

Hand-Delivered FILED ASHEVILLE, N.C.

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
ASHEVILLE DIVISION

FEB 10 2020

CIVIL NO. 1:20 cv 38

U.S. DISTRICT COURT
W. DIST. OF N.C.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MARK NICHOLAS PYATT, and
WINSTON REED INVESTMENTS L.L.C.,

Defendants, and

DANIEL GREGORY RANDOLPH,

Relief Defendant.

FILED UNDER SEAL

COMPLAINT

JURY DEMAND

Plaintiff Securities and Exchange Commission (the "SEC") files this Complaint and alleges as follows:

SUMMARY

1. The SEC brings this emergency enforcement action against Defendants Mark Nicholas Pyatt ("Pyatt") and Winston Reed Investments L.L.C. ("Winston Reed") to halt their ongoing offering fraud that has bilked over a dozen investors out of hundreds of thousands of dollars.

2. Pyatt and Winston Reed began their fraud in April 2017 by soliciting investors for a pooled fund that they claimed would trade in "'Futures' and 'Forex'," "energy related stocks," and "[g]old, NASDAQ and Oil." Instead of trading investors' funds as represented, Pyatt misappropriated the vast majority of investors' funds to buy a recreational vehicle, pay various

living expenses, and make Ponzi-like payments to other investors.

3. After receiving money from investors, Pyatt and Winston Reed concealed their fraud by providing investors with false information about their account values and purported trading gains. For example, in an email dated January 16, 2018, Pyatt and Winston Reed represented that an investor had made “240% on Your Money in Just a Matter of 3 Months . . . Not too shabby guys!” In another email dated February 11, 2018, Pyatt and Winston Reed represented that “We had a total of \$5,231 in gains with a loss margin of \$1,036 giving us a grand total of **\$4,195 PER CONTACT!!!!** This is an astounding amount of **83.9%** gain on our money in one month!!!” In reality, when Pyatt and Winston Reed did trade, they cumulatively lost money.

4. To further conceal their fraud, in February 2019, shortly before the initial investors were eligible to withdraw funds due to a purported 24 month lock-up period, the Defendants told investors that “a complete and catastrophic loss” had occurred that prevented Winston Reed from returning any funds. Pyatt falsely told investors that the cause of this “catastrophic loss” was the alleged failure of Winston Reed’s brokerage firm to implement a trading instruction properly. In truth, Pyatt could not repay investors because he had already misappropriated the majority of investors’ funds.

5. Pyatt is continuing his efforts to defraud investors, by among other things, telling them of his intention to restart his trading group using a new trading platform.

6. Defendants Pyatt and Winston Reed have engaged in, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and

Rules 10b-5 adopted thereunder [15 U.S.C. §§ 77q(a), 78j(b), and 17 C.F.R. § 240.10b-5].

Unless temporarily restrained and preliminarily and permanently enjoined, the Defendants will continue to violate the securities laws and attempt to hide and dissipate assets and monies obtained by their fraudulent conduct.

7. Winston Reed and Pyatt transferred to Relief Defendant Daniel Gregory Randolph (“Randolph”) approximately \$23,787 in investors’ funds that originated from the fraud. Randolph provided no consideration in exchange for these funds and he has no legitimate claim to the money that he received.

8. In addition to the injunctions against Pyatt and Winston Reed, the SEC seeks disgorgement of all Defendants’ and Relief Defendant’s ill-gotten gains from the unlawful activity set forth in this complaint, together with prejudgment interest, and civil penalties against Pyatt, and such other relief that the Court may deem appropriate. The SEC is also seeking an asset freeze against the Defendants and Relief Defendant until resolution of this case.

JURISDICTION AND VENUE

9. The Court has jurisdiction pursuant to Section 22(a) of the Securities Act and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 77v(a), 78u(d), 78(e) and 78aa].

10. Pyatt and Winston Reed, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, of the mails, or of the means or instruments of transportation or communication in interstate commerce, the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged in this Complaint.

