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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA  
LAS VEGAS DIVISION**

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**SECURITIES AND EXCHANGE COMMISSION,** :

Plaintiff, :

vs. :

**INTEGRATED EQUITIES, INC., and** :  
**JEFFREY ALLEN WESTON,** :

Defendants. :

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Civil Action No.  
2:06-CV-00779-RCJ-GWF

**COMPLAINT**

Plaintiff, Securities and Exchange Commission (“Commission”) alleges as follows:

**SUMMARY**

1. This case involves the fraudulent offer and sale of joint venture interests involving defaulted pre-World War II German bonds (the “German bonds”). As alleged in the Commission’s Complaint, Defendants Jeffrey A. Weston (“Weston”) and Integrated Equities, Inc. (“IEI”), during a period spanning from June 2004 to the present,

have raised, directly and through sales agents, approximately \$7.7 million from over 50 investors in 16 states.

2. Weston and IEI have enticed investors with numerous misrepresentations and omissions concerning, among other matters, the use of investor funds and the return that can be expected from the investment program. Defendants have promised that IEI will use investor funds solely to purchase German bonds and that it will purchase one bond for each \$1,000 invested. Weston and IEI have further represented that they would place the defaulted German bonds in a trust and create “asset backed securities,” worth many times the value paid for the underlying German bonds and rated “AAA” by Standard & Poors. Weston and IEI have told investors that these securities, backed by the German bonds, will be coveted by institutional investors, who will buy them at a premium price and provide the proceeds to generate 100 percent or greater annual returns for up to 30 years.

3. In reality, Weston and IEI have failed to fulfill any of their representations to investors. As little as 18 percent of the proceeds collected from investors have been used to purchase German bonds. Moreover, Weston and IEI have bought only 5,600 of the 7,700 German bonds they committed to buy. They have failed to create a trust to hold the German bonds, have failed to create a concrete plan to “securitize” the instrument, have taken no steps to obtain a rating for the purported “asset-backed securities” and have contacted no potential institutional purchasers. IEI has produced no revenue and, with the exception of Ponzi-type payments to one large IEI client, investors have received none of the returns they were promised. In short, Weston and

IEI have done nothing to accomplish the complex and aggressive investment program described in their offering materials.

4. While nothing has been done to produce investor profits, Weston has enriched himself by misappropriating significant sums for his own benefit. Weston has stolen \$2 million of investor funds which he used to purchase and furnish a luxurious home and fund his family's living expenses. Additionally, Weston has used investor funds to publish and print a book, to pay legal expenses unrelated to the offering, to pay undisclosed commissions to two sales agents, and to make Ponzi payments to one significant investor. Weston has also wired \$454,000 to Swiss banks. He still retains \$1.6 million of the offering proceeds in bank accounts he controls, while approximately \$300,000 remains in law firm accounts as retainers.

5. Weston and IEI continue to collect additional funds from investors, while lulling existing investors with optimistic reports.

6. By engaging in the conduct detailed in this Complaint, Weston and IEI, directly or indirectly, singly or in concert, have engaged in, and unless enjoined will again engage in transactions, acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and of Rule 10b-5 [17 C.F.R. § 240.10b-5], promulgated thereunder.

## JURISDICTION AND VENUE

7. The investments offered and sold by the Defendants are “securities” under Section 2(1) of the Securities Act [15 U.S.C. § 77b] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c].

8. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], to preliminarily and permanently enjoin Defendants Weston and IEI from future violations of the federal securities laws.

9. This Court has jurisdiction over this action, and venue is proper, pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

10. Defendants, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the District of Nevada.

## DEFENDANTS

11. **Jeffrey A. Weston, age 46**, of Las Vegas, Nevada, is the president and sole employee of IEI, which he runs from his home. Weston was an associated person of broker-dealers from approximately 1983 through 1986 and 1989 through 1990. Beginning in 1990, Weston became interested in old German bonds, and since then has proclaimed himself as the foremost expert in pre-WWII German bonds. In recent sworn

testimony, Weston admitted that his only source of income from 2004 to the present has been funds collected (and subsequently misappropriated) from investors in the IEI program.

12. **Integrated Equities, Inc.** is a Nevada corporation Weston formed in June 2004. The company operates from Weston's home in Las Vegas.

## **THE FRAUDULENT CONDUCT OF DEFENDANTS WESTON AND IEI**

### **The Joint Venture Offering**

13. The elaborate investment program offered and sold by Weston and IEI centers around dollar-denominated pre-WWII German bearer bonds, issued in the 1920's by the German Weimar Republic. The post-war German government has generally disavowed responsibility for these bonds, claiming that the Russian army illegally looted most of them from German banks at the war's conclusion. In 1953, Germany compromised with disgruntle bondholders by agreeing to redeem bonds at face value (but without interest), but only if holders could demonstrate that their bonds (a) were authentic and (b) were not among those purportedly stolen by the Russian Army.

