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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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UNITED STATES SECURITIES	:	
AND EXCHANGE COMMISSION,	:	Case No. 1:18-cv-8803
	:	
Plaintiff,	:	Judge:
	:	
v.	:	
	:	
WILLIAM C. SKELLEY	:	<u>COMPLAINT</u>
	:	
and	:	JURY TRIAL
	:	DEMANDED
SOHIN S. SHAH,	:	
	:	
Defendants.	:	
	:	
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Plaintiff, the United States Securities and Exchange Commission (the “SEC”), for its complaint against Defendants William C. Skelley (“Skelley”) and Sohlin S. Shah (“Shah”) (collectively, “Defendants”) alleges as follows:

Nature Of The Case

1. This case arises from Skelley and Shah engaging in a fraudulent scheme to misappropriate more than \$1.17 million from investors. Between October 2013 and November 2016, \$3.39 million dollars was raised from 42 investors in at least 17 states. The investors were investing in Innovational Funding, LLC (“iFunding”). Skelley and iFunding made materially false statements and omitted material facts as they told investors through private placement memoranda and verbally that their funds would be used for the business operations of iFunding. Contrary to these representations, Skelley and Shah used a significant portion of the investor funds to pay for personal rent, trips, food, beverages, and entertainment and to make cash withdrawals.

2. Moreover, Skelley and Shah controlled iFunding as its only officers and directors. Skelley and Shah are therefore responsible for iFunding’s violations.

3. By engaging in the conduct alleged in this Complaint, William C. Skelley violated Sections 17(a)(1),(2), and (3) 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 is liable as a control person of iFunding under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for iFunding’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. By engaging in the conduct alleged in this Complaint, Sohini S. Shah violated Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)], 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)], and is liable as a control person of iFunding under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for iFunding’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Jurisdiction And Venue

4. The SEC brings this action pursuant to 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)]. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa].

5. Venue is proper in the Southern District of New York pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa] because Defendant Skelley resides in this District and the acts, practices, and courses of business constituting the violations alleged in this Complaint have occurred within this District and elsewhere.

Defendants

6. **William C. Skelley**. In 2012, Skelley co-founded iFunding with Shah. Skelley was Chief Executive Officer of iFunding from June 2012 to October 2016 and Chairman of the Board of Directors from November 2014 to October 2016. Skelley is 43 and resides in New York, New York.

7. **Sohin S. Shah**. In 2012, Shah co-founded iFunding with Skelley. Shah was Chief Operating Officer of iFunding from June 2012 to August 2015 and a Director from November 2014 to on or about August 19, 2015. From January through September 2014, Shah held a series 82 securities license and was associated with a broker-dealer. Shah is 31 and resides in Jersey City, New Jersey.

Related Entities

8. **Innovational Funding, LLC.** Innovational Funding, LLC (“iFunding”) was formed in July 2012 as a Delaware limited liability company. iFunding ceased conducting business in October 2017. iFunding’s principal place of business was in New York, New York. It owned and operated a real estate crowdfunding portal that solicited investors to invest in real estate projects.

9. **Innovational Funding Holdings, Inc.** Innovational Funding Holdings, Inc. (“iFunding Holdings”) was formed in September 2015 as a Delaware corporation. Through a merger in September 2015, iFunding Holdings became the parent of iFunding. All membership interests in iFunding were converted into shares of common stock in iFunding Holdings. In April 2018, iFunding Holdings was dissolved. iFunding Holdings’ principal place of business was in New York, New York.

FACTS

I. Background

10. In 2012, Skelley and Shah started iFunding. Skelley served as the Chief Executive Officer (“CEO”) of iFunding. Shah served as the Chief Operating Officer (“COO”). Throughout iFunding’s operations, Skelley and Shah were the only officers.

11. In October 2013, iFunding launched its online real estate crowdfunding portal. In private placement memoranda (“PPM”) sent to investors in iFunding, iFunding stated that its portal provided “investors with the opportunity to become equity or debt holders in real estate projects across the United States. Through the use of the iFunding’s (sic) website or mobile application, investors can learn about real estate crowdfunding, browse and evaluate ongoing real estate investment opportunities, sign associated legal documents, initiate funds transfers, receive updates

on their investments, and have principal and interest payments or profits earned returned to their accounts.” (The investments in the real estate projects are not at issue in this Complaint.) Investors in iFunding were required to be accredited investors.

12. Beginning in November 2014, Skelley served as Chairman of the Board of Directors of iFunding, and Shah served as a director. Throughout iFunding’s operations, Skelley and Shah were the only directors.

