

JENNIFER D. REECE (Tex. Bar No. 00796242)
PRO HAC VICE APPLICATION PENDING
Attorney for Plaintiff
U.S. Securities and Exchange Commission
801 Cherry Street, Suite 1900, Unit 18
Fort Worth, Texas 76102
Email: ReeceJ@sec.gov
Phone: 817-978-6442
Fax: 817-978-4927

Local Counsel:
LYNN M. DEAN (Cali. Bar No. 205562)
U.S. Securities and Exchange Commission
444 South Flower Street, Suite 900
Los Angeles, California 90071
Email: DeanL@sec.gov
Phone: 323-965-3245
Fax: 213-443-1904

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Case No. 8:19-cv-499

Plaintiff,

COMPLAINT

vs.

**KENT R.E. WHITNEY, DAVID
LEE PARRISH, THE CHURCH
FOR THE HEALTHY SELF
A/K/A CHS TRUST, AND CHS
ASSET MANAGEMENT INC.,**

Defendants.

Plaintiff Securities and Exchange Commission (“Commission” or “SEC”) alleges:

JURISDICTION

1. The Commission brings this action pursuant to the authority conferred

1 upon it by Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)] and Section
2 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

3 2. This Court has jurisdiction over this action pursuant to Section 22(a)
4 of the Securities Act [15 U.S.C. §77v(a)] and Sections 21(d), 21(e) and 27 of the
5 Exchange Act [15 U.S.C. §§ 78u(d), (e) and 78aa].

6 3. Venue is proper in this Court pursuant to Section 22(a) of the
7 Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a) and
8 78aa]. Certain of the transactions, acts, practices, and courses of business
9 described herein occurred within the jurisdiction of the Central District of
10 California.

11 4. In connection with the transactions, acts, practices, and courses of
12 business described in this Complaint, the Defendants, directly and indirectly,
13 made use of the means or instrumentalities of interstate commerce, of the mails, or
14 of the means and instruments of transportation or communication in interstate
15 commerce.

16 **SUMMARY**

17 5. Defendants Pastor Kent R.E. Whitney and Pastor David Lee Parrish
18 are running at least a \$25 million Ponzi scheme targeting primarily the
19 Vietnamese community of Orange County, California, through their purported
20 church, The Church for the Healthy Self, a/k/a CHS Trust (“CHS”), and a related
21 entity, CHS Asset Management Inc. (“CAM”), which are both Texas corporations
22 operating out of a strip mall in Westminster, California. Using presentations,
23 radio and television advertisements, and YouTube videos, the defendants falsely
24 promise investors, among other things, at least 12% annual returns that are tax-
25 deductible, guaranteed, and insured by the FDIC and SIPC. Whitney founded The
26 Church for the Healthy Self three months after being released from federal prison
27 for defrauding investors in a scheme assisted by Parrish, a fact Defendants
28

1 concealed from potential investors.

2 6. Defendants lured investors by promising to open investor accounts on
3 their behalf “under the CHS Trust umbrella of non-profit” that would provide
4 “safe and secure growth,” offering market upside without exposing investors to
5 market declines or any loss of principal. CHS promised investor money would
6 grow tax free, and told investors that CHS would donate a portion of an investor’s
7 profits to their choice of charities. CHS explained to investors that it was able to
8 generate high returns—as high as 43% annually—with “minimal to no risk” by
9 investing their funds in the reinsurance industry. Whitney assured investors they
10 would only lose money in the event of a “nuclear war.” CHS also assured
11 investors that they would have access to their money for major purchases, such as
12 cars and vacations. CHS told investors it was not a Ponzi scheme, but is managed
13 by Wall Street investors, audited by KPMG, and is a “well-run company that
14 brings big returns” to its investors.

15 7. These assurances are false. In reality, CHS does not invest the money
16 or donate to charity. KPMG has no current or past business relationship with
17 CHS or any related entities or individuals. Investors write checks or rollover
18 retirement, investment, or college savings assets to CHS and CAM bank accounts
19 where the funds are commingled. The majority of funds deposited into the CAM
20 bank account are then transferred to CHS. The vast majority of those funds were
21 misappropriated by the Defendants, who enriched themselves and paid their
22 personal expenses and made Ponzi payments to investors—satisfying investors’
23 liquidation requests with recent deposits of new investors. There is no evidence of
24 any underlying investment vehicle as Defendants promised investors.

25 8. The scheme is ongoing, and investor funds are at risk. As recently as
26 March 6, the Defendants have withdrawn large sums of money from a known
27 bank account. In addition, CHS continues to solicit new investors in person and
28

1 online.

