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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11
12
13 **SECURITIES AND EXCHANGE
COMMISSION,**

14 Plaintiff,

15 vs.

16 **WILLIAM M. JORDAN,**

17 Defendant.
18

Case No. 8:18-cv-00852

COMPLAINT

19
20 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

21 **JURISDICTION AND VENUE**

22 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C.
24 §§ 77t(b), 77t(d)(1), & 77v(a)], Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27(a) of
25 the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d)(1),
26 78u(d)(3)(A), 78u(e), & 78aa(a)], and Section 214 of the Investment Advisers Act
27 of 1940 (“Advisers Act”) [15 U.S.C. § 80b-14].

28 2. The defendant has, directly or indirectly, made use of the means or

1 instrumentalities of interstate commerce, or of the mails, in connection with the
2 transactions, acts, practices and courses of business alleged in this Complaint.

3 3. Venue is proper in this district pursuant to Section 22(a) of the
4 Securities Act [15 U.S.C. § 77v(a)], Section 27(a) of the Exchange Act [15 U.S.C.
5 § 78aa(a)], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14] because
6 certain of the transactions, acts, practices, and courses of conduct constituting
7 violations of the federal securities laws occurred within this district. In addition,
8 venue is proper in this district because the defendant resides in this district.

9 **SUMMARY**

10 4. Defendant William M. Jordan (“Defendant” or “Jordan”), the owner
11 and principal of two investment advisory companies that offered investments in
12 private funds (collectively referred to as the “WJA Funds”), defrauded his
13 investment advisory clients over a period of years, before putting the WJA Funds
14 into bankruptcy. Through offerings beginning in 2011 and lasting into 2016,
15 Jordan raised more than \$71 million from his advisory clients for sixteen
16 investment funds. Jordan represented that investor money would be used for
17 certain disclosed purposes; that his compensation would be limited to particular
18 amounts; and that the WJA Funds were audited and custodied by third parties. In
19 fact, Jordan, who had complete control of the WJA Funds’ finances, commingled
20 investor money; concealed the WJA Funds’ true performance; engaged in
21 pervasive, conflicted, and undisclosed inter-fund transfers; overpaid himself and
22 his entities; and concealed his prior securities disciplinary history—giving the false
23 appearance of a successful business enterprise, when in fact investor money was
24 being shared amongst the WJA Funds.

25 5. Jordan controlled the entire advisory business enterprise. He met with
26 the advisory clients and supervised the employees. In addition, he ran the
27 investment advisory companies and the private investment fund operations.
28 Finally, he made the decisions about the private investment fund investments,

1 focusing on deeds of trust securing real-estate loans (“trust deeds”) but also
2 investing in real estate, interests in private businesses and other securities.

3 6. The core of the misconduct was that Jordan improperly treated the
4 WJA Funds as one pool of money, regularly moving money among the WJA
5 Funds to meet cash flow needs. Then in 2013, Jordan created a new fund, called
6 the TD REO Fund, LLC, to manage and liquidate defaulting trust deeds held by
7 other funds. Jordan directed the TD REO Fund to issue promissory notes to other
8 funds in exchange for the defaulting trust deeds. Jordan’s business practice was to
9 exchange the trust deeds for promissory notes at face value without applying a
10 discount for collectability. This overstated the value of the promissory notes held
11 in the WJA Fund that transferred out the defaulting trust deeds and hence the
12 corresponding total investment value. Using these inflated valuations, Jordan
13 overpaid management fees and bonuses to his investment advisory firm.

14 7. During the SEC’s investigation, Jordan retained an auditor for the TD
15 REO Fund. In February 2017, the auditor withdrew before completing the audit,
16 concluding that the financial statements were not auditable.

17 8. Jordan then transferred control of his companies to a chief
18 restructuring officer (“CRO”), and in May 2017, they filed for protection under
19 Chapter 11 of the Bankruptcy Code.

20 **THE DEFENDANT**

21 9. **Defendant William M. Jordan (“Jordan”)**, a resident of San Juan
22 Capistrano, California, owned two Orange County investment advisory companies,
23 William Jordan Investments, Inc. and WJA Asset Management, LLC.

24 10. Jordan was the president of William Jordan Investments, Inc. and the
25 principal of WJA Asset Management, LLC.

26 11. From 1998 to 2010, Jordan worked as a registered representative for
27 five different registered broker-dealers.