11. Venue is proper in this district pursuant to Section 22(a) of the Securities Act and Section 27 of the Exchange Act [15 U.S.C. §§ 77v(a), 78aa, 80b-14(a)] and 28 U.S.C. §

1391(b)(2) because certain transactions, acts, practices and courses of business constituting violations of the Securities Act and the Exchange Act occurred in the Western District of North Carolina, including the offer and sale of securities to one or more persons located in North Carolina.

12. Defendants will, unless restrained and enjoined, continue to engage in the acts, practices, transactions, and courses of business alleged in this Complaint, or in acts, practices, transactions and courses of business of similar purport and object.

DEFENDANTS AND RELIEF DEFENDANT

13. **Winston Reed Investments L.L.C.** is a North Dakota limited liability company formed by Pyatt in or about April 2017 with its principal place of business in Williston, North Dakota.

14. **Mark Nicholas Pyatt**, age 40, is a resident of Williston, North Dakota. Between approximately June 2017 and June 2019, Pyatt lived in and around Waynesville, North Carolina. During all times material to this Complaint, Pyatt controlled Winston Reed and was listed on documents provided to investors as the vice president of and investment consultant for Winston Reed.

15. **Daniel Gregory Randolph**, age 22, is a resident of Williston, North Dakota. At all times material to this Complaint, Randolph was listed on documents provided to investors as the president and owner of Winston Reed.

FACTS

I. Background

A. Pyatt Created and Controlled Winston Reed.

16. Pyatt formed Winston Reed as a limited liability company in North Dakota on or

about April 18, 2017. He listed Randolph as the registered agent.

17. Pyatt caused a brokerage account to be opened in the name of Randolph on or about April 24, 2017, with a brokerage firm based in Omaha, Nebraska, which brokerage account is referred to as the “Brokerage Account” in this Complaint. Pyatt accessed and exercised control over transactions in the Brokerage Account

18. On or about May 26, 2017, Randolph applied for a debit card associated with the Brokerage Account.

19. Upon information and belief, Randolph gave the debit card for the Brokerage Account to Pyatt.

20. Pyatt used the debit card to withdraw funds from the Brokerage Account.

21. In May 2017, Pyatt caused a bank account to be opened in the name of Winston Reed at a bank in Williston, North Dakota, which is referred to as “Winston Reed’s bank account” in this Complaint.

22. During all times relevant to the Complaint, Randolph owned a bank account at a bank located in Avon, Indiana, which is referred to as “Randolph’s bank account” in this Complaint.

23. Upon information and belief, on or about April 24, 2017, Randolph executed a power of attorney giving Pyatt the power to make any and all necessary decisions about finances and business affairs, and granting Pyatt authority to sign Randolph’s name.

24. On or about July 23, 2018, Pyatt sent an email to an investor and attached a document answering the investor’s questions. Pyatt wrote:

As for additional information on Daniel Randolph, I can give someone what they need if they can show the need for it. Currently he [Randolph] is the President of the company only on paper, for tax purposes only. I own a life-time, non-reversible [sic] Power of Attorney (POA) over him and his namesake. SO [sic]

Even [sic] though he is listed as a part of the company, he actually has ZERO involvement in the company and little to know [sic] understanding of it.”

Pyatt stated in that same document, “Basically, I own the company, I only use his [Randolph’s] name for Tax benefits. I have the legal right to make and [sic] all decisions for the company and he has no involvement whatsoever.”

B. Pyatt and Winston Reed Offered and Sold Securities to Investors.

25. Between approximately April 2017 and February 2019, Pyatt and Winston Reed offered and sold securities in the form of investment contracts in Winston Reed.

26. Pyatt solicited prospective investors in person, in telephone conversations, and through email communications.

27. Pyatt told prospective investors that through Winston Reed, he would pool investors’ funds to trade in stocks and futures, then allocate 10% of the trading profits to Winston Reed. Pyatt told investors and potential investors that he had previously made significant money investing and day trading, and that he wanted to invest their money using a similar strategy.