13. Skelley and Shah controlled the management and day-to-day operations of iFunding, including iFunding’s bank accounts. Skelley and Shah had signature authority over the bank accounts and had debit cards that were linked to iFunding’s bank accounts.

14. Skelley and Shah held the majority of voting securities in iFunding.

II. The Offerings

15. From at least October 2013 through June 2016, iFunding raised money to support and expand its business operations. iFunding did this by offering and selling securities in the form of units of membership interests (“Equity Offerings”) in iFunding to accredited investors. Also, iFunding Holdings issued promissory notes convertible to equity (“Debt Offerings”) to accredited investors. The investor funds were deposited into iFunding’s bank accounts.

16. From at least October 2013 through June 2016, iFunding raised \$3.39 million from 42 investors in 17 states.

17. Between October 2013 and October 2014, iFunding had Equity Offerings for which there were no PPMs. For these offerings, Skelley verbally represented to investors by telephone that their funds would be used to support and expand the business operations of iFunding. Contrary to these representations, Skelley and Shah used significant portions of the investor funds to pay for personal expenses including dry cleaning and massages and to make cash withdrawals.

Skelley and Shah made cash withdrawals and spent the misappropriated funds at businesses in multiple states including New York, New York.

18. Between December 2014 and April 2015, several of the offerings were conducted by means of PPMs. Through the PPMs, iFunding and Skelley told investors that their funds would be used to support and expand the business operations of iFunding. Skelley also verbally represented to investors that their funds would be used to support and expand the business operations of iFunding. Contrary to these representations, Skelley and Shah used significant portions of the investor funds to pay for personal expenses including personal utilities such as cable and telephone.

19. Skelley and iFunding had final authority over the content of the PPMs.

20. In December 2015 and June 2016, iFunding conducted two (2) Debt Offerings.

A. The December 2014 PPM

21. iFunding conducted the December 2014 Offering by means of a PPM dated December 1, 2014 (“December 2014 PPM”). The December 2014 PPM stated that iFunding intended to raise up to \$2,000,000.

22. The December 2014 PPM stated that “iFunding owns and operates a real estate crowdfunding portal that provides investors with the opportunity to become equity or debt holders in real estate projects across the United States.”

23. The December 2014 PPM also stated that investors who wanted additional information should contact Sohini Shah or William Skelley and listed their phone numbers and email addresses.

24. The December 2014 PPM additionally stated “[t]oday, the success of the Company depends on two individuals: William Skelley and Sohini Shah. . . . Further, as the co-founders of the

Company, Mr. Skelley and Mr. Shah will together control virtually all decisions regarding the management and control of the Company.”

25. Under Description of the Security, the December 2014 PPM stated that the “Security Type” is “Membership Interest/LLC Units.”

26. In the “Use of Proceeds” section, the December 2014 PPM stated iFunding “plans to use the proceeds to support and expand its business operations. Specifically, the Company will use this investment to meet the cash flow requirements relating to enhanced sales and underwriting efforts; improve upon and innovating within its information technology practices; and boost its marketing efforts.”

27. The “Use of Proceeds” section also stated:

“1. Sales: . . . iFunding intends to drastically expand its salesforce to improve customer relations and meet the rapidly expanding volume and quality of deals that we bring to the investors on our platform.”

“2. Underwriting: Underwriting is paramount to our business. iFunding already utilizes premium third party services to verify the credibility of potential operating partners . . . [iFunding], moreover, performs extensive research on the track record of the operating partners and ensures they have delivered solid returns in that specific asset class. iFunding intends to mature its underwriting processes by hiring additional experienced underwriting personnel and systematizing the underwriting process. We have recently hired a new underwriter and will continue to add to the team in the coming year.”

“3. Technology: iFunding plans to hire employees and contractors to deploy investor behavioral assessment techniques, big data analytics, machine learning and other technologies. An in-house programming team would be established to accelerate the

onboarding of new features and technical collaborations with other service providers. . . .

The next steps are to convert these analytics using advanced visualization tools into information that can be used for making decisions that benefit the company.”

“4. Marketing: To fully express the iFunding brand and reinforce the Company’s perceived market leadership, several strategies will be deployed:

- (i) The company will strive to be prominently placed in the press, including business and real estate online publications or social media presence, financial TV and potentially radio, explaining the trend toward real estate crowdfunding.
- (ii) Partnerships with real estate businesses, including private equity/real estate investing institutions, investor training organizations and brokerages, will both create ‘reach’ to new audiences and reinforce the reliability of our business model.
- (iii) An ongoing presence in situations suitable to the audience – e.g., real estate industry speaking events, Google search rankings, and banner ads where the Company’s prospects read their finance and real estate news.”