28 12. In 2012, FINRA, the self-regulatory organization for broker-dealers,

1 disciplined Jordan by suspending him from association with any FINRA registered
2 broker-dealer and ordering him to pay disgorgement and a fine, in the matter of *In*
3 *Re William Jordan* (FINRA No. 20100224072; CRD No. 3004702).

4 13. From 2001 to 2007, Jordan also worked for a California-registered
5 investment adviser. In 2007, Jordan purchased that adviser and re-registered it,
6 ultimately changing its name to William Jordan Investments, Inc.

7 14. On August 16, 2017, the Department of Business Oversight of the
8 State of California (“DBO”) issued a consent order barring Jordan from any
9 position of employment, management, or control of any investment adviser,
10 broker-dealer, or commodity adviser, pursuant to California Corporations Code
11 Section 25232, in connection with the same conduct alleged in this Complaint, *In*
12 *the Matter of William Michael Jordan and William Jordan Investments, Inc.* (CRD
13 Nos. 3004702, 127495).

14 RELATED ENTITIES

15 15. **William Jordan Investments, Inc. (“WJ Investments”)** is a
16 California corporation formed by Jordan in or about 2007, with its principal place
17 of business in Laguna Hills, California. From 2007 through August 2017, WJ
18 Investments was a California-registered investment adviser controlled by Jordan.
19 In May 2017, it filed for protection under Chapter 11 of the Bankruptcy Code and
20 is now under the control of the CRO, *In the Matter of William Jordan Investments,*
21 *Inc.* (C. D. Cal. Case No. 8:17-bk-12019-SC).

22 16. On August 16, 2017, the DBO issued a consent order revoking its
23 investment adviser certificate pursuant to California Corporations Code
24 Section 25232, in connection with the same conduct alleged in this Complaint, *In*
25 *the Matter of William Michael Jordan and William Jordan Investments, Inc.* (CRD
26 Nos. 3004702, 127495).

27 17. **WJA Asset Management, LLC (“WJA Management”)** is a
28 California limited liability company formed by Jordan in or about 2011, with its

1 principal place of business in Laguna Hills, California. WJA Management is the
2 manager for the private investment funds formed by Jordan; those funds were WJA
3 Management's sole clients. In May 2017, it filed for protection under Chapter 11
4 of the Bankruptcy Code and is now under the control of the CRO, *In the Matter of*
5 *WJA Asset Management, LLC* (C. D. Cal. Case No. 8:17-bk-11996-SC).

6 18. **TD REO Fund, LLC** ("TD REO Fund") is a California limited
7 liability company formed by Jordan in or about 2013 as a foreclosure management
8 fund, to manage the defaulted trust deeds held in Jordan's private investment
9 funds. In May 2017, it filed for protection under Chapter 11 of the Bankruptcy
10 Code and is now under the control of the CRO, *In the Matter of TD REO Fund,*
11 *LLC* (C. D. Cal. Case No. 8:17-bk-12010-SC).

12 19. **WJA Funds** ("WJA Funds") means and includes 16 private
13 investment funds through which Jordan raised money from his advisory clients.
14 All of the WJA Funds were organized as California limited liability companies,
15 and founded by Jordan between 2010 and 2016. In addition, Jordan raised money
16 from investors in 13 other limited liability companies. In May and June 2017, 24
17 of his limited liability companies filed for bankruptcy and all are now under the
18 control of the CRO.

19 **FACTUAL ALLEGATIONS**

20 **A. Background**

21 20. Jordan was the principal of two investment advisory firms. Jordan's
22 company WJ Investments was a California-registered investment adviser to
23 individual investors. Jordan's company WJA Management was an unregistered
24 investment adviser to the WJA Funds.

25 21. Jordan grew his WJ Investments business by obtaining new advisory
26 clients from education seminars that he conducted and from client referrals. By
27 2016, he had more than 100 clients, located predominantly in Orange County,
28 California. Jordan's clients were also located elsewhere in California and in

1 several other states.

2 22. Jordan acted as an investment adviser to his advisory clients. Jordan
3 personally spoke with his advisory clients, explained prospective and actual
4 investments, and offered investment advice.

5 23. Most of Jordan's individual clients invested in the WJA Funds in
6 addition to other types of investments they had with his firm, including annuities,
7 individual trust deeds, and publicly traded securities.

