

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**SYED ARHAM ARBAB,
TOMAS JAVIER JIMENEZ,
BLAKE DOUGLAS MCKINNEY,
MUSHFIQUR RAHMAN,
JOHN RYAN SHOWS, and
WILLIAM CARL SPAGNOLI,**

Defendants.

Civil Action File No.

Jury Trial Demanded

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission
("Commission" or "SEC"), alleges the following:

OVERVIEW

1. Between at least May 2019 through early January 2021 ("the Relevant Period"), Defendants Syed Arham Arbab, Tomas Javier Jimenez, Blake Douglas McKinney, Mushfiqur Rahman, John Ryan Shows, and William Carl Spagnoli

(collectively “Defendants,” and, without Arbab, the “Non-Arbab Defendants”) perpetrated a fraudulent “free-riding” scheme, pursuant to which they deposited funds into their brokerage accounts from bank accounts that they knew lacked sufficient funds, obtained “instant deposit” credit for those deposits from their broker-dealers – which allowed them to buy and sell securities – and then withdrew or attempted to withdraw trading profits before the broker-dealers discovered the insufficient funds and froze the accounts.

2. Arbab was the architect of this scheme. In addition to engaging in his own free-riding, he also solicited dozens of individuals through group text messages and social media to engage in this fraud. While many rejected Arbab’s solicitations, others agreed to free-ride with him and thereafter either allowed him to free-ride in their accounts, or were coached by him to free-ride on their own.

3. Arbab and his fellow free-riders perpetrated their scheme primarily by exploiting the policies at two broker-dealers (hereinafter, “BD 1” and “BD 2,” respectively) that afforded instant credit to certain deposits by their customers.

4. In total, Arbab and his fellow free-riders initiated more than \$2 million in fraudulent electronic fund transfers (“EFTs”) from bank accounts into various brokerage accounts for the scheme, making profits of at least \$7,864.86 while leaving broker-dealers with losses totaling at least \$146,660.11.

5. The Non-Arbab Defendants collectively accounted for fraudulent EFTs of nearly \$1.3 million, withdrawn profits of \$3,381.54, and broker-dealer losses of \$75,124.02.

6. Arbab conducted this free-riding scheme on the heels of a fraudulent Ponzi scheme that he orchestrated between at least May 2018 and May 2019 from a fraternity house near the University of Georgia (“UGA”) campus. Arbab was sued by the Commission in late May 2019 based on this Ponzi scheme, *SEC v. Arbab, et al.*, Case No. 3:19-cv-00055-CDL (M.D. Ga., filed May 31, 2019), and was later prosecuted criminally for that misconduct and began a 60-month prison sentence in January 2021. *U.S. v. Arbab*, 3:19-cr-00051-CAR-CHW (M.D. Ga., filed Oct. 8, 2019).

VIOLATIONS

7. The Defendants have engaged in acts or practices that violated 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 the Non-Arbab Defendants have also engaged in acts or practices that aided and abetted Arbab’s violations of these provisions.

8. Unless restrained and enjoined by this Court, Defendants will continue to engage in acts and practices that violate and/or aid and abet violations of, these provisions.

JURISDICTION AND VENUE

9. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties, and for other equitable relief.

10. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

11. Defendants, directly and indirectly, made use of the mails, and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

12. Venue is proper in this Court because certain of the transactions, acts, practices, and courses of business constituting violations of the Exchange Act occurred in the Northern District of Georgia and some of the Defendants reside in this district.

THE DEFENDANTS

13. **Syed Arham Arbab**, age 25, is currently serving a 60-month federal prison term at USP Marion in Marion, Illinois, for criminal securities fraud.

During substantially all of the Relevant Period, Arbab resided in Atlanta, Georgia, where he was a graduate student at Georgia State University.

14. **Tomas Javier Jimenez** (“Jimenez”), age 24, resided in Athens, Georgia during the Relevant Period. He attended college with Arbab at UGA and now works as an engineer for a robotics automation company and resides in Dunwoody, Georgia. During the Relevant Period, he was a cook at a restaurant.

15. **Blake Douglas McKinney** (“McKinney”), age 26, resides in Plymouth, Michigan and attended high school with Arbab. During the Relevant Period, McKinney was a fitness instructor and is pursuing an undergraduate degree in bioengineering at the University of Michigan-Dearborn.

