were reckless in not
3 knowing, that the representations they are making to investors about the nature of
4 their investment and how their money will be spent are false and misleading,
5 including as to (1) Werth's background and experience; (2) Werth's and the
6 Defendant Entities' ability to guarantee the investors' repayment; and (3) the
7 intended use of investors' proceeds. As illustrated by the examples in Section F
8 *infra*, Werth has been making these misrepresentations and omissions verbally and in
9 writing, between 2015 and the present.

10 47. Werth and the Defendant Entities mislead investors by holding out
11 Werth – the person responsible for the Defendant Entities and the success of the
12 investments – as someone with over twenty years of experience as a “1031 exchange
13 specialist” and “Construction Exchange Officer.” These representations are
14 materially false and misleading because they fail to disclose Werth's true
15 background, which includes a felony theft conviction in 2013, two default judgments
16 against her for civil fraud, and the operation of the fraudulent, nonexistent Section
17 1031 business described herein.

18 48. Werth and the Defendant Entities also misrepresent to investors the risks
19 involved in the investments and mislead investors when they provide corporate
20 guarantees and collateral agreements to investors indicating that one of the Defendant
21 Entities will set aside money in one or more of its bank accounts to ensure that
22 investors are repaid their investments plus interest. In reality, Werth and the
23 Defendant Entities set aside no money to guarantee or collateralize the investments
24 and they fail to maintain sufficient funds in the Defendant Entities' bank accounts to
25 honor the corporate guarantees and collateral agreements. Instead, Werth and the
26 Defendant Entities almost immediately spend whatever money does come into their
27 bank accounts, usually to make Ponzi payments to other investors or to pay for
28 Werth's personal expenses.

1 49. Werth and the Defendant Entities also misrepresent how investor funds
2 will be treated and mislead investors when they say investor funds will be kept in
3 separate accounts for each exchange project. In reality, investor funds are
4 continuously commingled with other investors' funds and transferred amongst
5 Werth's and the Defendant Entities' financial accounts.

6 50. Werth and the Defendant Entities also misrepresent how investor funds
7 will be spent and mislead investors when they say investor funds will be used for the
8 business of making investments in Section 1031 exchanges, including investments for
9 construction, rehabilitation, and development of real property. In reality, virtually
10 none of the investors' monies are invested in any Section 1031 exchange projects or
11 invested in any manner whatsoever. Again, Werth and the Defendant Entities spend
12 virtually all of the money that comes into their bank accounts to make Ponzi
13 payments to other investors or to pay for Werth's personal expenses.

14 51. In the alternative, Werth and the Defendant Entities acted negligently
15 and failed to exercise reasonable care in making these representations about Werth,
16 the Defendant Entities, and how investor funds would be spent.

17 52. Werth and the Defendant Entities' false and misleading statements
18 pertain to material facts that reasonable investors find important in making their
19 investment decision.

20 53. Reasonable investors would find it important to know that Werth is a
21 convicted felon and that neither she nor the Defendant Entities can make good on
22 their guarantees of the promissory notes.

23 54. Investors were not aware that their funds were being used for these
24 undisclosed purposes, and reasonable investors would have considered it important in
25 their decision to invest, and continue to invest, in the Defendant Entities to know that
26 their funds were being used for purposes other than what was represented to them by
27 Werth and the Defendant Entities, and that their funds would be diverted to pay other
28 investors and to pay Werth's expenses, rather than invested to fund Section 1031

1 projects.

2 **E. Deceptive Conduct in Furtherance of the Scheme.**

3 55. In addition to making false and misleading statements to investors, and
4 misappropriating investor funds, Werth and the Defendant Entities are engaging in
5 several other deceptive acts in order to carry out and in furtherance of their fraudulent
6 scheme, as illustrated by the examples in Section F *infra*.

7 56. Werth and the Defendant Entities knew, or were reckless in not
8 knowing, that their deceptive acts give investors the false impression that the
9 Defendant Entities are engaged in a *bona fide* business, that the Defendant Entities
10 are well capitalized, and that there is little or no risk in investing in the Defendant
11 Entities.

