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11 **UNITED STATES DISTRICT COURT**

12 **DISTRICT OF ARIZONA**

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 vs.

17 CONRAD A. COGGESHALL,

18 Defendant,

19 and

20 BUSINESS OWNERS TAX RELIEF, LLC,

21 Relief Defendant

Case No.:

COMPLAINT AND JURY DEMAND

22
23 Plaintiff, Securities and Exchange Commission (“the SEC”) alleges:

24 **SUMMARY**

25 1. This case arises out of a fraudulent scheme by Defendant Conrad A.
26 Coggeshall, acting as a financial advisor, to deprive several elderly investors of their
27 retirement savings. Between April, 2017 and May 2018, Coggeshall raised \$700,000
28 from four elderly investors, including three married couples.

1 2. Coggeshall told these investors that: (1) they were investing in a company
2 called “BOTR, LLC,” which was a successful mergers and acquisitions firm based in
3 New York; (2) their investments were safe and insured; and (3) they would receive
4 periodic interest payments at a high, fixed rate. However, the investors’ funds were not
5 safe, insured, or used for their stated purpose.

6 3. Instead, Coggeshall deposited the investors’ funds into brokerage and bank
7 accounts in the name of Business Owners Tax Relief, LLC (“BOTR”), an Arizona
8 company owned by Coggeshall which does not engage in mergers or acquisitions.
9 Coggeshall then used the investors’ funds to trade securities, incurring significant losses,
10 and to pay personal expenses.

11 4. Coggeshall did make some payments to his investors, which he called
12 “interest” payments from the New York acquisitions firm. However, this was a lie.

13 5. By reason of his conduct, Coggeshall violated Section 17(a) of the
14 Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Securities Exchange
15 Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder.

16 6. The SEC seeks an order permanently enjoining Coggeshall from future
17 violations of the antifraud provisions of the Securities Act and the Exchange Act, and
18 requiring him to pay disgorgement plus prejudgment interest and a significant civil
19 penalty. The SEC also seeks an order holding BOTR liable for the illegal transfers of
20 funds it received, and requiring it to return any investor funds it still holds.

21 **JURISDICTION AND VENUE**

22 7. The Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], and
24 Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and
25 78aa].

26 8. Venue is proper in this Court pursuant Section 22(a) of the Securities Act
27 [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa], because the
28

1 Defendants reside in this District and many of the acts, practices and courses of conduct
2 constituting the violations alleged in this Complaint occurred within this district.

3 **THE DEFENDANT AND RELIEF DEFENDANT**

4 9. Defendant **Conrad A. Coggeshall**, age 52, lives in Scottsdale, Arizona.
5 From June 2015 until January 2018, he was an investment adviser and registered
6 representative of a nationally-recognized broker-dealer with its headquarters in Green
7 Bay, Wisconsin. Before then, Coggeshall was an investment adviser representative and a
8 registered representative of several other firms.

9 10. Relief Defendant **Business Owners Tax Relief, LLC**, is an Arizona LLC
10 that Coggeshall formed in 2014. Coggeshall is its sole member.

11 **ALLEGATIONS OF FACT**

12 A. Coggeshall's Investors

13 11. Over a period of more than ten years, Coggeshall developed long-standing
14 relationships with several elderly investors, including married couples, who lived or had
15 relatives living in Arizona. Coggeshall typically met these investors through community
16 events and retirement planning seminars offered by one of Coggeshall's former
17 employers.

18 12. Coggeshall gained these investors' trust by, among other things, providing
19 advice about the investors' retirement planning and finances. He recommended the
20 purchase of annuities to certain of his customers who wanted a reliable revenue stream
21 during retirement. He also helped his customers invest in accounts associated with the
22 broker-dealers with whom he was affiliated.

23 13. In addition, Coggeshall recommended that several of his brokerage
24 customers invest in two private companies which were not associated with accounts at
25 registered broker-dealers. Beginning in 2011, several of Coggeshall's brokerage
26 customers made investments in those two private companies, which totaled hundreds of
27 thousands of dollars.

1 14. Those private investments later resulted in very significant losses.
2 However, each of these investors continued to trust Coggeshall and relied upon his
3 financial advice.

4 B. Coggeshall Recommended Investments in BOTR

5 15. Between April 2017 and May 2018, Coggeshall encouraged four elderly
6 investors, including married couples, to make additional investments in another private
7 company he called BOTR.

8 16. Prior to and following their initial investments, Coggeshall made one or
9 more of the following representations to each investor:

- 10 (a) BOTR was a successful mergers and acquisitions firm based in New York;
11 (b) Coggeshall had been working with BOTR for years;
12 (c) BOTR was a legitimate and trustworthy company;
13 (d) the investment was safe because investor funds would be placed in an
14 escrow account and/or were protected by insurance; and
15 (e) investors in BOTR would receive periodic payments at a fixed interest rate.