16. **Mushfiqur Rahman** (“Rahman”), age 21 and a resident of Jamaica, New York, is a cousin of Arbab’s father. Rahman is currently pursuing a degree in economics from City University of New York’s Hunter College, and has worked since 2019 as a part-time para-professional for the New York City Department of Education.

17. **John Ryan Shows** (“Shows”), age 25, was a resident of Rome, Georgia during the Relevant Period. He attended UGA with Arbab and graduated in 2019 with a degree in consumer economics. Shows now lives in Atlanta, Georgia.

18. **William Carl Spagnoli** (“Spagnoli”), age 24 and a resident of Alpharetta, Georgia, attended UGA with Arbab and graduated in May 2022 with a degree in management information systems. During the Relevant Period, Spagnoli worked for a consulting company and a biotechnology company.

THE FREE-RIDING SCHEME

A. Arbab Begins the Scheme

19. On May 29, 2019, just days before the Commission filed its Ponzi-scheme complaint against Arbab and two businesses he controlled, Arbab began the free-riding scheme by submitting an Automated Clearing House (“ACH”) transfer of \$6,200 from his personal bank account to a brokerage account in his name at a Chicago-based registered broker-dealer (hereinafter, “BD 3”).

20. The broker-dealer approved the deposit, providing Arbab instant deposit credit of \$1,000 for trading on May 29, 2019, and making the remaining \$5,200 available for trading on May 30, 2019.

21. At or about the same time on May 29, 2019, Arbab also initiated a \$6,000 wire transfer from the same bank account to the same BD 3 brokerage account.

22. Because his bank account only had roughly \$6,370 in available funds, the bank account could not fund both the \$6,200 ACH deposit and the \$6,000 wire transfer.

23. Not yet aware of the insufficient funds in Arbab's bank account, BD 3 provided Arbab instant deposit credit of \$6,200 in total, which he then used—in addition to the \$6,000 wire—over the next five days to buy and sell more than \$16,000 in put and call options of Tesla, Inc. (ticker: "TSLA"), an automotive and energy company, none of which resulted in profits for Arbab.

24. On June 3, 2019, the \$6,200 ACH transfer was reversed, leaving Arbab's brokerage account with a negative balance of \$5,981.86. BD 3 attempted to recoup the funds from Arbab, but never received payment.

25. On July 31, 2019, Arbab submitted graduate assistant paperwork to Georgia State University in Atlanta in which he listed in handwriting two personal phone numbers, including one that he later used in the free-riding scheme.

26. On August 2, 2019, Arbab electronically signed documentation for a new bank account in Atlanta in which he again listed a personal phone number that he later used as part of the free-riding scheme.

B. Arbab Entices Others to Join His Free-Riding Scheme

27. In August 2019, principally using online text messages and social media messaging, Arbab began soliciting friends and acquaintances in multiple states—many current or former students he knew from UGA—to engage with him in free-riding online using different brokers' trading platforms.

28. Arbab described the free-riding in various messages as “a way to trade without capital.”

29. To some individuals, he claimed to be providing free investment advice and offered to trade for them in their accounts without providing precise details of what he was doing.

30. To others, Arbab provided a succinct description of the scheme, which he explained allowed him to make money at the expense of broker-dealers whom he called “big corporations” for whom he had “no remorse.”

31. To this end, Arbab used a written script, which he copied and pasted into text messages, setting out a step-by-step method for free-riding. Further,

Arbab boasted about having engaged in free-riding in his own brokerage account and claimed to be using “burner” bank accounts.

32. Arbab’s written details were explicit, explaining that there was a delay between when a person initiated an online transfer of funds into a brokerage account and when a bank rejected the transfer for a lack of funds in the customer’s bank account.

33. He also explained that, during that delay period, the broker-dealer allowed customers to trade securities online based on “instant deposit” credit extended by the firms in anticipation of the funds being deposited.

34. Arbab’s communications identified two specific broker dealers (BD 1 and BD 2) who extended such “instant deposit” credit.

35. As Arbab explained in his online solicitations, the goal was to trade securities using the instant deposit credit method and withdraw profits quickly, before the deposits reversed.