28. Pyatt prepared an investment contract for Winston Reed that he sent to investors titled “Investment Agreement and Guidelines with Winston Reed Investments [sic] LLC” (“Investment Agreement”).

29. The Investment Agreement identified Randolph as the president and Pyatt as the vice president, investment consultant and “P.O.A.” (Power of Attorney) for Winston Reed.

30. Pyatt signed the Investment Agreement on behalf of Winston Reed, either using his own name or Randolph’s name.

31. The Investment Agreement directed investors to transfer funds either to the Randolph’s bank account, Winston Reed’s bank account, or the Brokerage Account.

32. Pyatt provided the Investment Agreement to investors and potential investors in Winston Reed. Among other things, Pyatt and Winston Reed represented in the Investment Agreement the following:

- “Every member will receive the same treatment as all funds are pooled into one account.”
- “[A]ll trades will be done at the discretion of Mark Pyatt & Daniel Randolph, Account Representatives/Consultant.”
- “Whatever funds you have in the pooled account will be handled on a percentage level. If you have \$5,000 as your starting amount and the whole account is a total of \$100K then your trade value will be 5% of the total trades. If the group earns \$5K in a days transactions then you would receive 5% of the total trades.”
- “The fee for the services of WRI is to be 10% of all gains. This percentage only applies to moneis [sic] gained for the investor. There are no fees if I do not make a profit for you.”

33. Investors invested money in Winston Reed. Between April 2017 and February 2019, Pyatt and Winston Reed obtained approximately \$218,000 from approximately 20 investors who invested with Winston Reed.

34. Pyatt and Winston Reed pooled investors’ money. Investors’ funds were deposited either into Randolph’s bank account or Winston Reed’s bank account and then transferred to the Brokerage Account, or delivered directly by wire transfer or ACH electronic transfer directly into the Brokerage Account.

35. In addition to a \$5,000 cash investment by one investor, Pyatt also negotiated a lease to live rent-free at a house owned by the investor for a year, which the parties agreed was worth \$15,000. Pyatt recorded the investor’s total contribution to Winston Reed on the Investment Contract as \$20,000.

36. Investors expected profits to be derived solely from the efforts of Pyatt and Winston Reed. The Investment Agreement provided that “all trades will be done at the discretion of Mark Pyatt & Daniel Randolph, Account Representatives/Consultant” and that

“[t]he fee for the services of WRI is to be 10% of all gains. This percentage only applies to moneis [sic] gained for the investor. There are no fees if I do not make a profit for you.”

C. Pyatt Used Randolph’s Name When Communicating with Certain Investors.

37. Pyatt used his own name when offering and selling investments in Winston Reed to some of the investors whom Pyatt knew through his connections in North Dakota.

38. Pyatt relocated from North Dakota to North Carolina during the summer of 2017.

39. Pyatt used the alias “Dan Randolph” when offering and selling investments in Winston Reed to investors that he met in North Carolina, Florida, and other places.

40. Pyatt used the email address winreedinvestments@gmail.com to send emails to investors along with the Investment Agreements, monthly, and six-month fiscal, reports, including to individuals who knew him as “Dan Randolph.”

D. Pyatt Misappropriated Most of the Investors’ Monies.

41. Between April 2017 and February 2019, Pyatt and Winston Reed raised at least \$218,000 from investors.

42. Pyatt and Winston Reed misappropriated the majority of investors’ money.

43. Pyatt used at least \$115,000 of investors’ funds to pay for his personal expenses, including vehicles, jewelry, groceries and cigars. Pyatt also withdrew nearly \$45,000 in cash from the Brokerage Account.

E. Pyatt and Winston Reed Lost Money Trading and Made Ponzi Payments to Investors.

44. Pyatt and Winston Reed used a portion of investors’ funds to conduct trades through the Brokerage Account. Between April 2017 and February 2019, Pyatt and Winston Reed lost approximately \$13,400 in conducting those trades.