12 57. Werth and the Defendant Entities are misappropriating investor funds,
13 including using investor funds to make Ponzi payments to other investors, to make
14 payments to Werth, and to make payments on Werth's personal expenses. Between
15 in or about 2015 and continuing to the present, Werth and the Defendant Entities
16 have misappropriated and misused more than \$25 million of the more than \$26
17 million they raised from 17 different investors and used that money for the following
18 undisclosed and unauthorized purposes:

Type of Expense	Amount
Payments to Investors	\$23,972,139
Payments to Werth	\$2,007,416

19
20
21
22
23 58. Another deceptive act that Werth and the Defendant Entities engage in to
24 carry out and further their fraudulent scheme is forging documents. For example, to
25 back up the corporate guarantees and collateral agreements being offered to investors,
26 Werth and the Defendant Entities provide investors with what purport to be bank
27 statements from well-established financial institutions like Wells Fargo, Bank of
28

1 America, and HSBC. The bank statements make it appear as if the Defendant
2 Entities have millions of dollars in their bank accounts and can easily guarantee
3 repayment of whatever money the investor is willing to invest. In reality, the
4 Defendant Entities have a fraction, or sometimes none, of the money

5 59. Werth and the Defendant Entities also forge documents from outside
6 service providers such as accountants and consultants. Werth and the Defendant
7 Entities use the forged documents to make it appear as if a third party has verified
8 Werth's claims about investing in the Defendant Entities.

9 60. In the alternative, Werth and the Defendant Entities acted negligently
10 and failed to exercise reasonable care in providing the forged documents to investors
11 and in their expenditures of investor funds.

12 61. These deceptive acts pertain to material facts that reasonable investors
13 would find important in making their investment decisions, including that the
14 Defendant Entities cannot meet their guarantees of investors' funds, and that the
15 Defendant Entities do not actually engage third party service providers such as
16 accountants and consultants.

17 **F. Defendants' Execution of the Fraud**

18 62. Since in or about 2015 and continuing to the present, Werth and the
19 Defendant Entities have carried out this fraud and have raised more than \$26 million
20 from at least 17 different investors using the same or similar manner and means
21 outlined above, as illustrated by the following examples:

22 **1. Investor A**

23 63. On or about August 17, 2016, Werth solicited Investor A to invest
24 approximately \$100,000 in one of the Defendant Entities' purported exchange
25 projects and signed a promissory note on behalf of Defendant CES, agreeing to repay
26 Investor A the \$100,000 that Investor A agreed to invest, plus interest on the unpaid
27 principal at the rate of 40 percent for forty-five (45) days.

28 64. On or about August 17, 2016, Werth signed a Memorandum of

1 Understanding with Investor A on behalf of Defendant CES that stated, among other
2 things, that Investor A's funds would be deposited into separate accounts held for the
3 benefit of individual exchange projects and that the Defendant Entities would
4 guarantee those funds up to \$15 million.

5 65. On or about August 17, 2016, Werth signed and provided Investor A a
6 "Corporate Guarantee" on behalf of Defendant CES, agreeing to prompt, full and
7 complete performance on Investor A's investment and to pay the full amount of
8 principal and interest to Investor A in the event of a default on the exchange project.
9 To back up the corporate guarantee, Werth provided Investor A with what purported
10 to be a bank statement from Comerica Bank, NA, showing that CES had a balance of
11 over \$5 million in three accounts held at the bank and that at least \$500,000 of that
12 money was held in escrow, as of August 17, 2016.

13 66. In reality, according to all of the Defendant Entities' known bank
14 records, Defendant CES had only approximately \$188,000 in its bank accounts as of
15 August 17, 2016.

16 67. In or about December 2016, after Werth and the Defendant Entities
17 failed to repay Investor A's investment as agreed, Werth provided Investor A with a
18 Property & Business Evaluation Report purportedly prepared and signed by a third
19 party service provider ("Service Provider"), which led Investor A to believe, among
20 other things, that a third party had verified Werth's claims about investing in the
21 Defendant Entities. In reality, Werth forged this document, or caused it to be forged,
22 and it was not prepared or signed by the Service Provider.

23 68. Werth told Investor A, in or about January 2017, that the IRS was to
24 blame for the "hiccup" and "speed bump" in paying back the money that Investor A
25 was owed. Werth told Investor A that the IRS was demanding capital gains from
26 investors and that she was involved in a lawsuit over this. Werth told Investor A that
27 this had created "big problems" and that it could take several years for all of this to
28 get "cleared up."

1 69. To back up these statements, Werth gave Investor A several documents
2 that she claimed related to her dispute with the IRS, including a “Notice of Action
3 Taken” that was purportedly issued by the IRS on August 3, 2017.

4 **2. Investor B**

5 70. On or about April 18, 2018, Werth solicited Investor B to invest
6 approximately \$500,000 in one of the Defendant Entities’ purported exchange
7 projects and signed a promissory note on behalf of defendant CES, agreeing to repay
8 Investor B the \$500,000 he invested in Defendant CES plus a flat rate of interest on
9 the unpaid principal of 40 percent due and payable on June 1, 2018.