8 **B. Jordan Offered and Sold Securities**

9 24. Jordan offered and sold the WJA Funds' securities to his clients using
10 private placement memoranda ("PPMs") as well as subscription agreements and
11 operating agreements (collectively, the "offering documents").

12 25. Jordan retained an attorney, to whom he provided information to draft
13 the offering documents. Before the offering documents were provided to investors,
14 Jordan reviewed them, including reviewing the PPMs, which disclosed, among
15 other information, his professional background, how investors' money would be
16 used, and how WJA Management would be compensated.

17 26. Jordan, and/or employees acting on his instructions, provided the
18 offering documents to prospective and actual investors.

19 27. The WJA Funds issued and sold two types of securities: limited
20 liability company units and promissory notes.

21 28. From 2011 through 2016, Jordan raised more than \$71 million from
22 the sale of securities by the WJA Funds to approximately 100 investors.

23 **C. Jordan Controlled the WJA Funds**

24 29. Jordan personally controlled the WJA Funds. He also controlled all of
25 the bank accounts and custodial accounts for the WJA Funds and was the sole
26 signatory on their accounts.

27 30. Jordan directed the WJA Funds' investments, which were primarily
28 trust deeds. The WJA Funds also invested in real estate, interests in private

1 businesses and other securities.

2 31. Jordan commingled the WJA Funds, operating them as one pool of
3 money, and regularly moving money between various WJA Funds to meet cash
4 flow needs. Jordan documented such transfers as loans to, or investments in, the
5 other WJA Funds.

6 32. The CRO's publicly filed October 2017 Bankruptcy Status Report
7 concluded, however, that the inter-fund transactions were pervasive, and not
8 accurately reflected in Jordan's books and records.

9 33. These money transfers allowed certain WJA Funds that were low on
10 cash to continue in operation and to distribute cash to investors in which new
11 investor money was paid to existing investors. The money transfers also
12 perpetrated the fraudulent notion that the WJA Funds were part of an enterprise
13 with significant liquidity, when, in fact, they were not.

14 34. Jordan also falsely created the impression that third parties had
15 significant responsibilities which enhanced the safety of the WJA Funds. For
16 example, many PPMs identified a certain individual as the "president" of WJA
17 Management, holding him out as an experienced real estate professional with
18 significant advisory responsibilities. This individual's responsibilities, however,
19 were limited to managing certain real-estate related assets.

20 35. Jordan also attempted to create the impression that having third party
21 custodians for the WJA Funds' accounts enhanced investors' safety.

22 36. In an email in or about April 2012 about opening custodial accounts
23 for some of the WJA Funds, Jordan said, "I'll be much happier when the assets are
24 not under my direct control because it will give me a simple answer to the 'bernard
25 madoff question' which of course every client asks."

26 37. Although Jordan did set up custodial accounts for the WJA Funds, he
27 retained complete control over the accounts.

28 38. Jordan supervised the staff that made the accounting entries for the

1 WJA Funds.

2 39. The books and records relating to the WJA Funds were incomplete,
3 contradictory, and inconsistent with the books and records of the WJA Funds'
4 custodian.

5 40. Furthermore, the PPMs for the WJA Funds required WJA
6 Management to hire an independent auditor to review or audit the financial
7 statements annually. The WJA Funds, however, did not keep financial statements
8 in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").
9 Consequently, the WJA Funds did not have financial statements that could be
10 audited or reviewed.

11 41. Through his control of the WJA Funds, Jordan directed their
12 investments, cash transfers, and payment of fees and bonuses.

13 42. Jordan also directed the transfer of investor money (through WJA
14 Management and WJI Investments) to himself and for his benefit.

15 **D. Jordan Made Material Misrepresentations and Omissions and Engaged**
16 **in a Scheme to Defraud Investors**

17 **1. *Jordan misused investor proceeds***

18 43. The offering documents for the majority of the WJA Funds contained
19 similar disclosures regarding the planned use of investor proceeds. Those PPMs
20 included very general explanations that the proceeds would be used in investments
21 related to real estate. For example, one PPM disclosed that the fund would derive
22 its profits from "the purchase of real property (single family, multi-unit,
23 commercial and/or vacant) either held directly by the fund or through joint
24 ventures with other operators or notes and partnerships related to real estate."