28. The December 2014 PPM did not state that the investor funds would be used for any other purposes.

29. Skelley and iFunding had final authority over the content of the December 2014 PPM.

30. Skelley, as CEO of iFunding, executed each investor’s Subscription Agreement thereby agreeing to and accepting the Subscription Agreements on behalf of iFunding. Each Subscription Agreement stated that the offering was made pursuant to the corresponding PPM.

31. In connection with the December 2014 Offering, Skelley made similar verbal representations to potential investors including that the funds would be used to hire more people.

32. The December 2014 PPM stated “iFunding has successfully financed over Twenty-Five (25) real estate projects listed on its website, totaling tens of millions of dollars in funds raised.”

B. The January 2015 PPM

33. A PPM dated January 31, 2015 (“January 2015 PPM”) contained a Use of Proceeds section that was identical to the Use of Proceeds Section in the December 2014 PPM. The January 2015 PPM did not state that the investor funds would be used for any other purposes.

34. The January 2015 PPM also stated “iFunding has successfully financed over Twenty-Five (25) real estate projects listed on its website, totaling tens of millions of dollars in funds raised.”

35. Skelley and iFunding had final authority over the content of the January 2015 PPM.

36. Skelley, as CEO of iFunding, executed each investor’s Subscription Agreement thereby agreeing to and accepting the Subscription Agreements on behalf of iFunding. Each Subscription Agreement stated that the offering was made pursuant to the corresponding PPM.

37. A PowerPoint deck that was provided to investors included a slide entitled “Use of Funds” that listed specific dollar amounts to be applied to various iFunding business operations.



Use of funds

iFunding Expenses	
Digital Marketing, Advertising and Branding	\$360,000
Family Office & Institutional Sales team	\$500,000
Technology Innovation	\$500,000
Portfolio Management & Underwriting	\$350,000
Finance & Regulatory	\$200,000
Regulatory Filings, Legal & Compliance	\$450,000
Salaries	\$950,000
Accredited Individual Investor Relations	\$150,000
India Back Office	\$200,000
Total Expenses	\$3,660,000
Growth Capital / Equity Raise	\$2,000,000

- Expand Brand via digital advertising and marketing
- Build dedicated family office and institutional sales team
- Focus on technology IP development, customer experience, Artificial Intelligence & machine Learning
- Institutional class processes
- Cost effective India based back office functions

38. The listed iFunding expenses included (i) Digital Marketing, Advertising and Branding, (ii) Technology Innovation, (iii) Regulatory Filings, Legal & Compliance, and (iv) Salaries.

C. The April 2015 PPM

39. iFunding conducted an April 2015 Offering by means of a PPM dated April 16, 2015 (“April 2015 PPM”). The April 2015 PPM stated that iFunding intended to raise up to \$1,000,000.

40. The April 2015 PPM stated that “iFunding owns and operates a real estate crowdfunding portal that provides investors with the opportunity to become equity or debt holders in real estate projects across the United States.”

41. The April 2015 PPM stated that investors who want additional information should contact Sohini Shah or William Skelley and listed their phone numbers and email addresses.

42. The April 2015 PPM stated “[t]oday, the success of the Company depends on two individuals: William Skelley and Sohini Shah. . . . Further, as the co-founders of the Company, Mr. Skelley and Mr. Shah will together control virtually all decisions regarding the management and control of the Company.”

43. Under Description of the Security, the April 2015 PPM stated that the “Security Type” is “Membership Interest/LLC Units.”

44. In the “Use of Proceeds” section, the April 2015 PPM stated iFunding “plans to use the proceeds to support and expand its business operations and for other general corporate purposes. Specifically, the Company will use this investment to meet the cash flow requirements relating to enhanced sales and underwriting efforts; improve upon and innovating within its information technology practices; and boost its marketing efforts.”

45. The “Use of Proceeds” section also stated:

“1. Sales: . . . iFunding intends to drastically expand its salesforce to improve customer relations and meet the rapidly expanding volume and quality of deals that we bring to the investors on our platform.”

