

2. Wells admitted to engaging in this fraudulent scheme. In a July 2021 resignation letter to his employer, Wells confessed to using his clients' money for "very risky" options trading and said he thought he "deserve[d] to go to jail" for what he had done.

3. By making material misrepresentations and omissions to investors, and by misappropriating over \$683,000 of client assets, Wells has committed securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. 240.10b-5, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

4. Unless Defendant Wells is permanently restrained and enjoined, he will continue to engage in the acts, practices, and courses of business set forth in this Complaint, and in acts practices and courses of business of similar type and object.

JURISDICTION AND VENUE

5. The SEC brings this action under Exchange Act Sections 21(d) and (e), 15 U.S.C. §§ 78u(d) and 78u(e), and Section 209(d) of the Advisers Act, 15 U.S.C. § 80b-9(d).

6. This Court has jurisdiction over this action under Section 27 of the Exchange Act, 15 U.S.C. § 78aa, Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, and 28 U.S.C. § 1331.

7. Venue is proper in this Court pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Many of the acts, practices, and courses of business underlying the alleged violations occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere.

8. Defendant Wells is currently a resident of Newburgh, New York. At all times relevant to the claims in this Complaint, however, Wells lived and worked in Chicago, Illinois.

9. Defendant Wells directly and indirectly made use of the means or instruments of transportation or communication in interstate commerce, or the means and instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange in connection with the acts, practices, and courses of business alleged below, and will continue to do so unless enjoined.

DEFENDANT

10. **David Sheldon Wells**, age 32, has been a representative of firms providing investment advisory and broker-dealer services since 2017. From June 2019 until July 2021, Wells worked for Firm A, a nationwide firm that is registered with the Commission both as an investment adviser and as a broker-dealer. Wells served as both an investment adviser representative and a registered representative of Firm A in a branch office located in Chicago, Illinois. Prior to that, from approximately June 2017 until May 2019, Wells worked for a different nationwide firm (“Firm B”) that was also registered with the Commission as both an investment adviser and a broker-dealer. Wells was both an investment adviser representative and registered representative in a branch office of Firm B located in Oak Park, Illinois. From at least June 2017 until September 14, 2021, Wells held Series 7 and Series 66 securities licenses issued by the Financial Industry Regulatory Authority (“FINRA”). On September 14, 2021, FINRA permanently barred Wells from association with any FINRA member for failing to provide information in a FINRA investigation based on the same conduct underlying this complaint.

FACTS

11. Defendant Wells began working in the financial services industry in approximately 2017, when he joined Firm B as a representative in its branch office in Oak Park, Illinois. Wells's work for Firm B consisted primarily of assisting in disbursing the proceeds of deceased clients' life insurance policies to their beneficiaries and providing related investment advice.

12. In approximately June 2019, Wells left Firm B and accepted a position as an "investment executive" with Firm A. Working out of several of Firm A's branch offices in Chicago, Illinois, Wells provided investment and financial advice to individual clients who were located in the Chicago area.

13. Wells managed approximately \$3 million in assets for his Firm A clients. Wells's clients paid an advisory fee to Firm A based on the amount of their assets invested through Firm A. Firm A compensated Wells, in turn, based on these advisory fees and based on commissions he earned for selling life insurance policies to advisory clients.

14. Firm A's policies and procedures required representatives like Wells to advise clients to invest only in investment products offered through Firm A's platform and under its supervision. Firm A prohibited representatives from offering clients outside investments not available on Firm A's platform, a practice known as "selling away." Wells knew or was reckless in not knowing about Firm A's policy prohibiting "selling away."

15. In approximately July 2020, Client A was referred to Wells by Firm A's affiliated banking division. Client A was in his seventies and resided in Chicago, Illinois. Client A suffered from dementia, which rendered him unable to handle his own financial affairs. Client A had designated his niece, who was also his caregiver, as his power of

attorney to handle his financial affairs. Wells knew about Client A's medical condition and knew that Client A's niece had authority to make financial decisions on Client A's behalf.