10 71. On or about April 16, 2018, Werth provided Investor B with a
11 Memorandum of Understanding that identified 750 Post Street, San Francisco, CA
12 94109 and 2400 Washington Street, San Francisco, CA 94115 as the 1031 exchange
13 projects being funded by Investor B’s \$500,000 investment in Defendant CES

14 72. On or about April 12, 2018, Werth signed a “Collateral Account Bank
15 Agreement” on behalf of Defendant CES, agreeing to pledge as collateral for Investor
16 B’s \$500,000 investment in CES, the funds contained in Wells Fargo bank account
17 ending in #XXXXXX11025. The collateral agreement required CES to maintain the
18 funds in the Wells Fargo bank account until Investor B was repaid the \$500,000 he
19 invested, plus any interest, fees, and finance charges.

20 73. To back up the collateral agreement, Werth provided Investor B with
21 what purported to be a Wells Fargo bank account statement for CES’s bank account
22 ending in #XXXXXX11025 for the time period between March 1, 2018 and March 31,
23 2018, which showed an outstanding balance in the subject account of \$7.2 million.

24 74. In reality, Werth forged the bank statement, or caused it to be forged,
25 because CES did not maintain a Wells Fargo bank account ending in XXXXX11025.
26 For the bank accounts CES did maintain at that bank, it only had approximately
27 \$33,252 in its known bank accounts as of March 31, 2018.

1 **3. Investor C**

2 75. On or about April 26, 2018, Werth solicited Investor C to invest
3 approximately \$500,000 in one of the Defendant Entities' purported exchange
4 projects and signed a promissory note on behalf of defendant CES, agreeing to repay
5 Investor C the \$500,000 he invested in Defendant CES plus a flat rate of 15 percent
6 interest on the principal in ninety (90) days.

7 76. On or about June 4, 2018, Werth provided Investor C with a
8 Memorandum of Understanding that identified "a project located in San Francisco,
9 CA" as the 1031 exchange project being funded by Investor C's \$500,000 investment
10 in Defendant CES.

11 77. On or about April 26, 2018, Werth signed a "Collateral Account Bank
12 Agreement" on behalf of Defendant CES, agreeing to pledge as collateral Defendant
13 CES's Wells Fargo bank account ending in #xxxxx1025 for the specific purpose of
14 guaranteeing that the \$500,000 Investor C invested in Defendant CES would be
15 repaid to Investor C plus interest. The Collateral Account Bank Agreement purported
16 to be co-signed by C.D., someone identified as working in the Asset Management
17 division of Wells Fargo, where the funds were purportedly being held.

18 78. In reality, Werth forged the signature of C.D., or caused it be forged,
19 because the Defendant Entities did not have a Wells Fargo bank account ending in
20 #xxxxx1025.

21 **G. Lulling Statements**

22 79. Since the Section 1031 exchange business that Werth and the Defendant
23 Entities claim is the backbone of the investments is nothing more than a fraud and
24 does not exist, numerous investors have not been repaid at all, have only been
25 partially repaid, or have not been repaid within the time periods Werth and the
26 Defendant Entities represented they would be repaid.

27 80. This has led numerous investors, between 2015 and the present, to
28 contact Werth demanding explanations, and the return of their investments.

1 81. Werth gives investors an array of excuses, both verbally and in writing.
2 These include: (1) falsely claiming that the SEC is to blame for her inability to
3 follow through on her representations about the investment; and (2) blaming her
4 accountants and the United States Internal Revenue Service (“IRS”) for her inability
5 to follow through on her representations about the investment.

6 82. Werth’s lulling statements caused at least one investor, in or about July
7 2018, to delay reporting the fraudulent scheme to regulators, and led another investor,
8 in or about August 2016, to invest more money in the Defendant Entities.

9 **H. Defendants Acted with Scienter, or Alternatively, were Negligent**

10 83. As set forth above, Werth knew, or was reckless in not knowing, that the
11 representations she made to investors regarding their investment in the Defendant
12 Entities were false and misleading.

13 84. Werth knew, or was reckless in not knowing, that she made false and
14 misleading statements to investors about her background and her ability to safeguard
15 their investments because she described herself as the Chief Executive Officer and
16 Director of CES, someone with over twenty years of experience as a “1031 exchange
17 specialist,” and as “Construction Exchange Officer,” without once disclosing to
18 investors that she had been convicted of felony theft and elder abuse in 2013 and had
19 twice been sued for fraud.

20 85. Werth knew, or was reckless in not knowing, that she made false and
21 misleading statements to investors about the risks involved in their investment
22 because she signed corporate guarantees and collateral agreements on behalf of the
23 Defendant Entities indicating that the Defendant Entities would set aside a certain
24 amount of money to make sure investors were repaid, even though the Defendant
25 Entities had not set aside that money and many of the documents she provided
26 investors to back up those representations were forgeries.

27 86. Werth knew, or was reckless in not knowing, that she made false and
28 misleading statements to investors about how investor funds would be maintained

1 because she told investors that their funds would be kept in separate bank accounts
2 for each exchange project when, in fact, she consistently commingled investor funds
3 into the same accounts and consistently transferred investor funds between Werth's
4 and the Defendant Entities' financial accounts.