14. In 2004, with the incorporation of IEI, Weston began to concoct a complex investment program based on the German bonds. Weston began preparing offering materials that purportedly morphs a bond purchased for less than \$200 into a security worth a million dollars or more.

15. The offering materials and joint venture agreements used to raise funds from investors use sophisticated and confusing financial jargon to describe an

investment that purportedly will return investor principal within months of the investment and provide 100 to 500 percent annual returns for ten to 30 years.

16. According to the offering materials and agreement, the salient features of the IEI program are as follows:

- investor funds will be used solely to purchase outstanding German bonds, with one bond purchased for each \$1000 invested;
- the bonds will then be pooled into trusts, called “Insured Notes of German Obligations Trusts” or INGOTs, that Weston claims to be in the process of creating;
- the INGOTs supposedly will be insured (or “credit-enhanced”) and interests in them will be “securitized”;
- these securities, backed by the assets in the INGOTs (described as “asset-backed securities”) will be AAA-rated by Standard & Poors and sold to institutional investors;
- cash from sales of these securities to institutional investors will then be used to buy AAA-rated corporate bonds;
- these corporate bonds will be “loaned” to AAA-rated insurance companies that Weston has been in contact with in exchange for a fixed annual payment;
- investor returns, ranging from 100 to 500 percent per year for up to 30 years, will come from the insurance companies’ fixed annual payments; and

- should the German government ultimately be forced to pay on the bonds (a “99.9%” certainty, according to the offering materials), investor returns will soar accordingly.

17. In addition to the characteristics of the investment as described above, the offering materials tout Weston’s supposed expertise in the subject of German bonds, his purported contacts with large insurance companies which will allegedly buy the “asset-backed securities,” his past experience structuring large transactions, and the “dream team” of legal and financial professionals that Weston has retained to create the instruments and ultimately obtain a favorable outcome from the government of Germany. While the written materials inconspicuously acknowledge that there are “no guarantees” that the investment will perform as promised, the representations outlined above present the investment as extremely safe and with a high certainty of extraordinary returns. Moreover, certain documents specifically tout the high probability or even “assurance” that the venture will be successful.

18. Although the agreements with investors are denominated as “joint ventures,” they provide no mechanism for investors to exercise any control over the program after providing their funds. The investors’ sole obligation is to transfer money to IEI. Otherwise, the investors rely on the purported expertise of the Defendants to accomplish every milestone on the path to untold riches: (1) purchasing the German bonds; (2) creating and securitizing the INGOTs, and having them insured, rated and sold; (3) purchasing the AAA-rated corporate securities; and (4) conducting purported negotiations or litigation with the German government. In addition, Weston and IEI are

the only parties empowered to “provide the trustee of the German Obligation Trust with explicit instructions” to pay the investors their promised annual returns.

19. Weston and IEI have sold the joint venture interests both directly and through two sales agents, LT Entertainment and Ashland Capital. Weston and IEI have raised over \$2.2 million directly from investors, another \$2.9 million from sales by LT Entertainment, and 2.6 million from sales by Ashland Capital, for a total of \$7.7 million. Weston paid LT Entertainment and Ashland Capital commissions of approximately \$550,000.

### **Material Misrepresentations and Omissions by Defendants**

#### **Use of Proceeds**

20. Weston and IEI have made numerous material misrepresentations and omissions concerning the use of investor funds. Contrary to the representations made by the Defendants, investor funds have largely not been used to purchase German bonds, but rather have been diverted for unauthorized purposes.

21. Weston has failed to buy the number of bonds promised to investors in the joint venture agreements. Weston testified that he and IEI have only acquired 5,600 bonds, rather than the 7,700 they were to acquire pursuant to the terms of the offering. Moreover, IEI’s bank records indicate that only a relatively small amount of the \$7.7 million raised in the offering – perhaps no more than \$1.4 million – was used to purchase bonds.

22. Weston has misappropriated a significant portion of funds collected by IEI for his own personal enrichment. Weston admits diverting at least \$2 million of investor

funds to purchase and furnish a home in Las Vegas, and to cover his families living expenses since 2004. In addition, Weston and his family have purchased at least four automobiles since IEI investor funds became his sole source of income. In addition, Weston admits diverting hundreds of thousands of investor dollars to publish a book and pay legal expenses for a separate investment vehicle that was not part of the program represented to IEI investors.

23. Weston has also extensively commingled investor funds with his personal accounts, on one occasion receiving directly into his personal account an \$800,000 wire transfer from an investor. Moreover, Weston and IEI have wired approximately \$454,000 to Swiss bank accounts.

#### **Failure to Create Promised Transaction**

24. Weston and IEI have done nothing to put in place the complex financial structure described in the offering materials and joint venture agreements. Although documents promise that the INGOTs will be sold by November 2005, Weston admits that no INGOTs have been established, no trust interests have been securitized, no institutions or insurance companies have been approached and no ratings agencies have been contacted. Weston has paid \$400,000 in retainers to three law firms, but Weston acknowledges that the majority of their work relates to projects unrelated to the INGOTs, such as the creation of an offshore hedge fund that Weston will oversee.