“2. Underwriting: Underwriting is paramount to our business. iFunding already utilizes premium third party services to verify the credibility of potential operating partners . . . [iFunding], moreover, performs extensive research on the track record of the operating partners and ensures they have delivered solid returns in that specific asset class. iFunding intends to mature its underwriting processes by hiring additional experienced underwriting

personnel and systematizing the underwriting process. We have recently hired a new underwriter and will continue to add to the team in the upcoming year.”

“3. Technology: iFunding plans to hire employees and contractors to deploy investor behavioral assessment techniques, big data analytics, machine learning and other technologies. An in-house programming team would be established to accelerate the onboarding of new features and technical collaborations with other service providers. . . .

The next steps are to convert these analytics using advanced visualization tools into information that can be used for making decisions that benefit the company.”

“4. Marketing: To fully express the iFunding brand and reinforce the Company’s perceived market leadership, several strategies will be deployed:

- (i) The company will strive to be prominently placed in the press, including business and real estate online publications or social media presence, financial TV and potentially radio, explaining the trend toward real estate crowdfunding.
- (ii) Partnerships with real estate businesses, including private equity/real estate investing institutions, investor training organizations and brokerages, will both create ‘reach’ to new audiences and reinforce the reliability of our business model.
- (iii) An ongoing presence in situations suitable to the audience – e.g., real estate industry speaking events, Google search rankings, and banner ads where the Company’s prospects read their finance and real estate news.”

46. The April 2015 PPM stated “iFunding has successfully financed over Thirty-Five (35) real estate projects listed on its website, totaling tens of millions of dollars in funds raised.”

47. Skelley and iFunding had final authority over the content of the April 2015 PPM.

48. Skelley, as CEO of iFunding, executed each investor's Subscription Agreement thereby agreeing to and accepting the Subscription Agreements on behalf of iFunding. Each Subscription Agreement stated that the offering was made pursuant to the corresponding PPM.

D. Other Equity Offerings Between October 2013 and October 2014

49. The April 2015 PPM stated that iFunding also conducted other offerings of securities:

DATE OF OFFERING	MONEY RAISED	USE OF PROCEEDS	SECURITY TYPE
Oct. 4, 2013	\$150,000	Operating Capital	Common, Non-Voting
Dec. 24, 2013	\$100,000	Operating Capital	Common, Non-Voting
July 10, 2014	\$125,000	Operating Capital	Common, Non-Voting
July 10, 2014	\$100,000	Operating Capital	Common, Non-Voting
Ending Oct. 6, 2014	\$125,000	Operating Capital	Common, Non-Voting
Oct. 20, 2014	\$80,002.50	Operating Capital	Common, Non-Voting

50. For these offerings, Skelley made verbal representations to potential investors. Skelley told the investors that their funds would be used for iFunding's operations including growing the business, developing technology, hiring people, and salaries.

51. Skelley provided at least one investor with a written business plan.

52. Skelley did not tell the investors that their funds would be used to pay for personal expenses for Skelley and Shah such as personal travel, retail store purchases, and personal meals.

E. The December 2015 Debt Offering and June 2016 Debt Offerings

53. In December 2015 and June 2016, iFunding Holdings issued to five investors promissory notes convertible to capital or common stock. Each note stated that it was a security.

54. Each of the five notes was executed by Skelley on behalf of iFunding Holdings. The December 2015 notes were issued in the principal amount of \$187,500 and a 2% rate of return with the potential for the interest to increase to 6% under certain circumstances. The June 2016 note was issued in the principal amount of \$250,000 and had a 10% rate of return.

III. Skelley and Shah Misappropriated Over \$1.17 Million of Investor Funds

55. Skelley and Shah engaged in a fraudulent scheme to misappropriate investor funds. They were supposed to use the investor funds for iFunding's business operations. Instead, Skelley and Shah used the funds to pay for personal items and services.

56. Funds received from the investors in iFunding were deposited into iFunding's bank accounts. From October 3, 2013 to May 6, 2015, the investor funds were deposited into TD Bank Account # XXX-5674, and on or about December 30, 2015 and June 23, 2016, the investor funds were deposited into TD Bank Account # XXX-6594 (collectively, "iFunding bank accounts").

57. Skelley and Shah had signature authority over iFunding's bank accounts. Skelley and Shah had debit cards linked to iFunding's bank accounts.

58. From at least October 2013 to November 30, 2016, Skelley and Shah misappropriated investor funds. Skelley and Shah used the debit cards to make numerous purchases for personal items and services. These personal items and services included rent, food, beverages, trips, entertainment, dry cleaning, massages, and withdrawals of cash. None of these purchases or cash withdrawals were for iFunding's business operations. Skelley's and Shah's purchases and cash withdrawals were far in excess of any salary or deferred compensation owed to Skelley and Shah.

