

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Avenir Financial Group (CRD No. 148490),

Michael Todd Clements (CRD No.
1702071),

and

Karim Ahmed Ibrahim a.k.a. Chris Allen
(CRD No. 5983439),

Respondents.

DISCIPLINARY PROCEEDING
No. 2015044960501

Hearing Officer:

EXPEDITED COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period October 2013 through the present (the “Relevant Period”), Avenir Financial Group (“Avenir ” or the “Firm”), its founder, Chief Executive Officer (“CEO”) and Chief Compliance Officer (“CCO”) Michael Clements, and Avenir representative Karim Ibrahim, committed fraud in the sale of equity or promissory notes of the Firm or its branch offices, and Clements aided and abetted fraud. Most of the sales were to elderly customers of the Firm, and the Respondents’ capital raising practices are continuing.

2. Over a seven-week period in October to December 2013, Avenir raised \$338,000 from four investors in separate self-offerings. The price Avenir charged for the equity inexplicably

increased 19-fold in less than a month from the first offering, when a one percent share cost \$2,600, to the third offering, when a one percent share of the Firm cost \$50,000. At the time of Avenir's initial two self-offerings, the Firm was suspended from operating a securities business due to insufficient regulatory net capital, and during the third offering faced a \$196,000 margin call that would have soon shuttered the Firm again if the third investor had not infused capital.

3. Respondent Avenir, through Clements and Ibrahim, committed or aided and abetted fraud in connection with the third offering in early November 2013. At Clements' direction, Ibrahim solicited Firm customers, including a then 92-year-old customer who invested \$250,000 for a five percent equity interest. Clements set the price and drafted the Purchase Agreement — the only document provided to the investor — without disclosing to Ibrahim the recent capital raises at a fraction of the price. For his part, Ibrahim was aware that the Firm faced a dire regulatory capital situation because his unfunded margin trading on behalf of another customer led to the margin call. At Clements' direction, Ibrahim falsely represented that funds would be used for day-to-day operations of the Firm, rather than to satisfy a margin call, and Ibrahim further failed to disclose the Firm's financial difficulties. As a result of the material omissions in the Purchase Agreement and Ibrahim's misrepresentations and omissions, the investor was misled regarding two material facts: (a) He overpaid for his shares compared to recent investors; and (b) the Firm was facing a financial crisis that required the majority of his investment to be used to fill the looming deficit resulting from the Firm's margin call.

4. As a result, Avenir, Clements and Ibrahim willfully violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5(b) thereunder, and FINRA Rules 2020 and 2010, and Clements aided and abetted Ibrahim's fraud by instructing Ibrahim

regarding the price and how he should characterize the offering, in violation of FINRA Rule 2010.

5. Additionally, beginning in April 2014 and continuing through the present, with Clements' knowledge and approval, Avenir Registered Representative CR has raised \$173,800 from sales of promissory notes and equity interests in Bull Run Capital Holdings, LLC ("BRCH"), a holding company CR created to own an Avenir branch office. CR represented, either orally or in writing, that invested funds would be used for general operating expenses or growing BRCH, but intended to, and did, treat the proceeds as his own and freely used them to pay personal expenses unrelated to operations of BRCH. As a result, Avenir, through CR,¹ willfully violated Section 10(b) of Exchange Act, Rule 10b-5(b) thereunder, and FINRA Rules 2020, 2150 and 2010.

6. Clements aided and abetted CR's fraud by advising CR that personal use of investor funds was acceptable notwithstanding the lack of disclosures to that effect, in violation of FINRA Rules 2020 and 2010.

RESPONDENTS AND JURISDICTION

7. **Avenir Financial Group**, CRD No. 148490, has been a FINRA member firm since March 2012. Since its inception, Avenir has engaged in a general securities business and maintained its principal place of business in New York. During the Relevant Period, the Firm had between seven and eight branch offices and employed approximately 17 to 24 registered persons. Avenir is, and at all times relevant to the Complaint was, a member of FINRA and remains subject to the jurisdiction of FINRA under Article IV, Section 1 of FINRA's By-Laws.

8. **Michael Todd Clements**, CRD No. 1702071, is one of two principals of Avenir and has served as the Firm's CEO and CCO since its inception. He currently owns

¹ CR has submitted, and FINRA has accepted, an Acceptance, Waiver and Consent to FINRA with respect to the BRCH fraud and improper use charges alleged herein.

approximately 38 percent of Avenir. Clements first became registered with a FINRA member firm as a General Securities Representative in February 1988. Clements was registered with 17 FINRA member firms before founding Avenir in March 2012, and is also currently registered with another firm. He is registered with Avenir as an Equity Trader, General Securities Principal, General Securities Representative, General Securities Sales Supervisor, Investment Banking Representative, Municipal Securities Representative, Operations Professional and Research Principal. Clements is, and at all times relevant to the Complaint was, associated with a member of FINRA and remains subject to the jurisdiction of FINRA under Article V, Section 2 of FINRA's By-Laws.