25. In truth, Weston's investment proposal defies reason and common sense. Weston has purchased many German bonds at a price of less than \$200 per bond. The elaborate process that he described to investors assumes that once the bonds are

securitized, institutional investors will pay the equivalent of \$1 million for each bond.

26. Finally, the Defendants have failed to disclose to more recent investors, their failure to develop the investment program and meet the multitude of deadlines that they had established.

### **The Value of the German Bonds**

27. Defendants have made materially misleading statements concerning the value of the German bonds. While representing that IEI would purchase one German bond for each \$1,000 invested, Defendants did not disclose that Weston was purchasing the bonds for less than \$200.

28. Moreover, offering materials state that investors would immediately be credited with an asset worth 15 times the cost of their investment, as the bonds had a “court-stipulated” value of \$15,000. Defendants failed to disclose that the \$15,000 value was based upon an uncontested default judgment obtained by Weston, and not upon the market value of the bonds. Finally, in spite of Weston’s ability to purchase the German bonds for less than \$200, the entire scheme presented to investors assumes, without a reasonable basis, that the securitization process will transform the bonds into financial instruments that can be sold to institutional investors at a price equivalent to \$1 million for each bond that is securitized.

### **Recent and Continuing Activities**

29. Weston and IEI are continuing the fraudulent scheme. Weston and IEI have not stopped accepting funds for the IEI investment program. Moreover, Weston and IEI are continuing to make Ponzi payments to one significant investor.

30. After failing to perform on the dates promised, Weston has lulled investors with a series of “Ingot Updates” sent to investors in late 2005 and early 2006. These updates assert that Weston and IEI are improving the proposed program and provide revised dates for the completion of various milestones; but even these revised deadlines passed without progress.

31. For example, the updates tout Weston’s creation of the German Defaulted Debt Fund, LLC., a purported hedge fund that Weston declares will allow “everyone to make a return of as much as 15 to 1, or more, regardless if anything else works.” Recently, Weston apprised investors that he would once again revise IEI’s schedule to call for completion of the INGOT offering in July 2006.

### **FIRST CLAIM**

#### **Violations of Section 17(a) of the Securities Act**

32. Plaintiff Commission repeats and incorporates paragraphs 1 through 31 of this Complaint by reference as if set forth *verbatim*.

33. The Defendants, directly or indirectly, singly or in concert with others, in connection with the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts 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 (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

34. As a part of and in furtherance of their scheme, the Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth in Paragraphs 1 through 31 above.

35. With respect to violations of Sections 17(a)(2) and (3) of the Securities Act, the Defendants were negligent in their actions regarding the representations and omissions alleged herein. With respect to violations of Section 17(a)(1) of the Securities Act, the Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

36. By reason of the foregoing, the Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

## **SECOND CLAIM**

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

37. Plaintiff Commission repeats and incorporates paragraphs 1 through 31 of this Complaint by reference as if set forth *verbatim*.

38. The Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed

devices, schemes and artifices to defraud; (b) made untrue statements of material facts 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 (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

39. As a part of and in furtherance of their scheme, the Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth in Paragraphs 1 through 31 above.

40. The Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

41. By reason of the foregoing, the Defendants violated and, unless 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].

## **RELIEF REQUESTED**

Plaintiff respectfully requests that this Court:

### **I.**

Temporarily, preliminarily and permanently enjoin all Defendants from violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

### **II.**

Enter an Order *instanter* freezing the assets of all Defendants and directing that all financial or depository institutions comply with the Court's Order. Furthermore, order *instanter* that Defendants repatriate any funds held at any bank or other financial institution not subject to the jurisdiction of the Court, and that they direct the deposit of such funds as directed by the Court, pending conclusion of this matter.

### **III.**

Order *instanter* that Defendants shall file with the Court and serve upon Plaintiff Commission, no later than 72 hours before the preliminary injunction hearing, an accounting, under oath, detailing all of their assets and all funds or other assets received from investors and from one another.

### **IV.**

Order *instanter* that Defendants be restrained and enjoined from destroying, removing, mutilating, altering, concealing or disposing of, in any manner, any of their books and records or documents relating to the matters set forth in the Complaint, or the

books and records and such documents of any entities under their control, until further order of the Court.

**V.**

Order *instanter* the appointment of a receiver *pendente lite* over Defendants, for the benefit of investors, to marshal, conserve, protect and hold funds and assets obtained by the defendants and their agents, co-conspirators and others involved in this scheme, wherever such assets may be found, or, with the approval of the Court, dispose of any wasting asset in accordance with the application and proposed order provided herewith.

**VI.**

Order that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents, or the deposition of any party or party-representative, on 72 hours notice.

**VII.**

Order the Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

**VIII.**

Order civil penalties against the Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], for the violations alleged herein.

**IX.**

Order such further relief as this Court may deem just and proper.

For the Commission, by its attorneys:

Dated: June 26, 2006

Respectfully submitted,

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