45. Despite these losses, Pyatt and Winston Reed made monthly and six-month fiscal

reports to investors falsely claiming that their trading was profitable.

46. For example, in an email dated January 16, 2018, Pyatt and Winston Reed represented that an investor had made “240% on Your Money in Just a Matter of 3 Months . . . Not too shabby guys!” In fact, during the preceding three months, Winston Reed had incurred cumulative loses, not profits in the Brokerage Account.

47. Beginning in September 2018, Pyatt and Winston Reed made payments to certain Winston Reed investors that were purportedly draws against their investments. In fact, these payments were payments of new investors’ money to earlier investors. Pyatt and Winston Reed paid approximately \$21,000 back to certain investors.

II. Pyatt and Winston Reed Made Material Misrepresentations and Omissions in Connection with the Winston Reed Offering.

A. Defendants Made False and Misleading Statements to Induce Investors to Purchase Winston Reed Securities

48. In soliciting investors to invest in Winston Reed, Pyatt and Winston Reed made numerous material false and misleading statements and omissions regarding, among other things, Pyatt’s personal wealth, trading experience, and the nature of the investment in Winston Reed.

49. During 2017 and 2018, Pyatt told prospective investors that he was a millionaire who engaged in the successful day-trading of stocks and futures contracts.

50. These representations were false.

51. In 2017 and 2018, Pyatt was not a millionaire. In fact, Pyatt was paying his living expenses with investors’ funds by using the Brokerage Account debit card; Pyatt filed for bankruptcy in 2012, disclosing assets of \$3,988.91 and liabilities of \$84,304, and no brokerage accounts; and North Dakota filed a state tax lien against Pyatt for \$155,141 on or about October 31, 2016.

52. In the Investment Agreement provided to prospective investors and Pyatt’s

conversations with them, Pyatt and Winston Reed made false and misleading statements of material fact about Winston Reed's trading program, rates of return, and the use of investors' funds.

53. In the Investment Agreement and conversations with investors, Pyatt and Winston Reed represented, among other things:

- a) They "shall take all said funds from all members and deposit [the funds] into one of two main accounts. . . . I will then deposit these funds into the [brokerage account] and then trade . . . 'Futures' and 'Forex' in a day-trading format and will specialize in energy related stocks[,] gold, NASDAQ and oil."
- b) The "low average expected return on investments across the board is 15% per month."
- c) Trades using investors' funds shall be "done daily, Mon-Fri, at a minimum of 50 weeks per annum."
- d) There is a monthly fee for the "services of the account holder to perform stock analyst [sic] of \$300 per investor," which funds go "towards paying outside firms for their professional projections and annylitical [sic] advice of the day's market."
- e) "The fee for the services of WRI [Winston Reed] is to be 10% of all gains. This percentage only applies to moneis [sic] gained for the investor. There are no fees if I do not make a profit for you."

54. All of these statements were false and misleading.

55. Pyatt and Winston Reed did not use investor proceeds as stated and instead Pyatt misappropriated investors' funds to pay his personal expenses. They did not disclose to new investors that Pyatt had misappropriated earlier investors' funds.

56. Winston Reed and Pyatt had no basis to estimate returns at 15% per month. Winston Reed had no trading history that justified such estimated returns. Moreover, when Winston Reed and Pyatt began trading in the Brokerage Account, the actual trading results over the initial six months were not 15% per month; instead, they cumulatively lost money. However,

they never modified the representations in the Investment Agreement.

57. The Brokerage Account records show that Winston Reed and Pyatt did not conduct trades daily or at a minimum of 50 weeks per annum. Rather, the Brokerage Account statements show eight months when no trading activity occurred.

58. Winston Reed did not pay an outside firm for any professional projections and analytical advice out of funds in the Brokerage Account or the Winston Reed bank account.

59. In the fiscal reports sent to investors, Winston Reed and Pyatt reported that Winston Reed withdrew 10% of the reported gains. In fact, Winston Reed did not make the profits represented, and instead incurred cumulative losses, so there should not have been any fees charged.