36. Arbab solicited at least two dozen individuals to join him in his free-riding scheme.

37. Of these, many individuals declined Arbab’s solicitation. However, other individuals – including Jimenez, McKinney, Rahman, Shows, and Spagnoli –

agreed either to free-ride with Arbab or allow him to free-ride in their names by providing to him their brokerage account log-in credentials.

38. Arbab then texted these individuals in real-time, coaching them on how to perpetrate the scheme and what securities to buy and sell, or he logged into their brokerage accounts to free-ride on their behalf.

39. When profits were made, Arbab often asked that those profits be shared with him, as the individuals usually retained control of their associated bank accounts that were linked to their brokerage accounts.

40. In total, Arbab orchestrated free-riding with others in more than 15 different brokerage accounts at the two broker-dealers he had specifically identified as willing to extend “instant deposit” credit.

41. Arbab and his fellow free-riders initiated more than \$2 million in bogus deposits and engaged in more than \$1.5 million in securities trading using fraudulently obtained instant deposit credit.

42. When the unfunded deposits reversed, most of the accounts were swiftly frozen and closed by the broker-dealers, who were left with at least \$146,660.11 in losses.

C. Free-Riding by the Other Defendants

43. Jimenez, McKinney, Rahman, Shows and Spagnoli each knew Arbab personally from high school, college, or as a relative.

44. Their participation in the free-riding scheme included: submitting fraudulent brokerage account applications containing exaggerated net worth amounts; making bogus deposits in those brokerage accounts; emptying their personal bank accounts before deposits were initiated; free-riding in their own accounts at one or both of the broker-dealers identified by Arbab, and/or recruiting other individuals to the scheme.

Jimenez

45. Arbab has described Jimenez as a college friend from UGA.

46. On March 9, 2020, two days after Arbab had signed a settlement with the SEC in his previous Ponzi-scheme litigation, Jimenez's bank account had a positive balance of only seven cents.

47. Jimenez provided his login credentials for his brokerage account at BD 1 to Arbab, who accessed Jimenez's brokerage account online. Arbab then used instant deposit credit obtained through a \$5,000 bogus deposit from Jimenez's bank account into his brokerage account also on March 9, 2020, to engage in securities trades consisting of \$38,140 in purchases and \$39,725.97 in sells of

options contracts in: TSLA; Twitter, Inc. (ticker “TWTR”), a social media company; Tilray, Inc. (“TLRY”), a cannabis consumer goods company; and an exchange traded fund (“ETF”) called VanEck Gold Miners ETF (ticker “GDX”).

48. Jimenez knew he did not have sufficient funds in his bank account to cover the \$5,000 transfer to his brokerage account.

49. On March 11, 2020, the \$5,000 bogus deposit from Jimenez’s bank account reversed. Before the reversal occurred, however, Jimenez successfully withdrew and sent to his bank account \$1,680.22 in trading profits from his brokerage account at BD 1.

50. Jimenez used a portion of the trading profits he withdrew from his brokerage account to make a payment of \$195 to Arbab via an online money transfer platform as compensation for Arbab’s role in the free-riding.

51. Weeks after this initial free-riding, Jimenez and Arbab replicated the scheme using Jimenez’s separate brokerage account at BD 2.

52. This time, Arbab coached Jimenez to initiate a bogus deposit of \$250,000 on April 6, 2020, from Jimenez’s banking account into Jimenez’s BD 2 account.

53. Jimenez understood from Arbab that they were trying to trade on the instant deposit credit to make a profit before the \$250,000 deposit reversed.

54. Arbab provided Jimenez instructions concerning how to make the \$250,000 deposit, which was initiated despite the fact that Jimenez's bank account had a negative balance.

55. Shortly after initiating the bogus deposit, Jimenez's BD 2 account was used to purchase more than \$249,000 in shares of Direxion Daily S&P 500 Bear 3x (ticker: "SPXS"), a leveraged exchange traded fund ("ETF") that seeks a return that is -300 percent of the return of its benchmark index for a single day.

56. On April 8, 2020, the \$250,000 bogus deposit into Jimenez's BD 2 account reversed due to insufficient funds in his associated bank account.

57. BD 2 then froze Jimenez's brokerage account and sold his holdings, leaving the account with net trading losses and a balance owed of -\$11,182.54, including \$25 in unpaid fees.