5 87. Werth knew, or was reckless in not knowing, that she made false and
6 misleading statements to investors about how investor funds would be spent because
7 she told investors their funds would be used for the business of making investments
8 in Section 1031 exchanges, including investments for construction, rehabilitation, and
9 development of real property when, in fact, she used investors' money to make Ponzi
10 payments to other investors, to pay herself, and to pay her personal expenses.

11 88. In the alternative, Werth acted negligently and without reasonable care
12 in communicating how she would use investor funds, in giving investors documents
13 that were forgeries, in failing to disclose her criminal record to investors, and in
14 failing to carry out the Section 1031 exchange business that purportedly provided the
15 basis for the investors' returns.

16 89. As the sole principal of the Defendant Entities, Werth's scienter and
17 negligence are imputed to the Defendant Entities.

18 **FIRST CLAIM FOR RELIEF**

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

20 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c)**

21 **(against All Defendants)**

22 90. The SEC realleges and incorporates by reference paragraphs 1 through
23 89 above.

24 91. Defendant Werth and the Defendant Entities each defrauded investors by
25 misappropriating investor funds, which should have been allocated to construction
26 project bank accounts and used for the business of making investments in Section
27 1031 exchanges. Defendant Werth and the Defendant Entities also defrauded
28 investors by forging documents to make it appear as if they were engaged in a *bona*

1 *vide* business, that the Defendant Entities were well capitalized, and that investors
2 faced little or no risk by investing in the Defendant Entities.

3 92. At all relevant times, Defendant Werth and the Defendant Entities acted
4 with scienter, knowing that Defendant Werth was spending investors' money to make
5 Ponzi payments to other investors and for her personal expenses, and knowing that
6 the 1031 exchange business was a complete sham and that the documents they gave
7 investors to suggest they had enough capital to pay back investors were forgeries. In
8 the alternative, Defendant Werth and the Defendant Entities acted negligently.

9 93. By engaging in the conduct described above, defendants Werth and the
10 Defendant Entities, and each of them, directly or indirectly, in connection with the
11 purchase or sale of a security, by the use of means or instrumentalities of interstate
12 commerce, of the mails, or of the facilities of a national securities exchange: (a)
13 employed devices, schemes, or artifices to defraud and (c) engaged in acts, practices,
14 or courses of business which operated or would operate as a fraud or deceit upon
15 other persons.

16 94. By engaging in the conduct described above, defendant Werth and the
17 Defendant Entities violated, and unless restrained and enjoined will continue to
18 violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a)
19 and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

20 **SECOND CLAIM FOR RELIEF**

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

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

23 **(against All Defendants)**

24 95. The SEC realleges and incorporates by reference paragraphs 1 through
25 89 above.

26 96. Defendant Werth and the Defendant Entities each made material
27 misrepresentations and omissions to investors by holding Werth out as a highly
28 experienced and successful facilitator of Section 1031 exchanges, who would use

1 their money to invest in 1031 exchange projects with extremely high returns and with
2 virtually no risk to investors.

3 97. At all relevant times, Defendant Werth and the Defendant Entities acted
4 with scienter, knowing that Werth was a convicted felon who was spending virtually
5 all of the investors' money to make Ponzi payments to other investors and to pay for
6 her personal expenses, and that the 1031 exchange business Werth claimed to run
7 using the Defendant Entities was a sham. In the alternative, Defendant Werth and the
8 Defendant Entities acted negligently.

9 98. By engaging in the conduct described above, Werth and the Defendant
10 Entities, and each of them, directly or indirectly, in connection with the purchase or
11 sale of a security, by the use of means or instrumentalities of interstate commerce, of
12 the mails, or of the facilities of a national securities exchange made untrue statements
13 of a material fact or omitted to state a material fact necessary in order to make the
14 statements made, in the light of the circumstances under which they were made, not
15 misleading.

16 99. By engaging in the conduct described above, defendant Werth and the
17 Defendant Entities violated, and unless restrained and enjoined will continue to
18 violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(b)
19 thereunder, 17 C.F.R. §§ 240.10b-5(b) .

20 **THIRD CLAIM FOR RELIEF**

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

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

23 **(against All Defendants)**

24 100. The SEC realleges and incorporates by reference paragraphs 1 through
25 89 above.

26 101. Defendant Werth and the Defendant Entities each defrauded investors by
27 misappropriating investor funds, which should have been allocated to construction
28 project bank accounts and used for the business of making investments in Section

1 1031 exchanges. Defendant Werth and the Defendant Entities also defrauded
2 investors by forging documents to make it appear as if they were engaged in a *bona*
3 *fide* business, that the Defendant Entities were well capitalized, and that investors
4 faced little or no risk by investing in the Defendant Entities.