60. Each of the above statements was false when made, and Pyatt and Winston Reed knew or were reckless in not knowing, and should have known, that their statements were false and misleading. Pyatt knew the representations regarding his wealth were false and misleading, because Pyatt knew he was not a millionaire.

61. Pyatt also knew the representations and omissions of material fact regarding Winston Reed's trading returns were false and misleading because he effected the trading through the Brokerage Account, received the monthly brokerage statements for the Brokerage Account, knew whether the trading produced profits or losses that established the earnings and fees reported to investors, knew no funds were paid from the Brokerage Account or Winston Reed's bank account to other trade analysts, and used the debit card to misappropriate investors' funds from the Brokerage Account to pay his personal expenses.

62. Pyatt and Winston Reed omitted to state material facts that were necessary to render their statements described above not misleading.

63. Because Pyatt controlled Winston Reed and acted as its agent, his scienter is imputed to Winston Reed.

64. The misrepresentations and omissions described above with respect to Pyatt's financial status and investment experience and the statements in the Investment Agreement and made to investors in conversations and emails were material to investors and potential investors because, among other things, a money manager's investment experience and knowledge, the track record of an entity's investment earnings, truthful representations about trading profits, losses and earnings, and accurate information about how investors' funds are to be used, invested, or paid in fees were all material to investors' decisions whether to buy or sell Winston Reed's securities.

65. As a result of these false and misleading statements and omissions of material fact described above, Winston Reed and Pyatt obtained at least \$218,000 from approximately 20 investors.

B. Pyatt and Winston Reed Provided False and Misleading Updates to Investors To Perpetuate Their Fraud.

66. Between at least October 2017 and February 2019, Pyatt and Winston Reed prepared and sent monthly reports to investors by email reporting the following material facts: purported trading profits, losses, percentage of gain or loss, and the purported value of each investor's account. Pyatt and Winston Reed also prepared and sent investors six-month fiscal reports.

67. These monthly and fiscal reports were false and misleading because Pyatt and Winston Reed misrepresented the trading activity, the amounts of gains and losses, the monthly percentage of gain or loss, and the amount of money held in each investor's account.

68. The false and misleading statements in Pyatt and Winston Reed's monthly reports

include the following:

- a. In every monthly report sent from October 2017 through February 2019, Pyatt and Winston Reed falsely reported the actual trading activity in the Brokerage Account.
- b. In at least eight months (November and December 2017 and January, February, April, June, November and December 2018), Winston Reed and Pyatt reported positive returns in the monthly reports when there was no trading activity in the Brokerage Account.
- c. Contrary to the positive returns that Pyatt and Winston Reed reported in the monthly reports, between April 2017 and September 2017, the first six months of trading, Winston Reed incurred cumulative losses of \$10,513.02 in the Brokerage Account.
- d. In November 2017, Pyatt and Winston Reed reported that Winston Reed earned 44.9% in the prior month of October 2017 when Pyatt and Winston Reed actually lost over \$2,000.
- e. In February 2018, Pyatt and Winston Reed reported for the prior month of January 2018 that “We had a total of \$5,231 in gains with a loss margin of \$1,036 giving us a grand total of \$4,195 PER CONTACT!!!! This is an astounding amount of 83.9% gain on our money in one month!!!!” These statements are false because in January 2018, there was no trading activity.
- f. In May 2018, Pyatt and Winston Reed reported a 14.3% profit for the prior month of April 2018 and stated “we still have NOT had a single month’s loss in more than 14 months as a group!!!!” In fact, Pyatt and Winston Reed had

incurred cumulative net losses of \$12,749.02 as of April 30, 2018.

- g. Contrary to the positive returns that Pyatt and Winston Reed reported in the monthly reports, between April 2017 and February 2019, Winston Reed incurred cumulative net losses totaling \$13,416.68 through their trading in the Brokerage Account.

