



3. To conceal his fraudulent scheme, Wehrs fabricated and issued account statements to investors on his businesses' letterhead purporting to show investors' balances in their "accounts" and the interest gained on their "investments." The scheme appears to have depleted substantially all of the investors' monies.

**STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED**

4. By virtue of their conduct, Defendants, directly or indirectly, singly or in concert, have engaged in 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)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2), 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

5. Unless permanently restrained and enjoined, Wehrs will again engage in the acts, practices, transactions, and courses of business set forth in this Complaint and in acts, practices, transactions, and courses of business of similar type and object.

**JURISDICTION AND VENUE**

6. 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)], Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)] and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)], seeking a final judgment: (i) restraining and permanently enjoining Defendants from violating certain provisions of the federal securities laws; (ii) requiring Defendants to disgorge the ill-gotten gains they received as a result of their violations and to pay prejudgment interest thereon; and (iii) imposing civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], 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)].

7. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)], Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa], and Sections 209 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14].

8. Venue is proper in the District of Maryland pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14] because certain of the transactions, acts, practices and courses of business alleged in this Complaint occurred in the District of Maryland.

9. Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged herein.

#### **DEFENDANTS**

10. **Defendant Wehrs**, age 54, resides in Annapolis, Maryland. Wehrs owns and operates MTE. Wehrs is not registered with the Commission in any capacity.

11. **Defendant Maryland Title and Escrow, Co., Inc.**, a Maryland corporation, is a title and escrow company that acts as a disinterested third party assisting in the settlement of real estate transactions. MTE has never been registered with the Commission in any capacity.

#### **FACTS**

12. Through at least July 2009, Defendants engaged in an offering fraud raising at least \$1.96 million from approximately 13 investors who invested in the purported fund that the Defendants operated. Investors included, among others, retirees, a homeowners association, and a pastor.

### **Wehrs's Misrepresentations to Solicit Investors**

13. Wehrs made numerous oral and written misrepresentations to investors to induce them to invest money into his purported fund. Several investors provided Wehrs with investment funds based on his oral misrepresentations that the purported fund was affiliated with American Funds, would generate a guaranteed 10.85 percent annual return paid on a monthly basis, and was FDIC insured.

14. In addition, Wehrs at times misrepresented that the purported fund provided an annual bonus based on how the market performed and that investors would receive an immediate bonus, sometimes as large as 10 percent, if they invested additional funds within a certain time period.

15. In some instances, Wehrs provided an offering document to prospective investors on MTE letterhead that falsely described the investment as an "American Funds Disbursement Money Market" and stated, among other things, that: (1) "all accounts are insured;" (2) "the current guaranteed rate is 10.85%;" and (3) the fund is an "FDIC insured money market." Some of these statements were lifted from an actual American Funds prospectus. Wehrs knew or recklessly disregarded that his representations to investors pertaining to the safety, security, and performance of their investments were false and material.

16. In order to conceal and perpetuate his scheme, Wehrs also provided investors with fictitious account statements on MTE letterhead, which Wehrs typically generated only after a request from an investor. The account statements falsely represented that investors had achieved the returns that Wehrs had promised (usually 10.85 percent annually), and had a steady principal balance (net of any authorized withdrawals). Numerous investors relied upon one or more of the misrepresentations discussed above when making their investment decisions.

17. To further perpetuate his scheme, Wehrs mailed certain investors sham 1099 tax forms showing that the total interest earned on the investment had been reported to the Internal

Revenue Service as “other income.” Wehrs knew or recklessly disregarded that these representations to investors concerning the account balances in individual investor accounts and reported income were false and material.

18. At times, Wehrs also falsely represented that he actively managed the investor monies. At no time, however, was Wehrs affiliated with American Funds the mutual fund company.

19. Wehrs’s misrepresentations caused numerous investors to invest and lose substantial sums of money. For example, Wehrs convinced one woman to invest more than \$130,000 knowing that the money was earmarked for the care of her disabled cousin. Wehrs also solicited a federal government employee in late 2007 after purchasing a property from her. In addition to the typical misrepresentations described above, Wehrs told this woman that she would receive greater returns on her investment if she increased her principal. In reliance on these representations, the woman gradually increased her total investment over time by liquidating nearly all of her securities brokerage accounts and withdrawing funds from her federal retirement account. In all, she provided Wehrs with more than \$1 million.