5 102. At all relevant times, Defendant Werth and the Defendant Entities acted
6 with scienter, knowing that Defendant Werth was spending investors' money to make
7 Ponzi payments to other investors and for her personal expenses, and knowing that
8 the 1031 exchange business was a complete sham and that the documents they gave
9 investors to suggest they had enough capital to pay back investors were forgeries. In
10 the alternative, Defendant Werth and the Defendant Entities acted negligently.

11 103. By engaging in the conduct described above, defendant Werth and the
12 Defendant Entities, and each of them, directly or indirectly, in the offer or sale of
13 securities, and by the use of means or instruments of transportation or communication
14 in interstate commerce or by use of the mails directly or indirectly: (a) employed
15 devices, schemes, or artifices to defraud and (c) engaged in transactions, practices, or
16 courses of business which operated or would operate as a fraud or deceit upon the
17 purchaser.

18 104. By engaging in the conduct described above, defendant Werth and the
19 Defendant Entities violated, and unless restrained and enjoined will continue to
20 violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1)
21 & 77q(a)(3).

22 **FOURTH CLAIM FOR RELIEF**

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

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

25 **(against All Defendants)**

26 105. The SEC realleges and incorporates by reference paragraphs 1 through
27 89 above.

28 106. Defendant Werth and the Defendant Entities each made material

1 misrepresentations and omissions to investors by holding Werth out as a highly
2 experienced and successful facilitator of Section 1031 exchanges, who would use
3 their money to invest in 1031 exchange projects with extremely high returns and with
4 virtually no risk to investors.

5 107. At all relevant times, Defendant Werth and the Defendant Entities acted
6 with scienter, knowing that Werth was a convicted felon who was spending virtually
7 all of the investors' money to make Ponzi payments to other investors and to pay for
8 her personal expenses, and that the 1031 exchange business Werth claimed to run
9 using the Defendant Entities was a sham. In the alternative, Defendant Werth and the
10 Defendant Entities acted negligently.

11 108. By engaging in the conduct described above, defendant Werth and the
12 Defendant Entities, and each of them, directly or indirectly, in the offer or sale of
13 securities, and by the use of means or instruments of transportation or communication
14 in interstate commerce or by use of the mails directly or indirectly 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.

18 109. By engaging in the conduct described above, defendant Werth and the
19 Defendant Entities violated, and unless restrained and enjoined will continue to
20 violate, Sections 17(a)(2) of the Securities Act, 15 U.S.C. §§ 77q(a)(2).

21 **FIFTH 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)**

25 110. The SEC realleges and incorporates by reference paragraphs 1 through
26 89 above.

27 111. Defendant Werth and the Defendant Entities never registered the
28 securities that they offered to investors with the SEC, and no exemption from

1 registration applied.

2 112. By engaging in the conduct described above, Defendant Werth and the
3 Defendant Entities, and each of them, directly or indirectly, singly and in concert with
4 others, has made use of the means or instruments of transportation or communication
5 in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried
6 or caused to be carried through the mails or in interstate commerce, by means or
7 instruments of transportation, securities for the purpose of sale or for delivery after
8 sale.

9 113. By engaging in the conduct described above, Werth and the Defendant
10 Entities, have violated, and unless restrained and enjoined, will continue to violate,
11 Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) & 77e(c).

12 **PRAYER FOR RELIEF**

13 WHEREFORE, the SEC respectfully requests that the Court:

14 **I.**

15 Issue findings of fact and conclusions of law that Defendants committed the
16 alleged violations.

17 **II.**

18 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
19 order and an order to show cause why a preliminary injunction should not be entered,
20 temporarily and preliminarily enjoining Defendants, and their officers, agents,
21 servants, employees and attorneys, and those persons in active concert or
22 participation with any of them, who receive actual notice of the judgment by personal
23 service or otherwise, and each of them, from violating Section 17(a)(1), (2) and (3) of
24 the Securities Act [15 U.S.C. §77q(a)(1), (2) & (3)], Section 10(b) of the Exchange
25 Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. §
26 240.10b-5(a), (b) & (c)], and Sections 5(a) and 5(c) of the Securities Act [15 U.S.C.
27 §§ 77e(a), 77e(c)].

28 **III.**

1 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
2 order and an order to show cause why a preliminary injunction should not be entered,
3 freezing the funds and assets of Defendants; prohibiting Defendants from destroying
4 documents; and ordering an accounting by Defendants.