69. All of the statements about trading activity, profits and losses, and monthly percent gain in the monthly reports that Pyatt and Winston Reed sent to investors were false. Pyatt had no basis for the claimed lofty returns – in fact, Winston Reed lost money and in certain months conducted no trading whatsoever.

70. Pyatt and Winston Reed also made materially false and misleading statements in the fiscal reports.

71. In or about January 2018, Pyatt and Winston Reed sent fiscal reports to at least eight investors for the six months from June to December 2017. In these eight fiscal reports, Winston Reed represented that it held approximately a net total of \$567,481 in investors' funds. These fiscal reports were false and misleading because as of December 31, 2017, Winston Reed held only \$7,923 in the Brokerage Account, not the \$567,481 represented to investors.

72. In one January 2018 fiscal report, Pyatt and Winston Reed represented to two investors that they had made “240% on Your Money in Just a Matter of 3 Months . . . Not too shabby guys!” In another January 2018 fiscal report sent to another investor who had invested for three months, Pyatt and Winston Reed represented that the investor “made nearly 300% on your money. . . .” In the six months from June to December 2017 Winston Reed incurred cumulative trading losses of \$8,354.60, rather than gains in the range of 240% to 300% as represented to these investors.

73. In or about July 2018, Pyatt and Winston Reed sent fiscal reports to at least ten investors for the six months from January 10, 2018, to June 10, 2018. In these ten fiscal reports, Winston Reed represented that it held approximately a total of \$2,560,029 in investors' funds after earnings were added and fees deducted. These reports were false and misleading because as of May 31, 2018, Winston Reed held approximately \$35,093 in the Brokerage Account.

74. At least four investors invested additional funds after receiving one or more false and misleading monthly statements.

75. Each of the above statements regarding the profitability of the trading were false when made, and Pyatt and Winston Reed knew or were reckless in not knowing, and should have known, that their statements were false and misleading. Pyatt knew the representations were false and misleading because he knew the true profits and losses of the trading in the Brokerage Account.

76. Because Pyatt controlled Winston Reed and acted as its agent, his scienter is imputed to Winston Reed.

77. The above misrepresentations regarding the profitability of the trading were material to investors and potential investors because, among other things, the track record of an entity's investment earnings, truthful representations about trading profits, losses and earnings, and accurate information about how investors' funds are to be used, are all material to an investor's decision whether to buy or sell Winston Reed's securities.

C. Pyatt and Winston Reed Made Numerous False and Misleading Statements to Investors to Conceal Their Fraud.

78. Beginning in February 2019, Pyatt and Winston Reed made numerous false and misleading statements and omissions intended to prevent investors from seeking to have their funds returned or otherwise taking action against Pyatt and Winston Reed.

79. Investors were required to maintain their initial investment for twenty-four months without withdrawals. Accordingly, beginning in the spring of 2019, investors would have been allowed to request withdrawal of their funds.

80. Prior to receiving these requests, Pyatt and Winston Reed sent emails to investors that contained false and misleading statements. Among other things:

- a. They told investors about a purported “complete and catastrophic loss” of all investors’ funds based on stock transactions in specific securities. Pyatt and Winston Reed asserted that they did not know how this could have happened as “we have stops in place for this exact scenario. It appears that the stops were not in place or if they were, they were somehow gone through/passed.”
- b. Pyatt wrote that “[A]ll of your funds combined is well over \$50M and I personally could have lost well over \$100M today.”
- c. Pyatt also claimed that the “loss was \$80 over our \$5K per contract which means I am liable for the \$80 over amount for every single contract in the group.”

81. These statements were false and misleading. Investors’ funds were not lost because of bad trades. Pyatt and Winston Reed never purchased or sold securities of the issuers Pyatt identified, and so incurred no losses from such activity. Rather, investors’ funds were principally lost through Pyatt’s misappropriation. Investors’ initial investments totaled approximately \$218,000, not \$50 million as represented by Pyatt and Winston Reed. Pyatt did not have \$100 million invested in Winston Reed that he was at risk of losing. There was no \$80 loss over the amount of the investors’ contracts, as Winston Reed and Pyatt did not lose the money through trading these securities but rather, principally, through misappropriation.