16. In approximately October 2020, Wells met with Client A's niece and advised her to invest Client A's money in an entity called Wayne and Stark LLC ("Wayne and Stark"). Wells led Client A's niece to believe that the investment in Wayne and Stark would be made through and under the supervision of Firm A.

17. Wells did not inform Client A's niece that he was Wayne and Stark's sole owner. Indeed, unbeknownst to Client A's niece, Wells had formed Wayne and Stark and opened a bank account in the entity's name to serve as a conduit for the funds he planned to misappropriate from his clients.

18. In December 2020, based on Wells's advice, Client A's niece gave Wells a cashier's check for \$196,000, drawn on Client A's bank account and made payable to Wayne and Stark.

19. Wells deposited the cashier's check into Wayne and Stark's bank account, which he controlled. Wells then transferred \$186,000 of Client A's funds to a personal brokerage account at a firm not affiliated with Firm A, an account which was held in the name of Wells's wife but controlled by Wells. Ten thousand dollars of Client A's funds remained in Wayne and Stark's bank account.

20. Wells then used Client A's funds to invest in high risk options in the personal brokerage account, including options that he purchased one or two days before those options expired. By the end of December 2020, Wells had lost almost all of Client A's funds engaging in unauthorized options trading.

21. After losing Client A's funds, Wells moved on to a new victim. Client B was a resident of Chicago who was in his sixties, and was an investment advisory client of Firm A. Wells began serving as Client B's investment adviser representative, through Firm A, sometime around March 2020.

22. On or about January 6, 2021, Wells solicited Client B to obtain a \$254,000 cashier's check payable to Wayne and Stark. Wells failed to inform Client B that he controlled Wayne and Stark or that he planned to deposit Client B's funds in a personal brokerage account and invest the funds in risky options trades. On the contrary, and around this time, Wells misrepresented to Client B that his funds would be invested through Firm A and that Wells would employ a conservative investment strategy.

23. Wells deposited Client B's cashier's check into the Wayne and Stark bank account, and then transferred \$250,000 of those funds to Wells's personal brokerage account.

24. As he had done with Client A's funds, Wells used the funds he obtained from Client B to engage in risky options trading. Before long, Wells had lost virtually all of Client B's funds.

25. In May 2021, Wells identified a third victim, Client C. Client C was a 78-year old advisory client of Firm A. In or about May 2021, Client C told Wells he wanted to invest in a whole life insurance policy.

26. Wells advised Client C to provide him with a cashier's check for \$33,000, which Wells deposited into the Wayne and Stark bank account. Wells failed to inform Client C that he did not intend to purchase a whole life insurance policy as Client C asked

him to do, and that he intended instead to transfer the funds to his personal brokerage account and invest the funds in risky options trading.

27. Wells then transferred Client C's funds to a second bank account that he controlled, where Client C's funds were commingled with Wells's personal funds. Wells used a portion of Client C's funds to pay for personal expenses such as rent and food. Wells then transferred the remainder of the funds to another brokerage account that he controlled, where he used the money to purchase risky options. Wells soon lost all of Client C's funds.

28. In June 2021, anxious that he had lost or spent his clients' funds without their knowledge, Wells solicited an additional \$200,000 cashier's check from Client A's niece. The check was drawn on Client A's bank account and made payable to Wayne and Stark. As before, Client A's niece believed that Wayne and Stark was a legitimate investment opportunity offered through, and approved by, Firm A. Wells did not inform Client A's niece that he planned to deposit the funds in his personal brokerage account and that Firm A prohibited this type of conduct.

29. After depositing Client A's funds in Wayne and Stark's account, Wells again transferred the money to a personal brokerage account where he used it to purchase risky options. By the end of June 2021, Wells had again lost all of Client A's funds as a result of risky options trades.

30. Each of the clients identified in paragraphs 16–29, above, believed at all relevant times, based on Wells's statements and omissions, that Wells was acting in his capacity as their investment adviser representative through Firm A. None of the clients were aware of Wells's intention to place their funds in a bank account he controlled, transfer the funds to a personal brokerage account unaffiliated with Firm A, or put their funds in

jeopardy by engaging in risky options trading. And none of the clients were aware that Wells planned to spend a portion of their funds on personal expenses.