58. In April 2021, Jimenez signed a contract with a debt collection agency concerning the balance he owed to BD 2, and ultimately repaid a total of \$4,473.02. Thereafter, BD 2 wrote off the remaining \$6,709.52 that was owed on Jimenez's account in July 2021.

McKinney

59. McKinney attended high school with Arbab in Michigan.

60. On March 11, 2020, four days after Arbab had signed a settlement with the SEC in his previous Ponzi-scheme litigation, McKinney received a text from Arbab containing Arbab's multi-step script on how to free-ride in a brokerage account. Arbab urged McKinney to free-ride in McKinney's brokerage account at BD 1, texting him: "[d]on't tell anyone about this [because] this is what I've been doing ... to scalp a few thousand[.]"

61. McKinney responded to Arbab, texting back: "Holy [s---] that sounds risky [a[s] f---]."

62. Arbab responded: "You don't need the money that's the thing . . . You're borrowing it all from [BD 1]."

63. Arbab instructed McKinney by text to update his BD 1 profile to reflect "high net worth." McKinney then knowingly and falsely updated his BD 1 account profile by claiming to have an annual income of \$1.2 million and a net worth of \$5 million, even though he had less than \$1,300 in his bank account.

64. McKinney understood Arbab's plans involved money that McKinney did not actually have in his bank account.

65. McKinney subsequently emptied his bank account at Arbab's instruction and initiated a \$5,000 deposit from the same bank account into his BD 1 brokerage account.

66. When the \$5,000 deposit posted the next day on March 12, 2020, McKinney's bank account that was linked to his BD 1 account had a balance of \$0, as McKinney had moved \$1,281.18 out of his bank account just before he and Arbab began free-riding.

67. Before the \$5,000 deposit reversed for insufficient funds on March 17, 2020, Arbab – using McKinney's account log-in credentials provided by text message – and McKinney – taking instructions from Arbab via text – each used McKinney's BD 1 account to submit various trades, making a total of \$17,551.16 of purchases and \$19,243.73 of sells in TSLA and TWTR call options, and McKinney was able to successfully withdraw \$1,701.32 in profits.

68. After this withdrawal, McKinney was enthusiastic about continuing to free-ride with Arbab, texting to Arbab: "Are we doing the same thing again tomorrow?" to which Arbab replied: "Yessir." McKinney then responded: "Hell yea."

69. The next day, on March 13, 2020, McKinney received an alert from BD 1 that his trading was suspended for 90 days.

70. Arbab texted McKinney, writing: "No worries, we'll just withdraw the cash and move to another brokerage" and suggested that McKinney open an account at BD 2.

71. Around this time, on March 15, 2020, at Arbab's request, McKinney individually texted a separate individual who lives in Texas to vouch for Arbab's free-riding, writing: "Hey ... It's Blake one of Syed's friends. Not gonna lie dude knows how to hustle. I'd be lying if I said I didn't make ~ \$1700 in profits in one day with his help." The individual in Texas subsequently gave Arbab control of his brokerage account for trading.

72. Three days later, on March 16, 2020, McKinney opened a new brokerage account at a BD 2. In the account application, McKinney knowingly misstated his net worth on his account application as being more than \$2 million, when his bank accounts collectively held less than \$2,000.

73. The next day, on March 17, 2020, McKinney withdrew \$1,700 from his BD 1 account, and moved those funds through one of his online bank accounts into his new account at BD 2.

74. Also on March 17, 2020, the original \$5,000 deposit that posted on March 12, 2020 into McKinney's BD 1 account from his empty bank account reversed for insufficient funds.

75. McKinney then texted Arbab the log-in credentials for his new account at BD 2. At Arbab's urging, McKinney later withdrew from the BD 2

account \$1,563.62 of the \$1,700 that he had previously deposited and, on or about March 24, 2020, sent \$800 to Arbab via online money transfers.

76. The transfers from McKinney to Arbab represented payment for Arbab advising McKinney through the free-riding process and helping McKinney free-ride in his account at BD 1.

77. On April 6, 2020, Arbab initiated a \$250,000 transfer from McKinney's bank account linked to McKinney's new brokerage account at BD 2, even though McKinney's bank account only had a balance of \$1,321.36.