82. Pyatt and Winston Reed further concealed their fraud throughout the spring and summer of 2019 by making a series of false and misleading statements in emails sent to investors suggesting that Pyatt was pursuing options to recover investors' money. Each of these statements was false and misleading as there was no way to "recover" the money since he had misappropriated it. Among other things:

- a. On or about March 12, 2019, Pyatt and Winston Reed claimed to have hired a cybersecurity firm and legal team to assist Pyatt in recovering investor funds.
- b. On or about August 12, 2019, in an email to investors, Winston Reed and Pyatt claimed that "[a]s of today . . . the proper paperwork has been filed here at my county courthouse for the Civil Suit against [brokerage firm] in the suspicious handling of our pooled account and funds."

83. Each of these statements was false and misleading. Pyatt and Winston Reed did not hire the cybersecurity and legal firm; and did not file any lawsuit against brokerage firm in Williston, North Dakota where Pyatt resided at the time.

84. Each of the above statements regarding the loss of investors' funds and the efforts to recover the funds were false when made, and Pyatt and Winston Reed knew or were reckless in not knowing, and should have known, that their statements were false and misleading. Pyatt knew the representations were false and misleading because he knew the true nature of the losses, that there were no funds to recover, and that he and Winston Reed were not taking any action to recover investors' money.

85. Because Pyatt controlled Winston Reed and acted as its agent, his scienter is imputed to Winston Reed.

86. Pyatt and Winston Reed omitted to state material facts that were necessary to

render their statements regarding the loss of investor funds and the efforts to recover them not misleading.

87. The above misrepresentations regarding the loss of investors' funds and the efforts to recover them demonstrate Pyatt's and Winston Reed's scienter and that they were knowingly making false statements to hide their fraudulent conduct.

III. The Investments in Winston Reed are Securities.

88. The investments in Winston Reed are securities as defined in Section 2(a)(1) of the Securities Act of 1933 and Section 3(a)(10) of the Securities Exchange Act of 1934 [15 U.S.C. §§ 77b(a)(1) and 78c(a)(10)]. Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act define "security" to include, among other things, "investment contracts." An investment contract exists where a person invests his or her money, in a common enterprise, and is led to expect profits solely from the efforts of the promoter or a third party.

89. Investors invested money in Winston Reed. Specifically, investors were required to invest a minimum of \$5,000 to purchase an interest in Winston Reed. Winston Reed and Pyatt referred to each investor's \$5,000 investment as a "contract."

90. Investments in Winston Reed were part of a common enterprise. The Investment Agreement required investors to invest money with Winston Reed in a pooled fund from which investors were to receive a *pro rata* share of profits from day-trading of securities or future contracts.

91. Winston Reed's investors were led to expect profits solely from the trading activities of Pyatt who exercised trading discretion over the Brokerage Account.

92. The investors were not involved in making trading decisions for Winston Reed. The investors' investment of money was passive and they expected profits to be derived solely from the efforts of the Defendants through their purported investment strategies.

IV. Unless Enjoined, Pyatt and Winston Reed Will Continue to Defraud Investors.

93. Pyatt and Winston Reed continue to take actions to violate the securities laws.

94. In March 2019, Pyatt and Winston Reed sent an email to investors advising them that as soon as he recovered the funds, he would immediately put them in a new brokerage firm that agrees to the terms he sets for trading.

95. In April 2019, Pyatt, using the name Randolph, and Winston Reed sent investors an email advising them that they are rebuilding the trading program.

96. Between May and June 2019, Pyatt posted on social media that he is offering financial consulting through an entity called Finance Power Group.

97. In August 2019, Pyatt sent investors an email that he was working on a new trading platform with the goal to start trading by the end of the year.

98. In August 2019, Pyatt offered an investor in Winston Reed another investment opportunity to participate in a \$200,000 to \$500,000 loan that would pay a 20% return.