25 44. At least eight of the WJA Funds, however, disclosed specific
26 investment purposes:

27 a. The "CA Express Fund" PPM falsely disclosed that it would
28 only invest in businesses through joint ventures with managers with a

1 track record of success; and that it would follow a “Warren Buffet
2 Model,” which was described as businesses which can be understood, can
3 expect growth, and can generate annual returns of more than 30% to the
4 Fund.

5 b. The “CA Express Fund II” PPM falsely disclosed that it would
6 only invest in existing or startup businesses jointly owned by
7 management; and would follow the “Warren Buffet Method,” which was
8 described as businesses that sell products or services which make sense
9 and are able to be well understood by the manager, can expect growth,
10 and can generate annual returns of more than 30% to the Fund.

11 c. The “California Indexed Growth Fund” PPM falsely disclosed
12 that it would only invest in fixed income alternatives.

13 d. The “Consumer Debt Assets Fund” PPM falsely disclosed that
14 it would only purchase an interest in a single entity, Consumer Debt
15 Assets LLC, which was only available to institutional investors.

16 e. The “Equity Indexed Managed Fund” PPM falsely disclosed
17 that it would only invest in fixed income alternatives.

18 f. The “Prosper Managed Fund” PPM falsely disclosed that it
19 would only acquire consumer debt in the form of notes from a company
20 called Prosper, Inc.

21 g. The “WJA Beachfront Fund” PPM falsely disclosed that it
22 would only purchase a single family beachfront property in Capistrano.

23 h. The “WJA Express Fund” PPM falsely disclosed that it would
24 only invest in new businesses managed by experienced operators that fit
25 the “Warren Buffet” model, meaning they are straight-forward businesses
26 with products or services which can be well understood by the managing
27 member; and that it would invest solely in businesses “that present the
28 opportunity to generate cash on cash returns in excess of 30% and which

1 have the potential to be sold in a 3-5 year time frame.”

2 45. Jordan did not use investor proceeds solely as represented in the
3 PPMs for these eight funds for investments like profitable businesses, fixed income
4 alternatives, or beachfront property. Instead, Jordan treated the WJA Funds as one
5 pool of money with its main investment in trust deeds, either directly or indirectly
6 through loans/investments into other WJA Funds investing in trust deeds.

7 46. Even as to the WJA Funds with more general disclosures, Jordan did
8 not disclose that investor proceeds would be commingled amongst different WJA
9 Funds or that there would be pervasive inter-fund transfer activity.

10 47. Jordan therefore knowingly or recklessly misrepresented the use of
11 investor proceeds in the WJA Funds.

12 48. Investors would have found it important to their investment decisions
13 to know that investor proceeds were not used as disclosed and were commingled
14 amongst the WJA Funds.

15 **2. *Jordan overstated the WJA Funds' asset values***

16 49. Beginning in 2013, trust deeds held in several of the WJA Funds
17 began to default.

18 50. Jordan solved the administrative burden created by these defaults by
19 forming the TD REO Fund as a foreclosure management fund.

20 51. Jordan then transferred the defaulted trust deeds to the TD REO Fund
21 and recorded a corresponding promissory note on the originating WJA Funds'
22 balance sheets at the same face value of the defaulted trust deeds.

23 52. Jordan never wrote down the promissory notes to their fair value. The
24 overstated asset value of these promissory notes caused the WJA Funds that
25 received the promissory notes to also have overstated value.

26 53. For example, one of the WJA Funds called the TD Opportunity Fund
27 LLC lent \$4.4 million secured by a commercial property in Baytown, Texas.

28 54. In early 2015, Jordan moved the defaulted Baytown trust deed from

1 the TD Opportunity Fund to the TD REO Fund in exchange for a promissory note
2 in the amount of the trust deed.

3 55. In June 2015, Jordan received a government notice of numerous code
4 violations on the property, and in August 2015, the court ordered that the building
5 be demolished because it was in danger of falling. In February 2016, the city
6 demolished the building.

7 56. Throughout this process, Jordan knew that the land was worth about
8 \$1 million, substantially less than the \$4.4 million face value of the promissory
9 note, and had been told that if the building were to be demolished it would be
10 “most detrimental” to their security interest.

11 57. Jordan, however, continued valuing the promissory note in the TD
12 Opportunity Fund at its \$4.4 million face value.