9. **Karim Ahmed Ibrahim**, a.k.a. Chris Allen, CRD No. 5983439, became associated with Avenir as a General Securities Representative on April 4, 2013. Ibrahim was previously registered with one FINRA member firm, as a General Securities Representative, which he joined in September 2011. Ibrahim is, and at all times relevant to the Complaint was, associated with a member of FINRA and remains subject to the jurisdiction of FINRA under Article V, Section 2 of FINRA's By-Laws.

FACTS

I. Avenir Began a Series of Private Offerings Shortly After it Became a FINRA Registered Firm in 2012

10. In August 2012, five months after Avenir became a FINRA member, the Firm began to engage in one of its main business activities — raising capital through private equity self-offerings, purportedly to expand the Firm's broker-dealer operations. Clements supervised all of Avenir's self-offerings and was responsible for due diligence, suitability, and ensuring each transaction was completed properly with the investor. Avenir did not provide potential investors with a private placement memorandum, term sheet, or any similar disclosure document

with any of the self-offerings. Instead, potential investors usually received nothing more than the formal “Purchase Agreement,” which provided no information regarding Avenir beyond the price of the percentage interest being purchased.

11. In August 2013, the Firm’s branch offices began independently raising capital through private securities self-offerings and promissory notes, purportedly for their own operations.

12. During its three-year operation as a FINRA member firm, Avenir and its branch offices have raised over \$730,000 in 16 issuances of equity or promissory notes. Most of these sales of equity and promissory notes were to elderly customers of the Firm.

II. Over a Seven-Week Period in 2013, Avenir Raised \$338,000 From Four Investors Who Received Widely Divergent Terms

13. On or before October 23, 2013, Avenir’s net capital fell below its \$5,000 minimum net capital requirement, and the Firm was required to cease conducting any securities business immediately. In an email to all Firm employees that same day, Clements announced the suspension of all securities business and explained that the “net cap deficiency [was] caused by client negative equity balances.” Clements also noted that “[w]e working [sic] on the issue and several [sic] solutions and expect the issue to to [sic] be resolved within the next few days.”

14. The Firm’s capital deficiency, and suspension of its securities business by FINRA, continued until November 4, 2013. On or after November 6, after Avenir promised to shore up its regulatory capital position, Avenir’s clearing firm agreed to resume providing clearing services to the Firm.

15. As alleged further below, between October 30, 2013 and December 18, 2013, Clements, CR and Ibrahim solicited four investors, including two elderly customers, to invest a total of \$338,000 in Avenir. The first two capital raises, totaling \$38,000, were necessary to cure

the above-alleged capital deficiency to allow the Firm to resume its securities business. The third capital raise, \$250,000, occurred the day after the Firm submitted a “Plan of Action” to its clearing firm promising numerous additional actions and reforms to address a margin call that, when booked, would result in a massive net capital deficiency.

A. JC Received Five Percent of Avenir for \$13,000, While the Firm Remained Suspended Due to Insufficient Net Capital

16. Partially to resolve Avenir’s October 2013 capital deficiency, Clements solicited his mother, JC, to become a passive investor in Avenir. On October 30, 2013, JC executed a Purchase Agreement pursuant to which she invested \$13,000 in Avenir in exchange for a five percent equity interest.

17. Based upon the five percent interest JC received in exchange for her \$13,000 investment, a one percent share in the Firm cost \$2,600.

18. In connection with her investment, JC executed a disclosure document prepared by Clements stating that JC’s investment would be used for “operating expenses and net Capitalization [sic].” As alleged below, this is the only instance in which the Firm disclosed to an investor that the proceeds would be used to meet the Firm’s regulatory net capital requirement or otherwise disclosed regulatory capital issues related to the solicitation of equity investments.

19. Notwithstanding JC’s \$13,000 investment, Avenir failed to remedy its capital deficiency and reported a month-end capital deficiency of negative \$4,703 in its October 2013 FOCUS filing with FINRA.

B. Five Days After JC’s Investment, While Avenir Remained Suspended for Insufficient Net Capital, AC Received One Percent of Avenir for \$25,000

20. Avenir was able to cure its net capital deficiency and resume its securities business only after Customer AC, a then 79-year-old recent stroke victim, agreed to invest

\$25,000. On November 4, 2013, five days after JC's investment in Avenir, Customer AC executed a Purchase Agreement ("AC Purchase Agreement") pursuant to which he invested \$25,000 in Avenir in exchange for a one percent equity interest.