V. Relief Defendant Randolph Received Proceeds from Defendants' Fraud to Which He Has No Legitimate Claims.

99. Between April 2017 and July 2019, approximately \$10,000 was transferred to from the Brokerage Account to Randolph's bank account.

100. Between April 2017 and July 2019, Pyatt and Winston Reed transferred an additional \$13,787 from the Brokerage Account to accounts at two financial institutions where Randolph maintained accounts.

101. The approximately \$23,787 transferred to, or for the benefit of, Randolph are proceeds from the fraud alleged above.

102. Randolph had no involvement in the day-to-day affairs of Winston Reed, and provided no recognizable consideration to Winston Reed, such as goods, services, employment,

or otherwise.

103. Randolph received proceeds from Defendants' fraud for which he provided no reciprocal goods or services, and to which he has no legitimate claim. As a result, Randolph was unjustly enriched and it would be unequitable for him to retain the funds.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

Violations of Securities Act Section 17(a)(1), (2) and (3) [15 U.S.C. § 77q(a)(1), (2) and (3)] (Against Defendants Pyatt and Winston Reed)

104. Paragraphs 1 through 98 are re-alleged and incorporated herein by reference.

105. Winston Reed and Pyatt, directly or indirectly, in the offer and sale of securities, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, acting with the requisite state of mind: (a) employed a device, scheme or artifice to defraud with scienter; (b) obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

106. By reason of the foregoing, Pyatt and Winston Reed, directly or indirectly, violated, and unless restrained and enjoined, will again violate Section 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. § 77q(a) (1), (2) or (3)].

SECOND CLAIM FOR RELIEF
Fraud in the Purchase or Sale of Securities
Violations of Exchange Act Section 10(b) and Rule 10b-5
[15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5]
(Against Defendants Pyatt and Winston Reed)

107. Paragraphs 1 through 98 are re-alleged and incorporated herein by reference.

108. Pyatt and Winston Reed, directly or indirectly, acting with scienter, by use of the means or instruments of interstate commerce, or of the mails, or of a facility of a national securities exchange, in connection with the purchase or sale of a security: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon any person.

109. By reason of the foregoing, Pyatt and Winston Reed, directly or indirectly, violated, and unless restrained and enjoined, will again violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5].

THIRD CLAIM FOR RELIEF
Equitable Disgorgement
(Against Relief Defendant Randolph)

110. Paragraphs 1 through 103 are re-alleged and incorporated herein by reference.

111. Relief Defendant Randolph received and held proceeds of the fraud.

112. Relief Defendant Randolph has no legitimate claim to these illicit proceeds, having obtained the funds under circumstances in which it is not just, equitable, or conscionable for him to retain the funds, and therefore has been unjustly enriched.

113. Randolph should be required to disgorge all ill-gotten gains which inured to his benefit under the equitable doctrines of disgorgement, unjust enrichment and constructive trust.

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

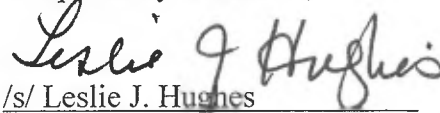
1. Find that the Defendants committed the violations alleged in this Complaint;
2. Find that Relief Defendant Randolph received ill-gotten gains as a result of Defendants' activities alleged in the Complaint and was unjustly enriched;
3. Enter an Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, preliminarily and permanently restraining and enjoining Defendants Pyatt and Winston Reed from violating the laws and rules alleged against them in this Complaint;
4. Order that each of the Defendants and the Relief Defendant disgorge all of the ill-gotten gains from the violations alleged in this Complaint, and order them to pay prejudgment interest thereon;
5. Order Defendant Pyatt to pay civil money 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)]; and
6. Grant such other relief as this Court may deem just or appropriate.

JURY DEMAND

The SEC demands a jury in this matter.

Dated: February 10, 2020.

Respectfully submitted,


/s/ Leslie J. Hughes

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