16 17. These four investors wrote a number of checks to BOTR, totaling
17 \$700,000. On some of these checks, the investors wrote that they were for investments or
18 “M&A.”

19 18. Coggeshall accepted the funds from these investors, and eventually handed
20 or mailed each of the investors at least one unsigned “Document of receipt.” The exact
21 wording of these documents differed slightly, but each Document of receipt stated:

- 22 (a) the investor’s funds were placed in “account 2169 of BOTR LLC”, a
23 “merger company trust account” on behalf of the investor; and
24 (b) the principal investment of funds was “fully insured”.

25 19. In addition, most of the Documents of receipts provided to investors stated:

- 26 (a) “The funds are not at risk to any loss due to investment”;
27 (b) the investor would receive periodic interest payments with a stated annual
28 interest rate between 11%-14%;

1 (c) "Liquidation is available upon request. Liquidation can take as long as 0 to
2 9 months depending on request date"; and

3 (d) all correspondence was to be conducted through Coggeshall.

4 20. The Documents of receipt all concluded with the typewritten name "Carrie
5 Brax," who was identified as BOTR's "Managing Director." However, there was no
6 address, telephone number or email address which investors could use to contact BOTR.

7 21. Coggeshall explained this fact to certain investors by stating that BOTR
8 was extremely busy with its M & A work, and the amounts of money it normally handled
9 were very large. Accordingly, BOTR did not wish to create account statements and
10 wanted Coggeshall to correspond on its behalf directly with the investors.

11 22. Subsequently, when the investors pressed Coggeshall for the names of
12 other contacts at BOTR, he claimed that he had a friend named "White Martindale" who
13 worked there. However, Coggeshall never provided his investors with contact
14 information for "White Martindale" or anyone at BOTR.

15 C. Coggeshall Obtained Additional Funds from an Elderly Customer

16 23. In addition to the amounts described above, Coggeshall also obtained
17 nearly \$600,000 from James Toensing, a resident of Tempe, Arizona, who was one of
18 Coggeshall's brokerage customers.

19 24. Toensing was an unmarried, childless, 86-year-old man who suffered from
20 dementia. He died in January 2019.

21 25. In June 2018, Coggeshall helped Toensing obtain a large, lump-sum cash
22 distribution from a fixed annuity owned by Toensing's Trust, for which Coggeshall was
23 the agent. Almost all of the lump-sum cash distribution ultimately was deposited into the
24 same BOTR account as the majority of the four other investors' funds.

25 26. In October 2018, Toensing purportedly gave Coggeshall a financial power
26 of attorney over his assets, executed a new will naming Coggeshall as the executor of his
27 estate and naming Coggeshall the primary beneficiary. Further, Toensing purportedly
28 executed a new Trust naming Coggeshall as the trustee and beneficiary.

1 27. These same documents also purport to forgive debts which Coggeshall and
2 others may have owed to Toensing.

3 28. At various times since Toensing's death, Coggeshall has been seen living in
4 Toensing's home and driving Toensing's car. Coggeshall also has attempted to obtain
5 the remaining value of the annuity owned by Toensing's Trust.

6 D. Coggeshall Made False Statements and Misused Investor Funds

7 29. Coggeshall did not invest any funds on behalf of the four investors, in a
8 New York-based mergers and acquisitions firm called BOTR. No such firm exists.

9 30. Instead, Coggeshall deposited all of the investor funds into brokerage and
10 bank accounts which he had opened in the name of BOTR, an Arizona company that
11 Coggeshall owns. This company has never conducted any mergers and acquisitions
12 business.

13 31. Coggeshall deposited the majority of the funds from the investors and
14 Toensing into BOTR's brokerage account and used those funds to buy and sell securities.
15 Coggeshall never told any of the BOTR investors that he would use their funds to trade
16 securities.

17 32. BOTR's brokerage account was entirely funded by the money Coggeshall
18 obtained from investors and Toensing, from the cash flows derived from those funds and
19 the securities purchased with those funds.

20 33. Coggeshall was unsuccessful at trading securities in the BOTR brokerage
21 account and incurred approximately \$945,000 in trading losses.

22 34. BOTR's bank account was funded almost exclusively by money from
23 investors, by transfers from BOTR's brokerage account, and – after Toensing's death --
24 by transfers from Toensing's Trust.

25 35. Coggeshall made a few payments to BOTR's investors, which totaled
26 \$104,223.50. These payments typically were made by cashier's check from the branch of
27 a national bank in Scottsdale, Arizona.

1 36. Coggeshall told investors that these checks were interest payments from the
2 New York mergers and acquisitions firm. However, this was not true. Some of
3 Coggeshall's payments to investors came from the accounts of BOTR, the company
4 which he owned, and some payments were made using funds Coggeshall had obtained
5 from Toensing.

