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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

v.

THOMAS EDWARD ANDREWS and SCOTT
WALTER CHRISTENSEN,

DEFENDANTS.

COMPLAINT

Case No.: 2:17-cv-00256-DN

Judge: David Nuffer

Plaintiff, Securities and Exchange Commission (the “Commission”), for its Complaint against Defendants Thomas Edward Andrews and Scott Walter Christensen (collectively, “Defendants”) alleges as follows:

INTRODUCTION

1. This matter involves the fraudulent theft of investor funds, and misrepresentations made to investors, by Thomas Edward Andrews (“Andrews”), with the knowing assistance of Scott Walter Christensen (“Christensen”).

2. From 2010 to the fall of 2015, Andrews persuaded his victims, most of whom

were residents of a small rural Utah community and unsophisticated in securities, to invest their savings and retirement funds in two investments he recommended, called “the Jackson Trust” and “the Lincoln.”

3. Although Andrews told his investors that they were making financial investments, in fact he was misappropriating their funds for his own use. Andrews’ scheme lasted over five years and netted him approximately \$8.38 million.

JURISDICTION AND VENUE

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

5. Defendants, directly and indirectly, singly and in concert, have 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.

6. 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 Defendants reside in and transact business in this district.

7. Defendants, 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.

8. Defendants' conduct took place in connection with the offer, purchase and/or sale of securities.

DEFENDANTS

9. **Thomas Edward Andrews**, age 39, is a resident of California. On December 15, 2016, Andrews pled guilty to securities fraud and mail fraud in connection with the activities described in this Complaint. He was sentenced to 97 months in prison and restitution of \$8,384,253.

10. **Scott Walter Christensen**, age 46, is a resident of Utah. During the relevant period, he worked as a full-time personal assistant to Andrews. On November 3, 2016, Christensen agreed to plead guilty to securities fraud and lying to a federal officer, and to pay criminal restitution of \$1 million. He was sentenced to a year and a day in prison.

STATEMENT OF FACTS

11. From approximately 2010 to the fall of 2015, Andrews defrauded 23 investors, most of whom were his longtime family friends. These individuals gave Andrews approximately \$8.38 million in the aggregate, based on his representations that he would place their funds in safe and profitable investments.¹ Instead, Andrews diverted their funds to himself.

12. During the relevant period, Andrews was registered as a securities salesman and was employed as an independent contractor by Gary A. York & Associates of Salt Lake City, Utah ("York & Associates").

13. York & Associates was an office of supervisory jurisdiction of LPL Financial, LLC ("LPL"), a registered broker-dealer.

¹ The \$8.38 million figure represents amounts invested with Andrews by his victims (approximately \$9.74 million) less amounts he returned to some of them over time (approximately \$1.36 million).

14. Almost all of Andrews' victims were people he had known while growing up in Nephi, Utah. These individuals were unsophisticated in investment matters and accustomed to doing business on a handshake.

15. Many of the victims had originally been clients of a tax, accounting and bookkeeping business founded in Nephi by Andrews' father. Andrews himself continued to do some bookkeeping and tax work for this business.

16. Beginning in 2010, Andrews began suggesting to his clients that they liquidate their other investments and invest in "the Jackson Trust." In fact, the "Jackson Trust" did not exist and Andrews was simply misappropriating his clients' funds for his own use.

17. Andrews set up a bank account titled "Jackson Trust" at a local credit union, with himself as trustee and sole signatory. Without the knowledge of his investors, he simply deposited their checks into this account and over time transferred the funds to his own account at the same credit union. He never transmitted his investors' funds to any legitimate investment.

18. Andrews concealed his activity related to the Jackson Trust from his supervisor at York & Associates and from LPL.

19. Andrews told his investors that the Jackson Trust provided an annual return of 6% to 8.5%. He promised them that the investment was "guaranteed," and told a few investors specifically that the investment was guaranteed by LPL. Andrews told another investor that he, Andrews, had special access to this particular opportunity because of his contacts with certain "capital companies."

20. Toward the end of 2015 Andrews created a second fabricated investment which he called “the Lincoln.” He told investors that the Lincoln would generate a return equal to 5% or the quarterly S&P index return, whichever was greater.

21. As he had done with the Jackson Trust, Andrews set up a bank account titled “Lincoln Trust” at the same credit union, with himself as trustee and sole signatory. He deposited investor checks into this account and then transferred those funds to himself.

22. Andrews’ investors all believed that the Jackson and Lincoln opportunities were legitimate investments. They liquidated savings and retirement accounts in order to invest in these fraudulent investments.