2 9. By committing the acts alleged in this Complaint, the Defendants
3 directly and indirectly engaged in, and unless restrained and enjoined by the Court
4 will continue to engage in, acts, transactions, practices, and courses of business
5 that violate the anti-fraud provisions of the federal securities laws, specifically
6 Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)]
7 and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15
8 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

9 10. The SEC brings this civil enforcement action seeking permanent
10 injunctions, disgorgement plus pre-judgment and post-judgment interest, and civil
11 penalties as to each Defendant, and all other equitable and ancillary relief to which
12 the Court determines the Commission is entitled.

13 **DEFENDANTS**

14 11. **The Church for the Healthy Self a/k/a CHS Trust (“CHS”)** is a
15 Texas nonprofit corporation, incorporated on September 11, 2014, whose
16 principal place of business is 3131 McKinney Ave., Suite 600, Dallas, TX 75204.
17 CHS operates primarily at 14082 Magnolia Street, Suite 206, Westminster, CA
18 92683. CHS raises investor funds through purported donations to its CHS Trust
19 investment program. Neither CHS nor any CHS securities are registered with the
20 Commission.

21 12. **CHS Asset Management Inc. (“CAM”)** is a Texas for-profit
22 corporation, incorporated on September 20, 2017. Its principal place of business
23 and the address where it primarily operates are the same as CHS. Neither CAM
24 nor any CAM securities are registered with the Commission.

25 13. **Kent R.E. Whitney** is a 37 year-old resident of Orange County,
26 California. He is a director of CHS. He holds himself out to be a “pastor” of
27 CHS, and the founder and CEO of CHS Trust.

1 high returns, but instead dissipated the investors' money without investing the
2 funds.

3 18. In September 2011, Whitney pled guilty to one count of wire fraud in
4 connection with the margin call fraud scheme. *See United States v. Whitney*, Case
5 No. 1:11-cr-108 (N.D. Ill. [Eastern Div.]). As part of his scheme, he obtained
6 more than \$600,000 from approximately 10 investors for a purported commodity
7 pool investment and for trading in futures accounts to be held jointly between
8 Whitney and the investors. He misrepresented the use of investor funds, investor
9 returns, and the investment's risk. Whitney misappropriated most of the money
10 he received, generated bogus account statements, and made Ponzi payments. On
11 December 8, 2011, Whitney was sentenced to 44 months imprisonment. Whitney
12 was released from federal custody in June 2014.

13
14 **B. Undeterred by Prison, Whitney Establishes a Church to Defraud
More Investors.**

15 19. In August 2014, Whitney became an ordained minister through an on-
16 line program. A month later, Whitney formed CHS, purportedly as a nonprofit,
17 religious organization. CHS's websites provide the facade of a "virtual church."
18 For example, they provide links to YouTube channels offering religious videos
19 and online prayer requests forms. But CHS does not hold religious services
20 typically associated with churches. The primary mission of the church appears to
21 be obtaining investor funds.

22 20. Whitney and Parrish reprised their partnership in 2018 when Parrish
23 joined CHS as a pastor, and as the director of CHS Trust.

24 21. CHS mass markets its CHS Trust investment program to the public on
25 its websites, including www.churchforthehealthyself.org, and heavily advertises
26 its program on Vietnamese radio and television stations in Orange County,
27
28

1 California. One such CHS television commercial, in Vietnamese with English
2 subtitles, states: “Hello, I would like to introduce you to an investment program
3 earning 12% interest from CHS Trust. Safe, effective, and insured by FDIC and
4 SIPC. CHS Trust investment program gives you higher interest than 401K or IRA
5 with maximum tax benefits. Register for a free seminar to learn about the 12%
6 interest rate program at CHS Trust every Wednesday at 6pm.” A screenshot from
7 the commercial is included below:

8

03-26-2018	Withdrawal ACH Kent Whitney AMEX EPAYMENT-ACH PMT M5816	\$39,595.24
	(S)	

9 **C. Misrepresentations to Investors**

10 **1. Investor A**

11 22. One prospective investor, Investor A, considered investing in CHS
12 Trust after hearing about it through an advertisement targeting the Vietnamese
13 community. Investor A had gone to CHS’s Westminster, California, office to
14 discuss investing. While there, she received documents describing the CHS Trust
15 investment program, which she sent to her financial advisor to review. The
16 offering documents CHS provided made several false or misleading claims
17 regarding the CHS Trust investment program, including:

- 18
- 19 • CHS was a tax-exempt charity under Section 501(c)(3) of the Internal Revenue Code;
 - 20 • CHS Trust would provide tax receipts to investors reflecting that their
21 investments were donations to CHS for which they received no goods or
22 services in exchange;
 - 23 • The CHS Trust investment program offered high-yield returns and
24 “maximum income tax benefits for individuals and businesses, higher
25 than 401K or IRA, and completely legal;”
 - 26 • CHS Trust investments were “FDIC insured up to \$250K plus SIPC
27 \$500K per member;”
- 28