59. Skelley reviewed bank statements monthly so he knew how the funds were being used.

60. iFunding's accountant advised Skelley and Shah to stop using the funds to pay for personal expenses.

61. Skelley and Shah knowingly or recklessly used investor funds to pay for their personal expenses.

62. Between October 2013 and November 2016, Skelley used at least \$1,073,746.65 of investor funds for personal items and services.

63. Between October 2013 and August 2016, Shah used at least \$103,342.27 of investor funds for personal items and services.

IV. iFunding And Skelley Misrepresented How Investor Funds Would Be Used

64. From at least October 2013 through June 2016, iFunding and Skelley made material misrepresentations in the offer or sale of securities to investors. The December 2014 PPM, January 2015 PPM, and April 2015 PPM represented to investors that their funds would be used for iFunding's business operations. Contrary to the representations in the PPMs, investor funds were used for more than iFunding's business operations. Skelley and Shah misappropriated investor funds for personal use including personal rent, travel, dry cleaning, massages, meals, and cash withdrawals. None of the amounts spent by Skelley and Shah on personal items and services were for iFunding's business operations.

65. From at least October 2013 through June 2016, in the offer or sale of securities, iFunding and Skelley omitted material facts which made the representations misleading. The PPMs do not state that since May 28, 2013, investor funds were being misappropriated by Skelley and Shah for their personal use.

66. The statements in the PPMs are directly attributable to Skelley and iFunding. Skelley was iFunding's CEO and Chairman of the Board of Directors.

67. From at least October 2013 through June 2016, in the offer or sale of securities, Skelley verbally made material misrepresentations and omitted material facts which made the representations misleading. For the offerings that did not have written PPMs and to some investors who were given PPMs, Skelley verbally represented to investors that their funds would be used for iFunding's business operations. Contrary to Skelley's representations, investor funds were used for more than iFunding's business operations. Skelley and Shah misappropriated investor funds for their personal use including personal rent, travel, dry cleaning, massages, personal meals, and cash withdrawals.

68. The misrepresentations and omissions were material because they concern the use of investor funds.

69. iFunding and Skelley, knew, or were reckless in not knowing, that the investor funds were supposed to be used for iFunding's business operations not for Skelley's and Shah's personal expenses.

V. **iFunding And Skelley Misrepresented The Success of iFunding's Crowdfunding Portal**

70. The December 2014 PPM falsely stated "iFunding has successfully financed over Twenty-Five (25) real estate projects listed on its website, totaling tens of millions of dollars in funds raised." In fact, as of December 1, 2014, iFunding had successfully financed only twenty-three real estate projects totaling \$5.1 million.

71. The April 2015 PPM falsely stated "iFunding has successfully financed over Thirty-Five (35) real estate projects listed on its website, totaling tens of millions of dollars in funds raised." In fact, as of April 16, 2015, iFunding had successfully financed only thirty-three real estate projects totaling \$8.3 million.

72. The misrepresentations were material because investors would have wanted to know that iFunding's crowdfunding portal was not as successful as iFunding and Skelley were representing it to be.

73. iFunding and Skelley, knew, or were reckless in not knowing, how many real estate projects had been successfully financed and how much money had been raised for the real estate projects.

VI. Skelley and Shah Controlled iFunding

74. Throughout iFunding's operations, Skelley was the CEO and Shah was COO. They were the only officers of iFunding.

75. Beginning in November 2014, Skelley served as Chairman of the Board of Directors of iFunding, and Shah served as a director. Throughout iFunding's operations, Skelley and Shah were the only directors.

76. Skelley and Shah controlled the management and day-to-day operations of iFunding, including iFunding's bank accounts. Skelley and Shah had signature authority over the bank accounts and had debit cards that were linked to iFunding's bank accounts.

77. Skelley and Shah held the majority of voting securities in iFunding.

78. The PPMs stated that as the co-founders of iFunding, Skelley and Shah "will together control virtually all decisions regarding the management and control of the Company."

79. Skelley signed the subscription agreements and notes for the offerings.

80. Shah controlled the crowdfunding portal used for the December 2014 Offering.

81. Skelley and Shah knew they were spending investor funds for personal items and services which uses were contrary to the representations made to investors that their funds would be used for iFunding's business operations.