5 **IV.**

6 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
7 Civil Procedure, permanently enjoining Defendants, and their officers, agents,
8 servants, employees and attorneys, and those persons in active concert or
9 participation with any of them, who receive actual notice of the judgment by personal
10 service or otherwise, and each of them, from violating Section 17(a) of the Securities
11 Act [15 U.S.C. §77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)]
12 and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 5(a) and 5(c) of the
13 Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

14 **V.**

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

17 **VI.**

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

21 **VII.**

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

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

VIII.

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

Dated: October 1, 2018

/s/ Douglas M. Miller
DOUGLAS M. MILLER
Attorney for Plaintiff
Securities and Exchange Commission

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET**

I. (a) PLAINTIFFS (Check box if you are representing yourself <input type="checkbox"/>) SECURITIES AND EXCHANGE COMMISSION	DEFENDANTS (Check box if you are representing yourself <input type="checkbox"/>) SUSAN WERTH aka "SUSAN WORTH," CORPORATE MYSTIC, LLC, COMMERCIAL EXCHANGE SOLUTIONS, INC., and EXCHANGE SOLUTIONS COMPANY
(b) County of Residence of First Listed Plaintiff _____ (EXCEPT IN U.S. PLAINTIFF CASES)	County of Residence of First Listed Defendant <u>San Diego</u> (IN U.S. PLAINTIFF CASES ONLY)
(c) Attorneys (Firm Name, Address and Telephone Number) If you are representing yourself, provide the same information. Donald W. Searles, Douglas M. Miller, and M. Lance Jasper Securities and Exchange Commission 444 S. Flower Street, Suite 900 Los Angeles, CA 90071 (323) 965-3998	Attorneys (Firm Name, Address and Telephone Number) If you are representing yourself, provide the same information. Shaun Khojayan Law Offices of Shaun Khojayan & Associates P.L.C. 515 S. Flower Street, 36th Floor Los Angeles, CA 90071 (310) 274-6111

II. BASIS OF JURISDICTION (Place an X in one box only.) <input checked="" type="checkbox"/> 1. U.S. Government Plaintiff <input type="checkbox"/> 2. U.S. Government Defendant <input type="checkbox"/> 3. Federal Question (U.S. Government Not a Party) <input type="checkbox"/> 4. Diversity (Indicate Citizenship of Parties in Item III)	III. CITIZENSHIP OF PRINCIPAL PARTIES -For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant) <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">Citizen of This State</td> <td style="width:10%; text-align: center;">PTF <input type="checkbox"/> 1</td> <td style="width:10%; text-align: center;">DEF <input type="checkbox"/> 1</td> <td style="width:33%;">Incorporated or Principal Place of Business in this State</td> <td style="width:10%; text-align: center;">PTF <input type="checkbox"/> 4</td> <td style="width:10%; text-align: center;">DEF <input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;">PTF <input type="checkbox"/> 2</td> <td style="text-align: center;">DEF <input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td style="text-align: center;">PTF <input type="checkbox"/> 5</td> <td style="text-align: center;">DEF <input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;">PTF <input type="checkbox"/> 3</td> <td style="text-align: center;">DEF <input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;">PTF <input type="checkbox"/> 6</td> <td style="text-align: center;">DEF <input type="checkbox"/> 6</td> </tr> </table>	Citizen of This State	PTF <input type="checkbox"/> 1	DEF <input type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	PTF <input type="checkbox"/> 4	DEF <input type="checkbox"/> 4	Citizen of Another State	PTF <input type="checkbox"/> 2	DEF <input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	PTF <input type="checkbox"/> 5	DEF <input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	PTF <input type="checkbox"/> 3	DEF <input type="checkbox"/> 3	Foreign Nation	PTF <input type="checkbox"/> 6	DEF <input type="checkbox"/> 6
Citizen of This State	PTF <input type="checkbox"/> 1	DEF <input type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	PTF <input type="checkbox"/> 4	DEF <input type="checkbox"/> 4														
Citizen of Another State	PTF <input type="checkbox"/> 2	DEF <input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	PTF <input type="checkbox"/> 5	DEF <input type="checkbox"/> 5														
Citizen or Subject of a Foreign Country	PTF <input type="checkbox"/> 3	DEF <input type="checkbox"/> 3	Foreign Nation	PTF <input type="checkbox"/> 6	DEF <input type="checkbox"/> 6														

IV. ORIGIN (Place an X in one box only.)

<input checked="" type="checkbox"/> 1. Original Proceeding	<input type="checkbox"/> 2. Removed from State Court	<input type="checkbox"/> 3. Remanded from Appellate Court	<input type="checkbox"/> 4. Reinstated or Reopened	<input type="checkbox"/> 5. Transferred from Another District (Specify) _____	<input type="checkbox"/> 6. Multidistrict Litigation - Transfer	<input type="checkbox"/> 8. Multidistrict Litigation - Direct File
--	--	---	--	---	---	--