- 1 • Investment accounts would be opened on their behalf “under the CHS
2 Trust umbrella of non-profit” that would provide “safe and secure
3 growth,” offering market upside without exposing investors to market
4 declines;
- 5 • CHS was able to generate high returns for investors, with “minimal to no
6 risk,” by investing their funds in the reinsurance industry;
- 7 • CHS would donate a portion of an investor’s profits to their choice of
8 charities;
- 9 • Investors would have access to their money for major purchases, such as
10 cars and vacations;
- 11 • CHS guaranteed that investors would receive annual returns of no less
12 than 12% and that 100% of all principal would be returned to them;
- 13 • In “A Message from the CEO,” Whitney stated that “ongoing client
14 referrals are what makes our family stronger each and every month...and
15 what helps us continue seeing the strong returns we’ve been seeing,
16 month-over-month. [] We have set up a new, cutting-edge
17 strategy/methodology on how we invest our donations into the same
18 Trust that has been bringing you **above-market returns...**so that your
19 donations grow and have even MORE of an impact to your favorite
20 charities.”

21 23. CHS also provided Investor A with a retirement account transfer
22 form. The document instructed current IRA custodians and plan administrators to
23 transfer investor funds by check, payable to CAM at the same office address as
24 CHS’s Westminster office. In this form given to prospective investors, CAM
25 represented that it would create an IRA and act as custodian over retirement
26 assets.

27 24. During a July 20, 2018 meeting at Investor A’s home attended by
28

1 several potential investors, Whitney stated that CHS Trust investments are fully
2 tax-deductible. He also promised a minimum 12% annual return. Whitney
3 claimed that CHS Trust generated the guaranteed returns through reinsurance
4 investments and options trading. Whitney said that CHS Trust investments were
5 insured and boasted that only “nuclear war” could prevent investors from
6 receiving the promised returns—the same line he had used to pitch at least one of
7 the victims of his prior investment scheme. Whitney did not disclose his criminal
8 or regulatory background during the meeting, but instead boasted of his great
9 financial success. After the meeting, the financial advisor and Investor A
10 concluded that CHS Trust was likely a Ponzi scheme and declined to invest.

11 **2. *Misrepresentations on YouTube***

12 25. In a video, published to CHS Trust’s YouTube channel on January 3,
13 2019, Parrish pitches CHS Trust investments as being tax deductible with 12%
14 guaranteed annual returns. In a series of videos, published to the YouTube
15 channel of a Vietnamese television station based in Orange County between
16 November 2018 and February 2019, Parrish makes the following
17 misrepresentations regarding CHS Trust:

- 18 • CHS Trust’s risk is “so minimal” because each investor account is
19 protected by up to \$250,000 of FDIC insurance and up to \$500,000 of
20 SIPC insurance;
- 21 • CHS Trust offers “unheard of” returns which averaged approximately
22 2.5% per month for the preceding five years;
- 23 • CHS Trust employs a “specific proprietary investment strategy” that has
24 resulted in “huge successes;”
- 25 • CHS Trust is “safer than any other investment;”
- 26 • Parrish has years of experience trading at the Chicago Board of Trade
27 and the Chicago Mercantile Exchange;

- 1 • CHS Trust had a record year in 2018, paying its investors a 36.27%
- 2 annual return which equated to approximately a 43% compounded annual
- 3 return;
- 4 • CHS Trust is not a Ponzi scheme, but is managed by Wall Street
- 5 investors, audited by KPMG, and is a “well-run company that brings big
- 6 returns” to its investors; and
- 7 • CHS Trust’s worst month, January 2015, produced a 1.5% return.

8 26. In fact, KPMG has no current or past business relationship with CHS
9 or any related entities or individuals.

10 **D. FBI Seizure of CHS Account Funds**

11 27. The Defendants misused almost all of the roughly \$25 million raised
12 from investors. For example, the CHS bank records reflect approximately \$25
13 million of deposits and \$21 million of withdrawals between January 2018 and
14 February 2019. The account balance at the end of February 2019 was
15 approximately \$4.1 million.

16 28. On March 4, 2019, the FBI sought and obtained a criminal seizure of
17 the funds in the main CHS bank account. The seizure warrant cited potential
18 violations of federal wire fraud and money laundering statutes as the predicate for
19 the seizure. *In re the Seizure of All Funds in Prestige Community Credit Union*
20 *for Member No. 95803, Account No.950, Case No. 8:19-MJ-136 (Early, M.J.).*

21 29. CHS’s bank records show that CHS’s source of “income” consisted of
22 investor funds. For example, during December 2018 and January 2019,
23 approximately \$4.4 million in investor funds was deposited into the bank account,
24 primarily in large, round number transactions. Most of the checks are from
25 individuals with Asian names.

