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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

LANDON M. SMITH, an individual,

DEFENDANT;

COMPLAINT

Case No.: 2:19-cv-00519-RJS

Judge Shelby

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Landon M. Smith (collectively, “Defendant”) alleges as follows:

INTRODUCTION

1. This matter involves an offering fraud and Ponzi scheme operated by Landon M. Smith (“Smith”).
2. Smith issued promissory notes guaranteeing investors’ principal and promising returns of up to 100%.

3. Smith told investors he was a real estate wholesaler who used investor funds for the earnest money to purchase and then quickly sell real estate.

4. Smith issued promissory notes purportedly for the purpose of obtaining earnest money tied to the purchase of specific properties.

5. Between December 2016 and April 2018 Smith raised approximately \$2,441,000 from fifty-one individual investors through unsecured promissory notes.

6. Smith never purchased the alleged properties, but instead used new investor funds to pay returns to earlier investors in a classic Ponzi scheme.

7. Smith also used investor funds for personal expenses including rent, utility payments, and trips to Hawaii to visit his children.

8. Smith created false real estate contracts to make it appear he entered into real estate transactions.

9. Smith told investors their funds were the only source of earnest money on a specific property, however, Smith used the same fraudulent documents to obtain earnest money from multiple investors on the same property.

JURISDICTION AND VENUE

10. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77t and 77v] and Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u and 78aa].

11. Defendant, directly and indirectly has made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts

and courses of business alleged herein, certain of which have occurred within the District of Utah.

12. Venue for this action is proper in the District of Utah under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because the defendant resides in and transacts business in this district.

13. Defendant, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

14. Defendant's conduct took place in connection with the offer, purchase and/or sale of promissory notes and investment contracts issued by Smith, which are securities.

DEFENDANT

15. **Landon M. Smith** ("Smith"), age 29, is a resident of Salt Lake County, Utah. Smith is the managing member and owner of J&L Real Estate Group, LLC ("J&L").

RELATED PARTIES

16. **J&L Real Estate Group, LLC** ("J&L") is a Utah limited liability company controlled by Smith. Smith ran his Ponzi scheme through his J&L account at America First Federal Credit Union. J&L has never been registered with the Commission in any capacity.

STATEMENT OF FACTS

Background

17. Smith ran an offering fraud and Ponzi scheme from December 2016 until April 2018.

18. Smith held himself out as a property “wholesaler” who could earn significant returns on any funds invested with him for purported property deals.

19. Smith explained that a property wholesaler is a person who identifies property and then agrees to buy property for a certain price, signs a real estate purchase contract with the property owner, and pays the property owner an earnest money deposit to hold the property under contract until the sale can close.

20. The wholesaler then finds a third-party buyer who is willing to pay more for the property than the wholesaler agreed to pay in the purchase contract.

21. The wholesaler assigns his rights under the purchase contract to the third-party buyer and makes a profit on the assignment.

22. As the wholesaler, Smith never actually takes title to the property.

23. Smith represented to investors that he had numerous leads on properties that he could wholesale for significant profits, but needed investor funds to use as earnest money deposits when putting the properties under contract.

24. Smith provided unsecured promissory notes to investors that guaranteed the return of the investors’ principal with a profit of up to 100% when the property closed.

25. Smith even promised a nominal return if the property failed to close.

26. Smith’s promissory notes were short-term, often only weeks or months.

27. Smith would typically provide the investor copies of the purchase contract and the assignment contract as proof that he had put the property under contract and had assigned the rights to a third-party buyer for a profit.

28. Smith represented to investors that their funds covered the entire earnest money amount for a specific property.

A. Smith Falsified his Real Estate Transactions

29. Unfortunately for investors, the “deals” that Smith purported to be using their funds for were completely fictional and were simply a tool to steal their money.

30. Specifically, although the properties and named owners of the purchase contracts provided by Smith were real, the property owners never had any contact with Smith and had never signed the purchase contracts that Smith provided to investors.

31. The property owner’s signatures on the purchase contracts were forged by Smith.

32. In several instances, the property owners whose signatures appear on the purchase contracts had died months or even years prior to their purported signing of the document.

33. Furthermore, the third-party buyers who purportedly purchased the assignment contracts from Smith were either fictional, out of business for decades, or were completely unaware that their names and signatures were being fraudulently included as participants.

34. Smith also frequently reused the same contract documents such that investors were unknowingly providing Smith with two or three investments for the same parcel of property, even though each individual investment was sufficient to cover the purported earnest money deposit.

35. Smith used fraudulent paperwork, including fake real estate purchase agreements, to create at least 15 fraudulent real estate purchase contracts to give to investors.

36. Smith provided those same 15 fraudulent real estate deals to investors approximately 25-30 times.

B. Smith Operated a Ponzi Scheme

37. Smith lied to investors about his use of funds, assuring them that he would use their funds to purchase specific, identified real estate.

38. However, Smith did not actually purchase real estate contracts.

39. Instead, he typically pooled investor funds and used the money to pay back earlier investors and for personal expenses, including his rent, utilities, and trips to Hawaii.

The Promissory Notes are Securities

40. Investors provided Smith with money to purchase promissory notes with the potential to earn returns of up to 100% on their investment.

41. Smith sold the promissory notes to a wide distribution of unsophisticated investors.

42. Smith represented the opportunity as a short-term investment.

43. The promissory notes were all unsecured and uninsured.

44. Smith pooled investor funds in a common bank account.

45. Investors expected profitability from the wholesaling efforts of Smith.

Materiality

46. The misrepresentations and omissions detailed above are material to a reasonable investor. Most or all of J&L investors would not have invested or purchased securities from J&L if they had known the true nature of the ownership and value of properties, safety of the investment, profits and returns, and use of investor proceeds.

Scienter

47. Smith acted with scienter. Smith has been the owner, managing member, CEO and President of J&L since its inception. Smith owned and controlled J&L's bank accounts and

a purported escrow account that received investor funds. Smith directed all financial and operational aspects of J&L and handled and directed investor monies. Smith knew investors were not being repaid as promised and directed that new investor funds received by J&L be used to pay purported returns to earlier investors. Smith knew that properties were not owned or purchased by J&L as promised and failed to provide trust deeds to investors. Smith knew he used investor funds for personal expenses, including his rent, utilities, and trips to Hawaii.

**FIRST CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF
SECURITIES**

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
thereunder [17 C.F.R. § 240.10b-5]**

48. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 47, above.

49. Defendant, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or (3) engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

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

**SECOND CAUSE OF ACTION
EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD
Violation of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]**

51. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 47, above.

52. Defendant, by engaging in conduct described above, directly or indirectly, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes, or artifices to defraud.

53. By reason of the foregoing, Defendant directly or indirectly, violated, and unless restrained and enjoined by this Court, will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**THIRD CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(2) and (3) of the Securities Act
[15 U.S.C. § 77q(a)(2) and (3)]**

54. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 47, above.

55. Defendant, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or 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 engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

56. By reason of the foregoing, Defendant directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**FOURTH CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]**

57. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 47, above.

58. Defendant, by engaging in the conduct described above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold securities or, directly or indirectly, or carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

59. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

60. By reason of the foregoing, Defendant violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I

Issue findings of fact and conclusions of law that Defendant committed the violations charged herein.

II

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently enjoin Smith from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III

Enter an order directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV

Enter an order directing Defendant to disgorge all ill-gotten gains received during the period of violative conduct and pay prejudgment interest on such ill-gotten gains.

V

Retain 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.

Dated this 23rd day of July, 2019.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Amy J. Oliver".

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David D. Whipple
Attorneys for Plaintiff