13 58. Another issue related to TD REO Fund involved the failure to disclose
14 certain losses. As Jordan managed the defaulted trust deeds, some of the real
15 estate became owned by the TD REO Fund and was identified in the books and
16 records as “REO” properties. The profit and loss statement (“P&L”) for the TD
17 REO Fund for three years showed significant losses for sales of REO properties:

<u>Year</u>	<u>Amount of Loss</u>
2014 TD REO P&L	\$843,552
2015 TD REO P&L	\$1,007,702
2016 TD REO P&L	\$671,348
TOTAL	\$2,522,602

24
25 59. Jordan continued to offer and sell investments in the WJA Funds
26 throughout 2015 and 2016 but did not disclose the significant trust deed investment
27 losses.

28 60. Jordan’s failure to disclose the true financial condition of the

1 investments was misleading to investors because it created the impression that
2 Jordan's business enterprise was financially profitable when instead it was
3 suffering losses.

4 61. Jordan's outside auditor identified to Jordan additional losses in the
5 TD REO Fund as of December 31, 2016, but withdrew from the engagement
6 before completing the audit because the financial statements were not auditable.

7 62. Jordan knew or was reckless in not knowing that the trust deed
8 investments had significant losses and, therefore, the promissory notes received in
9 exchange by the WJA Funds from the TD REO Fund were overvalued because
10 they were not fully collectible.

11 63. Investors would have found it important to their investment decisions
12 to know that Jordan's investments had suffered undisclosed losses.

13 ***3. Jordan defrauded investors through the WJA Funds' payment of***
14 ***excessive management fees and bonuses***

15 64. The PPMs for the WJA Funds authorized a management fee for WJA
16 Management based on each WJA Fund's assets under management (sometimes
17 referred to as "AUM"). The authorized fees ranged from 1% to 2.5% of AUM,
18 depending on the WJA Fund.

19 65. Between 2013 and 2016, WJA Management received management
20 fees of more than \$3.7 million for 16 of the WJA Funds.

21 66. The PPMs for some of the WJA Funds also authorized a management
22 bonus for WJA Management based on the fund's profitability. Profitability was
23 defined as "the taxable income . . . of the company as determined under IRS Code
24 Section 703(a)." A typical disclosure provided that if the fund achieved greater
25 than a "10% investor return," then the "remaining profits" would be split between
26 investors and the manager, WJA Management.

27 67. WJA Management began receiving management bonuses in 2013.
28 Between 2013 and 2016, WJA Management was paid total bonuses of

1 approximately \$1.9 million from six of the WJA Funds, with 90% of this bonus
2 money coming from one fund.

3 68. Jordan paid his company WJA Management excessive fees and
4 improper bonuses.

5 69. First, both the management fees and bonuses were based on AUM that
6 was overstated due to the over-valued promissory notes received from the TD REO
7 Fund.

8 70. Second, Jordan annually estimated the “current value” of investments
9 and then used the difference in the value, *i.e.*, the unrealized gains, to calculate his
10 bonuses.

11 71. This was contrary to the requirement set forth in the PPMs that
12 bonuses be paid when profits had been received. Since these funds had not
13 realized profits, they should not have paid management bonuses.

14 72. Jordan used new investor money – and not profits – to make some of
15 the bonus payments. Specifically, if Jordan determined that he was entitled to a
16 bonus but the fund did not have available cash, Jordan transferred new investor
17 money from one fund to the other to pay the bonus.

18 73. The fraudulent practice of calculating bonuses on unrealized gains
19 was made worse by a computational error. In connection with the 2015 asset
20 valuation for the Real Estate Opportunity I Fund, its real estate investments were
21 overvalued by \$2.2 million, increasing one investment’s value from \$3.3 million to
22 \$5.5 million because the valuation did not include a mortgage liability. This error
23 increased the size of the bonus overpayment for this fund.

24 74. Jordan knowingly or recklessly misrepresented that the management
25 fees for WJA Management would be based on each fund’s AUM when instead he
26 repeatedly paid the fees based on AUMs that were overstated because the
27 promissory notes related to the trust deed investments in default were never written
28 down to fair value.

1 75. Jordan knowingly or recklessly misrepresented that certain of the
2 WJA Funds would pay management bonuses to WJA Management based on
3 realized profits when instead they paid improper bonuses of at least \$1.9 million
4 based on unrealized gains.

5 76. Investors would have found it important to their investment decisions
6 to know that the WJA Funds were paying excessive compensation and bonuses to
7 Jordan and his entities.