#### **Wehrs Misappropriated Investor Funds**

20. Contrary to his representations, Wehrs misappropriated and used investor funds to day trade for his own account and for business and personal expenses. Typically, after investor funds had been deposited and pooled into one of Wehrs’s or his entities’ bank accounts, Wehrs transferred a large portion of these funds to two day trading securities brokerage accounts in the name of MTE. Wehrs then conducted millions of dollars of trades per month. From early 2008 until mid-2009, Wehrs appears to have lost approximately \$1 million by day trading. After Wehrs day traded the investor funds, he typically transferred the remaining monies back to one of his bank accounts.

21. Both before and after he day traded investor monies, Wehrs used some of the investor funds to: (1) pay purported monthly interest to other investors; (2) pay redemptions to other investors; (3) pay expenses of his other businesses, including his home improvement company, Show-Me, (4) make escrow payments for his title company, MTE; (5) buy real estate and personal property; and (6) pay for vacations, including trips to the British Virgin Islands.

22. As recently as August 2009, Wehrs continued to receive money from investors.

23. As recently as October 2009, Wehrs falsely told investors that their money was secure and promised to satisfy their withdrawal demands at a future date.

24. Over time, Wehrs has consistently made monthly interest payments to investors. Since the summer of 2009, however, Wehrs has evaded demands by investors to cash out their investment.

### **FIRST CLAIM FOR RELIEF**

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

25. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 24.

26. Wehrs and MTE, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly, singly or in concert, knowingly or recklessly have:

- (a) employed or are employing devices, schemes or artifices to defraud;
- (b) obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, transactions, practices, and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities.

27. By reason of the foregoing, Wehrs and MTE, directly or indirectly, violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**

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

28. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 24.

29. Wehrs and MTE, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, directly or indirectly, singly or in concert, knowingly or recklessly have:

- (a) employed or are employing devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts or have 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; or
- (c) engaged in acts, transactions, practices, and courses of business which operated or would have operated as a fraud or deceit upon any person.

30. The misstatements and omissions of fact detailed in paragraphs 1 through 27 were material.

31. By reason of the foregoing, Wehrs and MTE, directly or indirectly, violated, and unless enjoined will again 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].

**THIRD CLAIM FOR RELIEF**

**Violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8**

**Thereunder**

32. The Commission realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 24.

33. At all relevant times, Wehrs and MTE acted as investment advisers, as defined by Section 202(a)(11) of the Advisers Act [15 U.S.C. 80b-2(a)(11)], to Wehrs's fund.

34. Wehrs and MTE, by engaging in the acts and conduct alleged above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, and while engaged in the business of advising others for compensation as to the advisability of investing in, purchasing, or selling securities have:

- (a) with scienter, employed devices, schemes, or artifices to defraud clients or prospective clients;
- (b) engaged in transactions, practices, and courses of business which operated or would have operated as a fraud or deceit upon clients or prospective clients;
- (c) engaged in acts, practices, and courses of business which were fraudulent, deceptive, or manipulative; or
- (d) made untrue statements of material facts or 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, to any investor or prospective investor in a pooled investment vehicle.

35. By reason of the foregoing, Wehrs and MTE, directly or indirectly, violated, and unless enjoined will again violate, Sections 206(1), 206(2), and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court issue a Final Judgment:

**I.**

Permanently restraining and enjoining Defendants, and their agents, servants, employees and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], 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], and Section 206(1), 206(2), and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8];

**II.**

Ordering Defendants jointly and severally liable for disgorgement of any and all ill-gotten gains they received as a result of their violations of the federal securities laws, plus prejudgment interest thereon;

**III.**

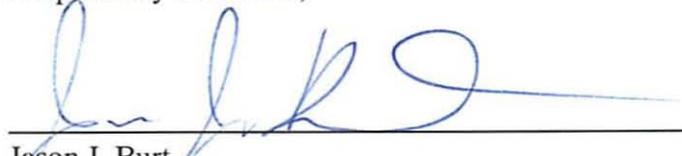
Ordering Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. 80b-9(e)]; and

**IV.**

Granting such other and further relief as the Court may deem just and proper.

Dated: February 1, 2010

Respectfully submitted,



Jason J. Burt  
Cheryl J. Scarboro  
Charles J. Felker  
Michael S. Fuchs

Attorneys for Plaintiff:

**SECURITIES AND EXCHANGE COMMISSION**  
100 F Street, N.E.  
Washington, DC 20549-5030-B  
Phone: (202) 551-6443  
Facsimile: (202) 772-9286

Local Counsel:

Rod J. Rosenstein  
United States Attorney

By: 

Tarra Deshields  
Assistant United States Attorney  
Federal Bar No. 07749  
36 South Charles St.  
Baltimore, Md. 21201  
(410) 209-4800