31. Wells's misrepresentations and omissions were material because none of the clients would have provided funds to Wells if they knew he was going to invest their funds through a personal brokerage account and engage in risky options trading.

32. On July 2, 2021, Wells wrote a resignation letter to his supervisor at Firm A confessing his conduct. Wells wrote that he had invested funds from Client A, Client B and Client C in a personal brokerage account and that he traded in "very risky options positions." He admitted in the letter that, after losing substantially all of Client A's money, he felt the need to solicit funds from Client B and Client C in an attempt to "fix it."

33. After admitting that he lost all the subsequent funds, Wells wrote that he "deserve[d] to go to jail." In his letter, Wells identified Clients A, B and C and the respective amounts involved. He wrote that he considered himself "a criminal."

34. At the time of Wells's resignation, his clients remained unaware of their losses.

COUNT I
**Violations of Section 10(b) of the Exchange Act,
and Exchange Act Rule 10b-5**

35. Paragraphs 1 through 34 are realleged and incorporated by reference.

36. As more fully described in paragraphs 1 through 34, Defendant Wells, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and prospective purchasers of securities.

37. As described in more detail in paragraphs 1 through 34 above, Defendant Wells acted with scienter in that he knowingly or recklessly made the material misrepresentations and omissions and engaged in the fraudulent scheme identified above.

38. By reason of the foregoing, Defendant Wells violated 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.

COUNT II

Violations of Sections 206(1) and 206(2) of the Advisers Act

39. Paragraphs 1 through 34 are realleged and incorporated by reference as though fully set forth herein.

40. As detailed in paragraphs 1 through 34 above, Defendant Wells while acting as an investment adviser, and in breach of his fiduciary duty, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud his clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon his clients or prospective clients.

41. Defendant Wells, as an investment adviser, owed affirmative fiduciary duties of loyalty, fairness and good faith to his clients, including Clients A, B and C. These duties required Defendant Wells to, among other things, act in the best interest of his clients when providing advice about the use of their investment funds, where to make investments, and trading decisions. Defendant Wells violated Sections 206(1) and 206(2) and breached his fiduciary duties by misappropriating funds from Clients A, B and C, making false and

misleading statements about how he planned to invest those funds, and engaging in risky options trading.

42. Defendant Wells acted knowingly, or with extreme recklessness, in engaging in the scheme and the misrepresentations described above.

43. Defendant Wells also acted negligently in engaging in the conduct described above.

44. Through the foregoing, Defendant Wells violated Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

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

II.

Issue a permanent injunction restraining and enjoining Defendant Wells, his officers, agents, servants, employees, attorneys and those persons in active concert or participation with Defendant Wells who receive actual notice of the order of this Court, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 10(b), 15 U.S.C. § 78j, and Rule 10b-5 of the Exchange Act, 17 CFR § 240.10b-5; and Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

III.

Issue a conduct-based injunction permanently restraining and enjoining Wells from directly or indirectly, including but not limited to, through any entity owned or controlled by Wells, participating in the issuance, purchase, offer, or sale of any security, provided, however, that such injunction shall not prevent Wells from purchasing or selling securities listed on a national securities exchange with his own personal assets for his own personal account.

IV.

Issue an Order requiring Defendant Wells to disgorge the ill-gotten gains received as a result of the violations alleged in this Complaint, including prejudgment interest pursuant to Section 21(d)(5) and 21(d)(7) of the Exchange Act, 15 U.S.C. §§ 78u(d)(5) and 78u(d)(7).

V.

Issue an Order imposing upon Defendant Wells appropriate civil penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

VI.

Retain jurisdiction of this action in accordance with the principals 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.

VII.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission hereby requests a trial by jury.

September 20, 2022

Respectfully submitted,

By: */s/ Peter Senechalle* _____

UNITED STATES SECURITIES

AND EXCHANGE COMMISSION

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