8 **4. *Jordan failed to obtain audits or reviews of the WJA Funds***

9 77. The PPMs for the WJA Funds required WJA Management to hire an
10 independent auditor to review or audit the financial statements annually.

11 78. Jordan hired an auditor in 2012 to audit one or two of the WJA Funds,
12 but then suspended the audits before completion.

13 79. Jordan knowingly or recklessly misrepresented to investors in the
14 offering documents that he would obtain an annual review or audit but never
15 obtained one for any of the WJA Funds.

16 80. Investors would have found it important to their investment decisions
17 to know that the WJA Funds were not audited by an independent auditor.

18 **5. *Jordan omitted his disciplinary history from the PPMs***

19 81. FINRA brought an action against Jordan for his conduct at one
20 registered broker-dealer, alleging that Jordan sold bonds backed by life insurance
21 policies without conducting adequate due diligence or obtaining approval from the
22 broker-dealer. Pursuant to his consent, in 2012, FINRA disciplined Jordan by
23 suspending him from association with any FINRA registered broker-dealer for
24 three months, and ordering him to pay disgorgement of \$6,300 and a fine of
25 \$15,000.

26 82. In the PPMs, Jordan extensively described his professional
27 background and securities industry experience, touting his two decades of
28 experience in assisting affluent investors.

1 83. Jordan, however, knowingly or recklessly omitted his FINRA
2 disciplinary history from the WJA Funds' PPMs, thereby making his disclosed
3 background as a securities industry professional materially misleading.

4 84. Investors would have found it important to their investment decisions
5 to know of Jordan's disciplinary history in the securities industry.

6 **6. *Jordan directed the WJA Funds to engage in conflicted inter-***
7 ***fund transfers***

8 85. The PPMs all included similar boilerplate disclosures about conflicts
9 of interest. For example, one PPM disclosed the following types of conflicts:

10 (a) the manager had other projects and determined the allocation of management
11 time; (b) investment units could only be redeemed at the discretion of
12 management; (c) Jordan's recommendations to other clients may conflict with the
13 best interests of the fund; and (d) the operating agreement contained an
14 indemnification provision.

15 86. The offering documents, however, did not disclose either the
16 (a) possibility that investor proceeds would be used to make inter-fund loans or
17 investments; or (b) material conflicts of interest created by Jordan's operation of
18 the WJA Funds as one pool of money.

19 87. Furthermore, the WJA Funds did not have independent
20 representatives such as a board of directors that could consent on behalf of the
21 WJA Funds to the loans or investments.

22 88. The inter-fund transactions involved a significant portion of the
23 investors' money. For example, seven of Jordan's investment funds contributed
24 \$34 million to each other and then returned \$22 million to each other.

25 89. Jordan directed conflicted transactions between the WJA Funds when
26 he made large inter-fund loans and investments as a regular course of business.
27 These loans between the WJA Funds presented conflicts of interest because Jordan
28 was responsible for (a) directing the funds to make the transfers, (b) determining

1 the terms of the loans, and (c) determining when and whether the borrower funds
2 repaid the loans. Moreover, because there was little documentation concerning the
3 loans, the lender funds were exposed to the risk that they would have no recourse
4 should the borrower funds default.

5 90. Jordan defrauded the WJA Funds by engaging in conflicted
6 transactions without consent of the WJA Funds.

7 91. Jordan also breached his fiduciary duty and defrauded the advisory
8 client investors of the WJA Funds by entering into the conflicted inter-fund
9 transactions without disclosing the conflicts and obtaining investor consent.

10 92. Investors would have found it important to their investment decisions
11 to know that Jordan was directing the WJA Funds to engage in conflicted inter-
12 fund transfers.

13 **E. Summary of Misrepresentations and Omissions**

14 93. Jordan obtained cash from investors by making numerous false and
15 misleading statements and omissions in the securities offerings by the WJA Funds.

16 94. Jordan misrepresented that the management fees for WJA
17 Management would be based on each fund's "assets under management" when
18 instead he repeatedly paid the fees based on AUMs that were overstated because
19 the promissory notes related to the trust deed investments in default were never
20 written down to fair value.

21 95. Jordan misrepresented that certain of the WJA Funds would pay
22 management bonuses to WJA Management based on realized profits when instead
23 they paid improper bonuses of \$1.9 million based on unrealized gains.