FIRST CLAIM FOR RELIEF

**Violations of Section 17(a)(1) of the Securities Act
(Against Defendants Skelley and Shah)**

82. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein.

83. By engaging in the conduct described above, Defendants Skelley and Shah, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, employed devices, schemes, or artifices to defraud.

84. Defendants Skelley and Shah acted with *scienter* in that each knowingly or recklessly engaged in the fraudulent conduct described above.

85. By reason of the foregoing, Defendants Skelley and Shah violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

SECOND CLAIM FOR RELIEF

**Violations of Sections 17(a)(2) of the Securities Act
(Against Defendant Skelley)**

86. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein.

87. By engaging in the conduct described above, Defendant Skelley, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, has obtained money or property by means of any untrue statement of a material fact or any omission 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.

88. By reason of the foregoing, Defendant Skelley violated Sections 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

THIRD CLAIM FOR RELIEF

**Violations of Section 17(a)(3) of the Securities Act
(Against Defendants Skelley and Shah)**

89. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein.

90. By engaging in the conduct described above, Defendants Skelley and Shah, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

91. By reason of the foregoing, Defendants Skelley and Shah violated Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

FOURTH CLAIM FOR RELIEF

**Violations of 10(b) of the Exchange Act
and Exchange Act Rule 10b-5(a) and (c)
(Against Defendants Skelley and Shah)**

92. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein.

93. By engaging in the conduct described above, Defendants Skelley and Shah, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or by the use of the mails, or any national securities exchange, directly and indirectly: (a) used or employed devices, schemes, or artifices to defraud or (c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon

sellers and purchasers and prospective purchasers of securities.

94. Defendants Skelley and Shah acted with *scienter* in that each knowingly or recklessly engaged in the fraudulent conduct described above.

95. By reason of the foregoing, Defendants Skelley and Shah violated 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)].

FIFTH CLAIM FOR RELIEF

Violations of 10(b) of the Exchange Act and Exchange Act Rule 10b-5(b) (Against Defendant Skelley)

96. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein

97. By engaging in the conduct described above, Defendant Skelley, in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or by the use of the mails, or any national securities exchange, directly and indirectly: (b) made untrue statements of material fact or omitted 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.

98. Defendant Skelley acted with *scienter* in that he knowingly or recklessly engaged in the fraudulent conduct described above.

99. By reason of the foregoing, Defendant Skelley violated 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)].

SIXTH CLAIM FOR RELIEF

**Control Person Liability for
Violations of 10(b) of the Exchange Act
and Exchange Act Rule 10b-5
(Against Defendants Skelley and Shah)**

100. The SEC realleges and incorporates by reference paragraphs 1 through 81 as though fully set forth herein

101. By engaging in the conduct described above, iFunding in connection with the purchase or sale of securities, by the use of any means or instrumentalities of interstate commerce or by the use of the mails, or any national securities exchange, directly and indirectly: (a) used or employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted 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; or (c) engaged in acts, practices, or courses of business which operated or would have operated as a fraud or deceit upon sellers and purchasers and prospective purchasers of securities.

102. iFunding acted with *scienter* in that it knowingly or recklessly engaged in the fraudulent conduct described above.

103. As described above, iFunding violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

104. At all times relevant hereto, Defendants Skelley and Shah were controlling persons of iFunding for the purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

105. Through their positions as Chief Executive Officer, Chief Operating Officer, and directors, and by their conduct, Defendants Skelley and Shah exercised general control over the operations of iFunding.

106. Through their positions and by their conduct, Defendants Skelley and Shah possessed the power or ability to control the offerings, misappropriation, and activities upon which iFunding's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder are based, whether or not that power was exercised.

107. By reason of the foregoing, pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Defendant Skelley is jointly and severally liable with, and to the same extent as, iFunding for its violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

108. By reason of the foregoing, pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Defendant Shah is jointly and severally liable with, and to the same extent as, iFunding for its violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

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

II.

Enter an Order of Permanent Injunction restraining and enjoining Defendants Skelley and Shah 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 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].

III.

Enter an Order requiring Defendants Skelley and Shah to disgorge all of their ill-gotten

gains received as a result of the violations alleged in this Complaint including prejudgment interest.

IV.

With regard to Defendants Skelley's and Shah's violative acts, practices, and courses of business set forth herein, issue an Order imposing upon Defendants Skelley and Shah appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

V.

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.

VI.

Grant such other relief as this Court deems appropriate.

Dated: September 26, 2018

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION**

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