78. The deposit reversed for insufficient funds on April 9, 2020, and no trading took place in the BD 2 account prior to the reversal.

79. McKinney's text messages show that Arbab sent a message to McKinney on April 6, 2020, writing: "Move all the money out of your bank I just found a . . . loophole . . . Instant deposit."

80. McKinney responded: "I just woke up so I didn't even really look at what you invested in so far but hell yea Moving money now."

81. McKinney then found he was unable to immediately move his cash out of his bank account, as he had planned to do.

82. In October 2020, BD 1 processed trade corrections in McKinney's account to reflect that the \$1,701.32 withdrawn by McKinney in March 2020 was

the result of securities trades for which McKinney never made a deposit of settled funds from his bank account.

83. The trade corrections at BD 1 left McKinney's account there with a negative balance, which McKinney on his own repaid in full as of June 2021.

Rahman

84. During the Relevant Period, Rahman, a relative of Arbab's, had two brokerage accounts, one at BD 1 and another at BD 2. Both were linked to a single bank account in Rahman's name. On August 16, 2019, Rahman's BD 1 account was also linked to a bank account in Arbab's name which Arbab had opened in Atlanta on August 2, 2019. Arbab's bank account sent \$500 to Rahman's bank account on August 16, 2019.

85. Also on August 16, 2019, a \$9,000 ACH deposit was initiated into Rahman's brokerage account at BD 1 from Rahman's bank account, even though his bank account only had a balance of \$3,078.48.

86. On August 19, 2019, a second deposit of \$10,000 was initiated from Rahman's bank account to his brokerage account at BD 1. At that time, Rahman's bank account held only \$2,578.48.

87. Before the deposits reversed on August 21, 2019, Rahman's account at BD 1 purchased \$11,703 of call options of TLRY. The trading was unprofitable,

and Rahman's account incurred net trading losses and a balance of -\$8,274.48, including \$18 in unpaid fees.

88. On February 19, 2020, Rahman submitted a letter to the sentencing judge in Arbab's criminal Ponzi scheme case, urging the judge to be lenient in Arbab's sentencing. Rahman wrote, in part, that Arbab "shouldn't have to be locked up in prison for such a long time for a mistake that cannot compare to all the ways he is able to benefit society."

89. On April 6, 2020, BD 2 received an online account application in Rahman's name, which falsely stated his liquid net worth was between \$50,000 and \$99,999, even though his principal asset was a bank account that held only \$1,866.65.

90. Later that day, after Rahman's account at BD 2 was opened, \$1,700 was transferred from Rahman's bank account to this new brokerage account. Rahman's BD 2 account later received two more ACH deposits totaling \$250,000 from Rahman's same bank account, despite the fact that his bank account then had a \$0 balance.

91. Before the \$250,000 in deposits reversed for insufficient funds on April 9, 2020, Rahman's BD 2 brokerage account, using a combination of the

\$1,700 in settled funds deposited and \$250,000 in fraudulently obtained instant deposit credit, bought a total of \$251,579.60 in shares of SPXS.

92. After learning of the reversed bank deposits, BD 2 closed Rahman's brokerage account and sold his holdings for a loss, leaving his account with a balance of -\$24,873.23.

93. Internet protocol ("IP") address data show separate individuals logging into Rahman's account at BD 2 close in time. For example, on the day of the trades in April 2020, Rahman's account at BD 2 was accessed from an IP address near Rahman's New York home and minutes later was separately accessed multiple times by another IP address in Atlanta, where Arbab was living at the time.

94. Additionally, on or around March 2020, at Arbab's request, Rahman contacted another individual and convinced that person to give control of his brokerage account to Arbab after Rahman explained the instant deposit "loop hole."

Shows

95. Arbab solicited Shows, another of Arbab's UGA friends, to free-ride in February 2020.

96. Arbab contacted Shows using Instagram messages, asking: “If you want a way to trade without having the capital, I can show you.”

97. When Shows asked for details, Arbab responded: “Do that instant deposit thing I was telling you about” Shows agreed to participate in the free-riding and, at Arbab’s request, texted his user name and password information for his account at BD 1 to Arbab.

98. Arbab then accessed Shows’ BD 1 account online on February 28, 2020, and linked it to a bank account under Arbab’s control that had been opened in the name of Spagnoli, another friend of Arbab’s from UGA.