24 96. Jordan misrepresented to investors that he would obtain an annual
25 review or audit for the WJA Funds but never did so.

26 97. Jordan omitted his FINRA disciplinary history in the PPMs, thereby
27 making his disclosed background as a securities industry professional materially
28 misleading.

1 98. Jordan misrepresented the use of investor proceeds in the WJA Funds
2 when instead of investing investor proceeds as represented in the PPMs for
3 investments like profitable businesses, fixed income alternatives, beachfront
4 property, or notes from a third party, he invested their money in trust deeds.

5 99. Jordan offered and sold securities without disclosing his significant
6 trust deed defaults and investment losses; this omission of the true financial
7 condition of the investments created the impression that Jordan's business
8 enterprise was financially profitable when instead it was suffering losses.

9 **F. Summary of Scheme to Defraud**

10 100. While continually raising money from investors, Jordan knowingly
11 took actions in furtherance of his fraudulent scheme.

12 101. Jordan held an associate out to investors as an experienced real estate
13 professional with significant advisory responsibilities, when instead his associate's
14 responsibilities were limited to managing some of the real-estate investments.

15 102. Jordan created the impression that a third-party custodian controlled
16 the WJA Funds' accounts, when instead he had complete control over the accounts
17 and directed disbursements for fund investments, expenses, and fees and bonuses
18 to WJA Management.

19 103. Jordan directed money transfers between WJA Funds, which allowed
20 funds low on cash to distribute cash to investors.

21 104. Jordan transferred defaulted trust deeds to TD REO Fund and then
22 never wrote down the value of the related promissory notes held in the WJA
23 Funds, resulting in significantly overstated assets for the WJA Funds when the
24 loans suffered significant losses.

25 105. Jordan transferred new investor money from one fund to another to
26 pay his unearned bonuses.

27 106. Jordan directed material transactions between the WJA Funds which
28 created conflicts of interest that he never disclosed to his advisory clients.

1 107. This scheme created the impression that Jordan’s business enterprise
2 was financially very successful. This false impression was central to Jordan’s
3 scheme because many of his advisory clients made new investments with him
4 based on the perceived success of their earlier investments.

5 **FIRST CLAIM FOR RELIEF**

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

7 **Violations of Sections 17(a) of the Securities Act**

8 **(Against Defendant Jordan)**

9 108. Paragraphs 1 through 107 are realleged and incorporated by reference.

10 109. By reason of the conduct described above, Jordan, directly or
11 indirectly, in the offer or sale of securities by the use of means or instruments of
12 transportation or communication in interstate commerce, or by use of the mails:
13 (a) with scienter, employed devices, schemes or artifices to defraud; (b) obtained
14 money or property by means of untrue statements of a material fact or by omitting
15 to state a material fact necessary in order to make the statements made, in light of
16 the circumstances under which they were made, not misleading; or (c) engaged in
17 transactions, practices or courses of business which operated or would operate as a
18 fraud or deceit upon the purchaser.

19 110. Jordan engaged in material misrepresentations and a scheme to
20 defraud. Contrary to his representations to investors, he commingled investor
21 proceeds, committed pervasive, undisclosed, and conflicted inter-fund transfers,
22 concealed his disciplinary history, and used certain investors’ monies to pay other
23 investors—enabling him to give the false appearance of a profitable business
24 enterprise, when in fact his advisory business was not profitable, and ultimately
25 went into bankruptcy.

26 111. Jordan knew, or was reckless or negligent in not knowing, that he (i)
27 employed devices, schemes and artifices to defraud, (ii) obtained money or
28 property by means of untrue statements of a material fact or by omitting to state a

1 material fact necessary in order to make the statements made, in light of the
2 circumstances under which they were made, not misleading, and (iii) engaged in
3 transactions, practices or courses of conduct that operated as a fraud on the
4 investing public by the conduct described above.

5 112. By engaging in the conduct described above, Jordan violated, and
6 unless restrained and enjoined, will continue to violate, Section 17(a) of the
7 Securities Act [15 U.S.C. § 77q(a)].

8 **SECOND CLAIM FOR RELIEF**

9 **Fraud in Connection with the Purchase or Sale of Securities**
10 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**
11 **(Against Defendant Jordan)**

12 113. Paragraphs 1 through 107 are realleged and incorporated by reference.