V. REQUESTED IN COMPLAINT: JURY DEMAND: Yes No (Check "Yes" only if demanded in complaint.)

CLASS ACTION under F.R.Cv.P. 23: Yes No **MONEY DEMANDED IN COMPLAINT:** \$ _____

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
 15 U.S.C. § 78j(b), 17 C.F.R. §§ 240.10b-5(a-c), 15 U.S.C. §§ 77q(a)(1-3), 15 U.S.C. §§ 77e(a) & 77e(c)

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES	CONTRACT	REAL PROPERTY CONT.	IMMIGRATION	PRISONER PETITIONS	PROPERTY RIGHTS
<input type="checkbox"/> 375 False Claims Act	<input type="checkbox"/> 110 Insurance	<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 462 Naturalization Application	Habeas Corpus: <input type="checkbox"/> 463 Alien Detainee <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty	<input type="checkbox"/> 820 Copyrights
<input type="checkbox"/> 376 Qui Tam (31 USC 3729(a))	<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 245 Tort Product Liability	<input type="checkbox"/> 465 Other Immigration Actions		<input type="checkbox"/> 830 Patent
<input type="checkbox"/> 400 State Reapportionment	<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 290 All Other Real Property	TORTS	<input type="checkbox"/> 540 Mandamus/Other	<input type="checkbox"/> 835 Patent - Abbreviated New Drug Application
<input type="checkbox"/> 410 Antitrust	<input type="checkbox"/> 140 Negotiable Instrument	TORTS	PERSONAL PROPERTY	<input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 840 Trademark
<input type="checkbox"/> 430 Banks and Banking	<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 370 Other Fraud	Other: <input type="checkbox"/> 555 Prison Condition	SOCIAL SECURITY
<input type="checkbox"/> 450 Commerce/ICC Rates/Etc.	<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 560 Civil Detainee Conditions of Confinement	<input type="checkbox"/> 861 HIA (1395ff)
<input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Vet.)	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<input type="checkbox"/> 862 Black Lung (923)
<input type="checkbox"/> 470 Racketeer Influenced & Corrupt Org.	<input type="checkbox"/> 153 Recovery of Overpayment of Vet. Benefits	<input type="checkbox"/> 330 Fed. Employers' Liability	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 863 DIWC/DIWW (405 (g))
<input type="checkbox"/> 480 Consumer Credit	<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 340 Marine	BANKRUPTCY	FORFEITURE/PENALTY	<input type="checkbox"/> 864 SSID Title XVI
<input type="checkbox"/> 490 Cable/Sat TV	<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 865 RSI (405 (g))
<input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange	<input type="checkbox"/> 195 Contract Product Liability	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 423 Withdrawal 28 USC 157	LABOR	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)
<input type="checkbox"/> 890 Other Statutory Actions	<input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 355 Motor Vehicle Product Liability	CIVIL RIGHTS	<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
<input type="checkbox"/> 891 Agricultural Acts	REAL PROPERTY	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 740 Railway Labor Act	
<input type="checkbox"/> 893 Environmental Matters	<input type="checkbox"/> 210 Land Condemnation	<input type="checkbox"/> 362 Personal Injury-Med Malpractice	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 751 Family and Medical Leave Act	
<input type="checkbox"/> 895 Freedom of Info. Act	<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 365 Personal Injury-Product Liability	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 790 Other Labor Litigation	
<input type="checkbox"/> 896 Arbitration	<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability	<input type="checkbox"/> 443 Housing/Accommodations	<input type="checkbox"/> 791 Employee Ret. Inc. Security Act	
<input type="checkbox"/> 899 Admin. Procedures Act/Review of Appeal of Agency Decision		<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 445 American with Disabilities-Employment		
<input type="checkbox"/> 950 Constitutionality of State Statutes		<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 446 American with Disabilities-Other		
		<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 448 Education		

CV18-8436

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET**

VIII. VENUE: Your answers to the questions below will determine the division of the Court to which this case will be initially assigned. This initial assignment is subject to change, in accordance with the Court's General Orders, upon review by the Court of your Complaint or Notice of Removal.