23. From 2010 until the fall of 2015, Andrews spent the investor funds on personal items such as cars, mobile homes, alimony, trips to Disneyland, guns, dining out and numerous stays at luxury resorts in California. He bought one or two new vehicles every month, often choosing luxury cars.

24. In 2011, Andrews enlisted Christensen’s help in furthering the fraudulent scheme. Over the next several years, Christensen helped Andrews defraud investors in various ways.

25. Christensen helped Andrews cut and paste information over an existing account statement to create a statement for the fictitious Jackson Trust investment. Andrews and Christensen then made a copy of the cut-and-pasted document so that it appeared to be an original and sent it to the investor.

26. At Andrews’ direction, Christensen subsequently used a computer to create Jackson Trust statements electronically. He also used a computer to create false Jackson Trust brochures, as well as mailing envelopes with a fictitious Jackson Trust return address.

27. Christensen frequently drove Andrews to California to mail the Jackson Trust account statements from there because Jackson Trust was supposed to be located in California.

28. On two occasions, at the request of Andrews, Christensen made calls to investors who had requested, but had not received, withdrawals of their Jackson Trust funds from Andrews. In these calls Christensen posed as "David Williams," a fictitious Jackson Trust supervisor. On those calls he made various excuses to the investors as to why they had not received their funds from the Jackson Trust, and promised that Andrews would be disciplined for his failure to carry out the withdrawals.

29. Christensen was paid or benefited by Andrews in various ways for his assistance in the scheme. During Christensen's involvement, Andrews paid Christensen's home mortgage, car payment, wife's car payment, and bought him various items such as a computer, jewelry, guns and an ATV and trailer. Andrews also paid funds to various entities associated with Christensen. These payments amounted to approximately \$1 million in the aggregate from 2011 through the fall of 2015.

30. Christensen knew that he was actively and substantially assisting Andrews in a fraudulent scheme.

31. In September 2015, as investors began exerting more pressure on Andrews, he stopped returning their calls and ended the scheme.

FIRST CAUSE OF ACTION
EMPLOYMENT OF A DEVICE, SCHEME OR ARTIFICE TO DEFRAUD
Violation of Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)]

32. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 31, above.

33. Defendants Andrews and Christensen, by engaging in the 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 and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

34. By reason of the foregoing, Defendants directly or indirectly violated, and unless enjoined will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)].

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

35. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 31, above.

36. Andrews, 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 and omissions 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.

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

THIRD CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES
Violation of Section 10(b) of the Securities Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 U.F.R. § 240.10b-5(a) and (c)]

38. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 31, above.

39. Defendants Andrews and Christensen, 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, employed devices, schemes, or artifices to defraud, or engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.

40. By reason of the foregoing, Defendants 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(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)].

FOURTH CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES
Violation of Section 10(b) of the Securities Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 U.F.R. § 240.10b-5(b)]

41. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 31, above.

42. Defendant Andrews, by engaging in the conduct described above, in connection with the purchase or sale of securities, with scienter, by the use of the means and

instrumentalities of interstate commerce and by the use of the mails, 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.

43. By reason of the foregoing, Andrews 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(b) thereunder [17 C.F.R. § 240.10b-5(b)].

**FOURTH CAUSE OF ACTION
FAILURE TO REGISTER AS SECURITIES BROKER
Violation of Section 15(a) of the Exchange Act [17 U.S.C. § 78o(a)]**

44. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 31, above.

45. By his conduct as alleged above, Andrews violated Section 15(a)(1) of the Exchange Act, which makes it unlawful for a broker “to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security. . . unless such broker . . . is registered “ with the Commission pursuant to Section 15(b) of the Exchange Act or, in the case of a natural person, is associated with a registered broker-dealer.

46. From 2010 until the fall of 2015, Andrews actively solicited investors, handled investor funds and securities, and gave advice as to the merits of the “Jackson” and “Lincoln” fictitious investments. Andrews effected the sale of over \$8.38 million of these fictitious securities to multiple investors.

47. In so doing, Andrews was engaged in “selling away” in that he was selling a security not unauthorized by LPL, without the knowledge or approval of LPL.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

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

II.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that:

- (a) temporarily, preliminarily and permanently enjoin Andrews and Christensen and their officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, 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 17(a)(1) and (3) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder; and
- (b) temporarily, preliminarily and permanently enjoin Andrews and his officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, 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 17(a)(2)

of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder.

III.

Enter an order directing Defendants 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 Defendants 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 April 5, 2017.

Respectfully submitted,

/s/ Daniel J. Wadley
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