99. In additional messages to Shows, Arbab boasted that he had “like 10 burner bank accounts” and that BD 1 was “stupid for letting people instant deposit ... It’s the easiest bank loan you can possibly get.”

100. On March 2, 2020, Arbab initiated a bogus deposit of \$5,000 into Shows’ account at BD 1 from Spagnoli’s “burner” bank account, which lacked sufficient funds to cover the deposit.

101. Arbab then logged into Shows’ BD 1 account online to trade TSLA call options, making a total of \$17,435 in buys and \$21,936.32 in sells on March 3, 2020.

102. Arbab messaged Shows, writing: “Money is cool, especially when it comes from big corporations.” Shows responded, noting that BD 1’s recent technical problems and outages on its brokerage platform likely caused losses for investors.

103. Arbab replied, writing: “Exactly. Even if we had lost the \$5000 I would have no remorse because [f---] them.”

104. Later, with Shows’ BD 1 account earning \$4,483.32 in profits from trading, Arbab proposed to Shows in a text message: “You get \$2200 I get \$2300. Cool?” Shows responded: “Yes!”

105. However, on March 4, 2020, the initial bogus \$5,000 deposit into Shows’ BD 1 account reversed due to insufficient funds in Spagnoli’s associated “burner” bank account.

106. In March 2020, Shows and Arbab tried to identify a way to deposit settled funds into Shows’ BD 1 account in order to withdraw the \$4,483.32 in free-riding profits, but abandoned their efforts when BD 1 asked Shows to prove the associated bank account—under Spagnoli’s name—actually belonged to Shows.

107. Subsequently in June 2022, BD 1 closed Shows’ account and kept the \$4,483.32.

108. On March 26, 2020, not long after free-riding at BD 1, Shows opened a new account at BD 2. Shows linked the second brokerage account to his own bank accounts and funded it with \$1,000 in settled funds.

109. On or around April 6, 2020, Shows texted Arbab the user name and password for Show's BD 2 account so that Arbab could trade in the account.

110. On April 6, 2020, Arbab initiated six bogus EFT deposits totaling \$247,000 from Shows' two bank accounts into Shows' BD 2 account and then, using instant deposit credit, bought corresponding amounts of SPXS.

111. Arbab reached out to Shows via text message using a phone number that Arbab listed in 2019 on his Georgia State University graduate assistant paperwork and on a 2019 bank account application, writing: "You're up \$1000...[BD 2] has the same thing as [BD 1]...Instant transfers...But you can use up to 250,000\$." Shows responded: "This is scary," to which Arbab wrote back: "I know right hahaa ... Don't you love the rush." Arbab later explained in more text messages to Shows that Arbab had initiated the unfunded deposits into Shows' BD 2 account.

112. Also on April 6, 2020, Arbab sent Shows a screenshot via text message of Rahman's account at BD 2, as well as screenshots of the BD 2

accounts of Jimenez, McKinney and other individuals, writing: “Move all the money out of your banks”

113. Arbab also sent Shows a screenshot of Shows’ own BD 2 account on April 6, 2020. The screenshots showed each account funded with at least \$200,000 in instant deposit credit, all of which was based on bogus deposits.

114. Later on April 6, 2020, Shows messaged Arbab, writing: “Sell it ... They just called my bank ... And the bank just called my dad ... Asking if I had 150,000 in my bank account ... They literally just called my dad while I’m in the car....”

115. Arbab counseled Shows to lie to his father, urging him: “Say you tried to initiate \$1500 withdrawal... And typed in 00 zeroes without the period.”

116. On April 8, 2020, BD 2 sold the securities in Shows’ brokerage account, and then closed the account, resulting in net trading losses and an account balance of -\$28,001.05, including \$384.69 in unpaid fees.

Spagnoli

117. Spagnoli was a college friend of Arbab.

118. He appealed to Arbab’s sentencing judge in the criminal Ponzi scheme case to be lenient on Arbab when sentencing him.

119. In his three-page letter dated February 24, 2020, Spagnoli urged the judge not to sentence Arbab to “long-term imprisonment” and added: “By no means do I condone the way he handled the situation, as he created a downward spiral into lies and fraud in an attempt of covering up the losses, but even some of the greatest men would fall to corruption if roles were switched ... Syed Arbab is not a corrupt man, but a beneficial member of society who fell to one corrupt mistake.”