21. CR opened AC's Avenir account on September 17, 2013, and later solicited AC's investment in Avenir. Clements prepared the AC Purchase Agreement and negotiated the terms of the investment with AC. CR was paid a \$2,500 commission, which is ten percent of AC's investment in Avenir.

22. Based upon the one percent interest AC received in exchange for his \$25,000 investment on November 4, 2013, the purchase price for a one percent share in Avenir was nearly ten times greater than the price JC paid just five days earlier. At the time of AC's investment, Avenir was still in net capital deficiency, notwithstanding JC's investment, and Avenir's financial condition had not otherwise materially improved, if at all, in the intervening five days.

23. AC made his \$25,000 investment in two installments, and Avenir used AC's initial \$15,000 payment on November 4, 2013 to cure the Firm's net capital deficiency. Accordingly, on November 5, 2013, Clements advised all Avenir staff that "[t]he net capital issue has been resolved to FINRA's satisfaction. We are approved to conduct business." Several days later, Avenir's clearing firm agreed to resume providing clearing services to Avenir.

C. Within a Month of JC's and AC's Investments, and While Avenir Faced Another Regulatory Capital Crisis, NL Received Five Percent of Avenir for \$250,000

24. On November 26, 2013, less than a month after JC's and AC's investments in Avenir, Customer NL, a then 92-year-old customer of Avenir, executed a Purchase Agreement

(“NL Purchase Agreement”) pursuant to which he invested \$250,000 in Avenir in exchange for a five percent equity interest. NL was a new customer of Avenir, and he opened his trading account through Ibrahim on or about November 11, 2013.

25. Beginning on November 22, 2013, and through NL’s investment on November 26, 2013, Avenir faced an urgent need to raise capital following a \$196,000 margin call from its clearing firm. As alleged below, pursuant to Ibrahim’s solicitation, NL invested \$250,000 one day after Avenir submitted a “PLAN OF ACTION” to its clearing firm regarding immediate steps Avenir would take to cure any capital deficiency resulting from the margin call.

- a. On November 19, 2013, another Avenir customer of Ibrahim (RF) deposited a check for \$300,000 and immediately made purchases in JCP and VJET, totaling \$527,466, which required RF to borrow \$263,733 on margin. However, RF’s margin agreement was incomplete and ineffective until Avenir submitted a completed agreement the following day.
- b. On November 20, 2013, the price of VJET sustained a substantial decrease in value. Nevertheless, Ibrahim made another purchase of VJET in RF’s account totaling \$190,244.95. On the same day, Avenir was sent its first notice from its clearing firm that the RF account had overspent the account and that the trades may be moved to Avenir’s error account. Because, as alleged below, RF never successfully deposited any funds and never covered any of his purchases, Avenir’s clearing firm repeatedly advised Clements and David Allen, the Firm’s Chief Operations Officer, that Avenir would be responsible for any resulting shortfall.

- c. On November 22, 2013, RF's initial check for \$300,000 to fund his account was "returned" for insufficient funds. Avenir's clearing firm notified Avenir by email that same day that the account was unsecured due to the returned check and notified the Firm that another \$190,000 was due on November 27, 2013 for the subsequent VJET purchase on November 20, 2013. The clearing firm advised: "No extension will be allowed."
- d. On November 25, 2013, Avenir received a check from RF for \$77,000, but because RF's account had inadequate funds to pay for the transactions placed on November 19th and 20th with a principal value of \$717,711.50, the VJET transactions were sold out, creating a customer deficit of approximately \$196,000 in the RF account. On November 29, 2013, Avenir learned that RF had put a "stop pay" on the \$77,000 check.
- e. On November 25, 2013, Avenir sent its clearing firm an email attaching the "PLAN OF ACTION" to address the expected massive capital shortfall resulting from, among other things, the RF trading deficits from the November 25, 2013 sellouts alleged above. Avenir's PLAN OF ACTION specifically included an immediate capital raising effort: "Capital raise into the firm of at least minimum \$150,000 to \$200,000 by 5:00 pm Wednesday 11-27-2013. \$150,000 already committed have to move up in time frame. Several others contacted to invest."
- f. The PLAN OF ACTION further stated that the Firm was "looking to raise approximately an additional \$500,000 to \$700,000 to grow the firm and increase its net cap excess at a minimum of \$100,000." Finally, the PLAN

OF ACTION advised that Ibrahim would be placed under a plan of heightened supervision and, if the clearing firm requested, terminated.

26. At Clements' direction, Ibrahim solicited several of his existing customers, including NL, to invest in Avenir. Clements directed Ibrahim to offer investors a one percent interest in Avenir for every \$50,000 invested, but he did not explain any basis for this valuation and did not provide Ibrahim any information regarding the Firm's financial condition, the Firm's regulatory capital situation, the PLAN OF ACTION, or most notably, the prices paid for recent investments in Avenir.