<p>QUESTION A: Was this case removed from state court? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If "no," skip to Question B. If "yes," check the box to the right that applies, enter the corresponding division in response to Question E, below, and continue from there.</p>	<p>STATE CASE WAS PENDING IN THE COUNTY OF:</p> <input type="checkbox"/> Los Angeles, Ventura, Santa Barbara, or San Luis Obispo <input type="checkbox"/> Orange <input type="checkbox"/> Riverside or San Bernardino	<p>INITIAL DIVISION IN CACD IS:</p> Western Southern Eastern
---	--	---

<p>QUESTION B: Is the United States, or one of its agencies or employees, a PLAINTIFF in this action? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "no," skip to Question C. If "yes," answer Question B.1, at right.</p>	<p>B.1. Do 50% or more of the defendants who reside in the district reside in Orange Co.? <i>check one of the boxes to the right</i> →</p>	<p><input type="checkbox"/> YES. Your case will initially be assigned to the Southern Division. Enter "Southern" in response to Question E, below, and continue from there.</p> <p><input checked="" type="checkbox"/> NO. Continue to Question B.2.</p>
	<p>B.2. Do 50% or more of the defendants who reside in the district reside in Riverside and/or San Bernardino Counties? (Consider the two counties together.) <i>check one of the boxes to the right</i> →</p>	<p><input type="checkbox"/> YES. Your case will initially be assigned to the Eastern Division. Enter "Eastern" in response to Question E, below, and continue from there.</p> <p><input checked="" type="checkbox"/> NO. Your case will initially be assigned to the Western Division. Enter "Western" in response to Question E, below, and continue from there.</p>

<p>QUESTION C: Is the United States, or one of its agencies or employees, a DEFENDANT in this action? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "no," skip to Question D. If "yes," answer Question C.1, at right.</p>	<p>C.1. Do 50% or more of the plaintiffs who reside in the district reside in Orange Co.? <i>check one of the boxes to the right</i> →</p>	<p><input type="checkbox"/> YES. Your case will initially be assigned to the Southern Division. Enter "Southern" in response to Question E, below, and continue from there.</p> <p><input type="checkbox"/> NO. Continue to Question C.2.</p>
	<p>C.2. Do 50% or more of the plaintiffs who reside in the district reside in Riverside and/or San Bernardino Counties? (Consider the two counties together.) <i>check one of the boxes to the right</i> →</p>	<p><input type="checkbox"/> YES. Your case will initially be assigned to the Eastern Division. Enter "Eastern" in response to Question E, below, and continue from there.</p> <p><input type="checkbox"/> NO. Your case will initially be assigned to the Western Division. Enter "Western" in response to Question E, below, and continue from there.</p>

QUESTION D: Location of plaintiffs and defendants?	A. Orange County	B. Riverside or San Bernardino County	C. Los Angeles, Ventura, Santa Barbara, or San Luis Obispo County
Indicate the location(s) in which 50% or more of <i>plaintiffs who reside in this district</i> reside. (Check up to two boxes, or leave blank if none of these choices apply.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indicate the location(s) in which 50% or more of <i>defendants who reside in this district</i> reside. (Check up to two boxes, or leave blank if none of these choices apply.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>D.1. Is there at least one answer in Column A? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "yes," your case will initially be assigned to the SOUTHERN DIVISION. Enter "Southern" in response to Question E, below, and continue from there.</p> <p>If "no," go to question D2 to the right. →</p>	<p>D.2. Is there at least one answer in Column B? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If "yes," your case will initially be assigned to the EASTERN DIVISION. Enter "Eastern" in response to Question E, below.</p> <p>If "no," your case will be assigned to the WESTERN DIVISION. Enter "Western" in response to Question E, below. ↓</p>
---	---

QUESTION E: Initial Division?	INITIAL DIVISION IN CACD
Enter the initial division determined by Question A, B, C, or D above: →	WESTERN

QUESTION F: Northern Counties?
 Do 50% or more of plaintiffs or defendants in this district reside in Ventura, Santa Barbara, or San Luis Obispo counties? Yes No

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET**

IX(a). IDENTICAL CASES: Has this action been previously filed in this court? NO YES

If yes, list case number(s): _____

IX(b). RELATED CASES: Is this case related (as defined below) to any civil or criminal case(s) previously filed in this court? NO YES

If yes, list case number(s): _____

Civil cases are related when they (check all that apply):

- A. Arise from the same or a closely related transaction, happening, or event;
- B. Call for determination of the same or substantially related or similar questions of law and fact; or
- C. For other reasons would entail substantial duplication of labor if heard by different judges.

Note: That cases may involve the same patent, trademark, or copyright is not, in itself, sufficient to deem cases related.

A civil forfeiture case and a criminal case are related when they (check all that apply):

- A. Arise from the same or a closely related transaction, happening, or event;
- B. Call for determination of the same or substantially related or similar questions of law and fact; or
- C. Involve one or more defendants from the criminal case in common and would entail substantial duplication of labor if heard by different judges.

X. SIGNATURE OF ATTORNEY (OR SELF-REPRESENTED LITIGANT): /s/ Douglas M. Miller DATE: 10/1/2018

Notice to Counsel/Parties: The submission of this Civil Cover Sheet is required by Local Rule 3-1. This Form CV-71 and the information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. For more detailed instructions, see separate instruction sheet (CV-071A).

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405 (g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))