6 37. Coggeshall used some of the money he obtained from investors, along with
7 money obtained from Toensing, to pay personal expenses. For example, these
8 disbursements included over \$136,000 in payments to Coggeshall himself (including cash
9 withdrawals), at least \$18,000 in debit card purchases at grocery, convenience, and drug
10 stores, and approximately \$9,000 to pay the rent for his apartment.

11 E. Coggeshall's Efforts to Conceal His Fraud

12 38. Coggeshall never disclosed to investors that he had used their funds for
13 trading and incurred significant losses, that he used any portion of their investment funds
14 for his own benefit, or that he used funds obtained from Toensing in making their
15 "interest" payments.

16 39. Coggeshall repeatedly dodged and evaded investors' requests for
17 information about all of the following: their investments, BOTR's operations, the
18 company's location and the name of its CEO, BOTR's contact information, the location
19 where investor funds were being held, the person or entity who was insuring investor
20 funds, and the details of any mergers and acquisitions by BOTR following their
21 investment.

22 40. Coggeshall never told his investors that, as of January 2018, he was no
23 longer associated with a brokerage firm.

24 41. By April 2019, when the investors' own funds, and the funds readily
25 available from Toensing, had been exhausted, Coggeshall simply stopped communicating
26 with his investors.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c)

42. The SEC realleges and incorporates by reference paragraphs 1 through 41 above.

43. As alleged above, Coggeshall engaged in a course of conduct which defrauded several elderly investors. He solicited investor funds with promises of investments in a mergers and acquisitions firm that would generate periodic payments at fixed interest rates. Instead, he used those funds to engage in unprofitable securities trading in an account under his sole control. Coggeshall also misappropriated investor funds for his own personal use. Coggeshall took steps to conceal his misappropriation, including by providing investors with Documents of receipt and making interest payments using funds from another source, to lend an appearance of legitimacy to his fraud.

44. By engaging in the conduct described above, Coggeshall, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

45. Coggeshall knew, or was reckless in not knowing, that he employed devices, schemes or artifices to defraud and engaged in acts, practices, or courses of business that operated as a fraud upon other persons by the conduct described in detail above.

46. By engaging in the conduct described above, Coggeshall violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rules 10b-5(a) and 10b-5(c) thereunder [17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c)].

SECOND CLAIM FOR RELIEF

Violations of Sections 17(a)(1) and (3) of the Securities Act

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3 47. The SEC realleges and incorporates by reference paragraphs 1 through 41
4 above.

5 48. As alleged above, Coggeshall engaged in a course of conduct which
6 defrauded several elderly investors. He solicited investor funds with promises of
7 investments in a mergers and acquisitions firm that would generate periodic payments at
8 fixed interest rates. Instead, he used those funds to engage in unprofitable securities
9 trading in an account under his sole control. Coggeshall also misappropriated investor
10 funds for his own personal use. Coggeshall took steps to conceal his misappropriation,
11 including by providing investors with Documents of receipt and making interest
12 payments using funds from another source, to lend an appearance of legitimacy to his
13 fraud.

14 49. By engaging in the conduct described above, Coggeshall directly or
15 indirectly, in the offer or sale of securities, and by the use of means or instruments of
16 transportation or communication in interstate commerce or by use of the mails, employed
17 devices, schemes, or artifices to defraud; and engaged in transactions, practices, or
18 courses of business which operated or would operate as a fraud or deceit upon the
19 purchaser.

20 50. Coggeshall knew, or was reckless or negligent in not knowing, that he
21 employed devices, schemes or artifices to defraud and engaged in acts, practices, or
22 courses of business that operated as a fraud upon other persons by the conduct described
23 in detail above.

24 51. By engaging in the conduct described above, Coggeshall violated Sections
25 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), and 77q(a)(3)].
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28

THIRD CLAIM FOR RELIEF

Fraud in the Connection with the Purchase or Sale of Securities

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

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4 52. The SEC realleges and incorporates by reference paragraphs 1 through 41
5 above.

6 53. As alleged above, Coggeshall acted with *scienter* and made multiple
7 material misstatements to induce investors to use their retirement funds to invest in a
8 mergers and acquisitions firm located in New York. However, contrary to Coggeshall's
9 representations no such firm existed and investor funds were deposited in accounts of a
10 business which Coggeshall established and controlled. Investor funds were not placed in
11 a trust or escrow account, only bank and brokerage accounts for which Coggeshall was
12 the only authorized user. There were no mergers and acquisitions funded by the
13 investors, only unprofitable securities trading by Coggeshall himself. And there was no
14 escrow or insurance policy protecting investor funds; Coggeshall lost most of the
15 investors' money trading and spent most of the remaining funds on himself. Any
16 reasonable investor would find that Coggeshall's misrepresentations and omissions about
17 the use of investor funds were material.