13 114. By reason of the conduct described above, Jordan, directly or
14 indirectly, in connection with the purchase or sale of a security, by the use of
15 means or instrumentalities of interstate commerce or of the mails: (a) employed
16 devices, schemes, or artifices to defraud; (b) made untrue statements of a material
17 fact or omitted to state a material fact necessary in order to make the statements
18 made, in the light of the circumstances under which they were made, not
19 misleading; or (c) engaged in acts, practices, or courses of business which operated
20 or would operate as a fraud or deceit upon other persons.

21 115. Jordan engaged in material misrepresentations and a scheme to
22 defraud. Contrary to his representations to investors, he commingled investor
23 proceeds, committed pervasive, undisclosed, and conflicted inter-fund transfers,
24 concealed his disciplinary history, and used certain investors' monies to pay other
25 investors—enabling him to give the false appearance of a profitable business
26 enterprise, when in fact his advisory business was not profitable, and ultimately
27 went into bankruptcy.

28 116. Jordan knew, or was reckless in not knowing, that he (i) employed

1 devices, schemes and artifices to defraud, (ii) made untrue statements of a material
2 fact or omitted to state a material fact necessary in order to make the statements
3 made, in the light of the circumstances under which they were made, not
4 misleading, and (iii) engaged in transactions, practices or courses of conduct that
5 operated as a fraud on the investing public by the conduct described in detail
6 above.

7 117. By engaging in the conduct described above, Jordan violated, and
8 unless restrained and enjoined, will continue to violate, Section 10(b) of the
9 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.
10 § 240.10b-5].

11 **THIRD CLAIM FOR RELIEF**

12 **Fraud by Investment Adviser**

13 **Violations of Sections 206(1) and 206(2) of the Advisers Act**

14 **(Against Defendant Jordan)**

15 118. Paragraphs 1 through 107 are realleged and incorporated by reference.

16 119. From at least 2013 through 2016, Jordan, directly or indirectly, by the
17 use of the means and instruments of transportation or communication in interstate
18 commerce, and of the mails, employed devices, schemes and artifices to defraud
19 investors, and engaged in transactions, practices and courses of business which
20 operated as a fraud and deceit upon these investors.

21 120. Jordan, acting as an investment adviser, breached his fiduciary duty to
22 the WJA Funds and to his advisory clients. Jordan engaged in material
23 misrepresentations and a scheme to defraud. Contrary to his representations to
24 investors, he commingled investor proceeds, committed pervasive, undisclosed,
25 and conflicted inter-fund transfers, concealed his disciplinary history, and used
26 certain investors' monies to pay other investors—enabling him to give the false
27 appearance of a profitable business enterprise, when in fact his advisory business
28 was not profitable, and ultimately went into bankruptcy.

1 121. By engaging in the conduct described above, Jordan violated, and
2 unless restrained and enjoined, will continue to violate, Sections 206(1) and 206(2)
3 of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)].

4 **PRAYER FOR RELIEF**

5 WHEREFORE, the SEC respectfully requests that the Court:

6 **I.**

7 Issue findings of fact and conclusions of law that Defendant Jordan
8 committed the alleged violations.

9 **II.**

10 Issue a judgment, in a form consistent with Rule 65(d) of the Federal Rules
11 of Civil Procedure, permanently enjoining Defendant Jordan, and his agents,
12 servants, employees and attorneys, and those persons in active concert or
13 participation with any of them, who receive actual notice of the judgment by
14 personal service or otherwise, and each of them, from violating Section 17(a) of
15 the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act and
16 Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5], and
17 Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)].

18 **III.**

19 Order Defendant Jordan to disgorge all ill-gotten gains from his illegal
20 conduct, together with prejudgment interest thereon.

21 **IV.**

22 Order Defendant Jordan to pay civil penalties pursuant to Section 20(d) of
23 the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15
24 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

25 **V.**

26 Retain jurisdiction of this action in accordance with the principles of equity
27 and the Federal Rules of Civil Procedure in order to implement and carry out the
28 terms of all orders and decrees that may be entered, or to entertain any suitable

1 application or motion for additional relief within the jurisdiction of this Court.

2 **VI.**

3 Grant such other and further relief as the Court may determine to be just and
4 appropriate.

5 Dated: May 15, 2018

/s/ Amy Jane Longo
6 AMY JANE LONGO
7 JANET RICH WEISSMAN
8 Attorneys for Plaintiff
9 Securities and Exchange Commission
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