26 30. During the same two months, CHS withdrew approximately \$4
27 million from the account and dispersed it to enrich Whitney and Parrish, pay their
28

1 personal expenses, and to make Ponzi payments to investors. During those two
2 months, CHS paid almost \$2.7 million to American Express and \$755,000 to a
3 mortgage lender. CHS spent an additional \$236,000 on credit card bills, student
4 loans bills, and rent, and at least one “commission” check for more than \$50,000.

5 31. No investment activity occurred in the account as was promised by
6 Defendants.

7 **E. Misuse of Investor Funds in CAM Account**

8 32. Between January 1 and March 8, 2019, CHS Trust investors
9 transferred approximately \$7.1 million to CAM, frequently through rollovers of
10 existing retirement accounts induced with the promise that CAM would act as the
11 custodian of a CHS Trust IRA established on their behalf. CAM sent roughly
12 \$6.3 million of that amount directly to CHS’s bank account. The balance was
13 diverted to uses inconsistent with investment activities. For example, CAM used
14 investor funds to pay title and mortgage companies, jewelers, and a home staging
15 and interior design firm.

16 **F. Ongoing Fraudulent Activity**

17 33. Despite the FBI seizure of CHS’s bank account, Defendants have
18 continued to solicit investors.

19 34. On March 6, CAM closed one of its accounts at Bank of America, and
20 withdrew approximately \$122,000 of investor funds.

21 35. On March 9, CAM withdrew \$400,000 of investor funds from a Bank
22 of America account.

23 36. The FBI seized the remaining funds in the account on March 12,
24 2019.

1 **CLAIMS FOR RELIEF**

2 **FIRST CAUSE OF ACTION**

3 **Fraud – Violations of Section 10(b)**
4 **of the Exchange Act [15 U.S.C. § 78j(b)] and**
5 **Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder**

6 37. Plaintiff repeats and incorporates by reference paragraphs 1 through
7 34 of this Complaint as if set forth *verbatim* herein.

8 38. Each Defendant, by engaging in the conduct described above, directly
9 or indirectly, with *scienter*, in connection with the purchase or sale of securities,
10 and by use of the means and instrumentalities of interstate commerce the mails, or
11 any facility of a national securities exchange, has: (a) employed a device, scheme
12 or artifice to defraud; or (b) made an untrue statement of a material fact or omitted
13 to state a material fact necessary in order to make the statements made, in the light
14 of the circumstances under which they were made, not misleading; or (c) engaged
15 in an act, practice, or course of business that has operated or will operate as a
16 fraud or deceit upon other persons.

17 39. By engaging in the conduct described above, each Defendant violated,
18 and unless restrained and enjoined will continue to violate, Section 10(b) of the
19 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5thereunder [17 C.F.R. §
20 240.10b-5].

21 **SECOND CAUSE OF ACTION**

22 **Fraud –Violations of Section 17(a)**
23 **of the Securities Act [15 U.S.C. § 77q(a)]**

24 40. Plaintiff repeats and incorporates by reference paragraphs 1 through
25 34 of this Complaint as if set forth *verbatim* herein.

26 41. Each Defendant, directly or indirectly, in the offer or sale of
27 securities, and by use of the means and instrumentalities of interstate commerce
28

1 the mails, or any facility of a national securities exchange, has: (a) employed a
2 device, scheme, or artifices to defraud; (b) obtained money or property by means
3 of untrue statements of a material fact and omitted to state a material fact
4 necessary in order to make the statements made, in light of the circumstances
5 under which they were made, not misleading; or (c) engaged in a transaction,
6 practice, or courses of business which operates or would operate as a fraud and
7 deceit upon the purchaser.

8 42. With respect to violations of Sections 17(a)(2) and (3) of the
9 Securities Act, Defendants were negligent in their actions regarding the
10 representations and omissions alleged herein. With respect to violations of
11 Section 17(a)(1) of the Securities Act, Defendants acted knowingly or with severe
12 recklessness regarding the truth.

13 43. For these reasons, Defendants each have violated and, unless
14 enjoined, will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. §
15 77q(a)].

16 **PRAYER FOR RELIEF**

17 WHEREFORE, Plaintiff respectfully requests that this Court:

- 18 (1) Enter an Order finding that Defendants committed, and unless
19 restrained will continue to commit, the violations alleged in the Complaint;
- 20 (2) Permanently enjoin Defendants from future violations of Section
21 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17
22 C.F.R. §240.10b-5] and Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];
- 23 (3) Order Defendants to disgorge all ill-gotten gains from the conduct
24 alleged herein, with prejudgment interest;
- 25 (4) Order Defendants to pay civil penalties under Section 20(d) of the
26 Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15
27 U.S.C. § 78u(d)(3)]; and