18 54. By engaging in the conduct described above, Coggeshall directly or
19 indirectly, in connection with the purchase or sale of a security, and by the use of means
20 or instrumentalities of interstate commerce, of the mails, or of the facilities of a national
21 securities exchange, made untrue statements of material fact or omitted to state a material
22 fact necessary in order to make the statements made, in light of the circumstances under
23 which they were made, not misleading.

24 55. Coggeshall knew, or was reckless in not knowing, that he made untrue
25 statements of material fact or omitted to state a material fact necessary in order to make
26 the statements made, in light of the circumstances under which they were made, not
27 misleading.

1 56. By engaging in the conduct described above, Coggeshall violated Section
2 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5(b) thereunder [17 C.F.R.
3 § 240.10b-5(b)].

4 **FOURTH CLAIM FOR RELIEF**

5 **Fraud in the Offer or Sale of Securities**

6 **Violations of Section 17(a)(2) of the Securities Act**

7 57. The SEC realleges and incorporates by reference paragraphs 1 through 41
8 above.

9 58. As alleged above, Coggeshall acted with scienter and made multiple
10 material misstatements to induce investors to use their retirement funds to invest in a
11 mergers and acquisitions firm located in New York. However, contrary to Coggeshall's
12 representations no such firm existed and investor funds were deposited in accounts of a
13 business which Coggeshall established and controlled. Investor funds were not placed in
14 a trust or escrow account, only bank and brokerage accounts for which Coggeshall was
15 the only authorized user. There were no mergers and acquisitions funded by the
16 investors, only unprofitable securities trading by Coggeshall himself. And there was no
17 escrow or insurance policy protecting investor funds; Coggeshall lost most of the
18 investors' money trading and spent most of the remaining funds on himself. Any
19 reasonable investor would find that Coggeshall's misrepresentations and omissions about
20 the use of investor funds were material.

21 59. By engaging in the conduct described above, Coggeshall, directly or
22 indirectly, in the offer or sale of securities, and by the use of means or instruments of
23 transportation or communication in interstate commerce or by use of the mails, obtained
24 money or property by means of untrue statements of a material fact or by omitting to state
25 a material fact necessary in order to make the statements made, in light of the
26 circumstances under which they were made, not misleading.

27 60. Coggeshall knew, or was reckless or negligent in not knowing, that he
28 obtained money or property by means of untrue statements of a material fact or by

1 omitting to state a material fact necessary in order to make the statements made, in light
2 of the circumstances under which they were made, not misleading.

3 61. By engaging in the conduct described above, Coggeshall violated Section
4 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

5 **FIFTH CLAIM FOR RELIEF**

6 **Unjust Enrichment**

7 62. The SEC realleges and incorporates by reference paragraphs 1 through 41
8 above.

9 63. Relief Defendant BOTR received improper and illegal transfers of investor
10 money from Coggeshall, even though it had no right to receive any investor funds.

11 64. By reason of the foregoing, Relief Defendant BOTR has been unjustly
12 enriched, and may be compelled to return any investor funds it still holds, and also may
13 be found liable for the transfers it received.

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15 **PRAYER FOR RELIEF**

16 WHEREFORE, the SEC respectfully requests that the Court:

17 I.

18 Issue findings of fact and conclusions of law that Defendant committed the
19 violations alleged herein.

20 II.

21 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules of
22 Civil Procedure, permanently enjoining the Defendant, and his officers, agents, servants,
23 employees and attorneys, and those persons in active concert or participation with any of
24 them, who receive actual notice of the judgment by personal service or otherwise, and
25 each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and
26 Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17
27 C.F.R. § 240.10b-5].

1 III.

2 Order Defendant and Relief Defendant to disgorge their ill-gotten gains received
3 as a result of the violations alleged in this Complaint, with prejudgment interest.

4 IV.

5 Order Defendant to pay an appropriate civil penalty under Section 20(d) of the
6 Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C.
7 § 78u(d)(3)].

8 V.

9 Retain jurisdiction of this action in accordance with the principles of equity and
10 the Federal Rules of Civil Procedure in order to implement and carry out the terms of all
11 orders and decrees that may be entered, or to entertain any suitable application or motion
12 for additional relief within the jurisdiction of this Court.

13 VI.

14 Grant such other and further relief as this Court may determine to be just and
15 necessary.

16 **JURY DEMAND**

17 Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the SEC hereby
18 requests a trial by jury.

19 Dated: November 22, 2019.

20 /s/Robert M. Moye

21 Robert M. Moye
22 Attorney for Plaintiff
23 Securities and Exchange Commission
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