120. On February 10, 2020, two weeks before Spagnoli’s letter to the sentencing judge, a \$5,000 deposit was initiated from Spagnoli’s bank account into his brokerage account at BD 1. Spagnoli’s bank account that was used for the February 10, 2020 transaction was an account at the same bank where a separate “burner” bank account under Spagnoli’s name was later used by Arbab and Shows for free-riding in Shows’ account at BD 1 on or around March 2, 2020.

121. Before the February 10, 2020 bogus deposit reversed on February 12, 2020 due to insufficient funds, Spagnoli’s BD 1 account made \$10,946 in purchases and \$8,176.26 in sells of options in TLRY, Amazon, Inc. (ticker: “AMZN”), a technology and e-commerce company, TSLA, and Apple, Inc. (ticker: “AAPL”), a consumer electronics company.

122. The trading was unprofitable, leaving Spagnoli's BD 1 account with net trading losses and an account balance of - \$2,792.72, including \$9 in unpaid fees.

123. The following month, on March 16, 2020, another \$5,000 ACH deposit was initiated from Spagnoli's bank account into his BD 1 brokerage account, but was subsequently reversed on March 18, 2020, for insufficient funds.

124. There were no securities trades in Spagnoli's BD 1 account before the second reversal.

125. Also on March 18, 2020, Spagnoli applied for a new brokerage account at BD 2 and linked his new brokerage account to a bank account in his name with a balance of -\$283.74.

126. On April 7, 2020, a \$250,000 deposit was initiated into Spagnoli's account at BD 2.

127. However, no trading took place in the BD 2 account before the deposit reversed due to insufficient funds in Spagnoli's bank account.

128. Internet protocol ("IP") address data show separate individuals logging into Spagnoli's account at BD 2 close in time. For example, on April 7, 2020, Spagnoli's account at BD 2 was accessed from an IP address near Spagnoli's

Alpharetta home and one minute later was separately accessed by another IP address in Atlanta, roughly twenty miles away, where Arbab was living at the time.

COUNT I - FRAUD

**Violations of 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 (a), (b), and (c)]**

129. Paragraphs 1 through 128 are hereby realleged and incorporated herein by reference.

130. Between at least May 2019 and January 2021, Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities; all as more particularly described above.

131. Defendants intentionally and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Arbab, Jimenez, McKinney, Rahman, Shows and Spagnoli acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

132. By reason of the foregoing, Defendants directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Sections (a), (b), and (c) of Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5(a), (b), and (c)].

COUNT II - AIDING AND ABETTING FRAUD

Aiding and Abetting Arbab's Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

Non-Arbab Defendants

133. Paragraphs 1 through 128 are hereby realleged and incorporated herein by reference.

134. Between at least May 2019 and January 2021, by the conduct described herein, Arbab violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

135. The Non-Arbab Defendants knowingly and/or recklessly provided substantial assistance to these violations by Arbab.

136. By reason of the foregoing, the Non-Arbab Defendants directly and indirectly, have aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully prays for:

I.

Findings of fact and conclusions of law, pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants committed the violations alleged;

II.

An order permanently restraining and enjoining each Defendant, their officers, agents, servants, employees, and attorneys from violating, directly or indirectly, 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.

An order enjoining each Defendant from (i) directly or indirectly, trading securities in any brokerage account he owns, controls, or has access to that does not have settled cash equal to or greater than the amount of the securities trade(s); and (ii) opening a brokerage account without first providing to the relevant brokerage firm(s)

a copy of the Commission's filed complaint in this matter and any judgment that the Commission may obtain against him in this matter;

IV.

An order directing Defendants Arbab, Jimenez, Rahman, Shows, and Spagnoli to disgorge all ill-gotten gains and pay prejudgment interest thereon;

V.

An order directing Defendants to each pay a civil penalty pursuant to Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)]; and

VI.

Grant such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

JURY TRIAL DEMAND

The Commission hereby demands a trial by jury as to all issues that may be so tried.

This 31st day of October, 2022.

Respectfully submitted,

/s/M. Graham Loomis

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