27. Ibrahim had previously solicited NL to invest up to \$1,000,000 in Avenir, and NL agreed to invest \$250,000 on November 26, 2013. Ibrahim did not review the Firm's financials or otherwise perform any due diligence to determine whether the terms Clements provided were based upon a reasonable valuation of the Firm or were consistent with previous investments. However, Ibrahim was aware of the margin call and the Firm's dire regulatory capital situation at the time NL made his investment, and he did not disclose these facts to NL.

28. Clements drafted the NL Purchase Agreement, which was the only offering document provided to NL, and determined the \$250,000 price NL would pay for his five percent interest in Avenir. Clements paid Ibrahim a ten percent commission, \$25,000, of the funds raised.

29. On December 5, 2013, when Avenir eventually booked the outstanding RF debit balance resulting from the margin call, it used at least \$165,000 of NL's investment to satisfy the margin call and to meet its net capital requirement.

30. Based upon the five percent interest NL agreed to purchase for \$250,000, a one percent interest in Avenir cost \$50,000 — twice the price of AC's investment 22 days earlier and

over 19 times the price of JC's investment 27 days earlier. Nobody at the Firm provided NL with information regarding the prices paid by previous investors. Neither did anyone at the Firm provide NL with any financial information about the Firm.

31. NL was never informed of JC's or AC's investments in Avenir or any previous pricing of the Firm based upon those investments. NL was never informed that Avenir had submitted a PLAN OF ACTION to its clearing firm the day before his investment, or that his investment was necessary to resolve the Firm's current or potential regulatory net capital difficulties. Finally, nobody at the Firm informed NL that Ibrahim would receive any compensation in connection with NL's investment. All of these omitted facts were material to NL's decision to invest in Avenir.

32. On January 21, 2015, NL filed an arbitration complaint, which remains pending, against Avenir, Ibrahim, David Allen, Clements, and Avenir's clearing firm claiming that one or more of the respondents in that action, among other things, engaged in unauthorized trading, churned NL's account, charged excess commissions, made unsuitable recommendations, and committed fraud in connection with his purchase of the five percent equity interest in the Firm. With respect to his investment in Avenir, NL claimed that Ibrahim, Clements and David Allen failed to provide him with financial information regarding Avenir and that he substantially overpaid for his equity interest.

33. On February 17, 2015, based upon NL's claims that Ibrahim was repeatedly harassing him and attempting to coerce NL, now 94-years-old, to rescind his direction to close his Avenir account, NL obtained a preliminary injunction against Ibrahim and Avenir preventing any contact during the pendency of his arbitration. That injunction remains in effect.

D. Less than Two Months After JC's Investment, KK Purchased One Percent of Avenir for \$50,000

34. On December 18, 2013, less than two months after JC's, AC's and NL's investments in Avenir, Customer KK, a 59-year-old customer of Avenir, executed a Purchase Agreement ("KK Purchase Agreement") pursuant to which he invested \$50,000 in Avenir in exchange for a one percent equity interest. CR opened KK's Avenir account on August 21, 2013, solicited KK's December 18, 2013 investment in Avenir (as well as another \$50,000 investment on March 3, 2014 on the same terms), and was paid \$5,000 in selling commission for each of the investments.

35. Based upon the one percent interest KK agreed to purchase for \$50,000, the price of his investment, like NL's investment, was twice the price of AC's investment and over 19 times the price of JC's investment, both of which occurred within the previous two months.

III. Avenir Failed to Provide Written Notice to Investors of Selling Compensation and Use of Proceeds, as Well as Notice of the Self-Offerings to FINRA, Until December 2014

36. During the Relevant Period, FINRA Rule 5122(b) required that member firms such as Avenir provide certain written disclosures related to self-offerings to both investors and FINRA's Corporate Financing Department:

- a. Avenir was required to provide each prospective investor with an "offering document" disclosing both the "intended use of the offering proceeds" and the "offering expenses and the amount of selling compensation" paid to its representatives. FINRA Rule 5122(b)(1).
- b. Avenir was required to provide the offering document containing the customer disclosures to FINRA's Corporate Financing Department prior to its first use with a prospective investor. FINRA Rule 5122(b)(2).

37. Although Rule 5122(b) required the disclosures prior to sale, Avenir did not provide the 5122(b) disclosures to any investors or FINRA until December 15, 2014, at the earliest, approximately a year after the 2013 capital raises alleged above. On that date, Avenir submitted Rule 5122(b) filings with respect to investors in all previous self-offerings, including investments by JC, AC, NL, and KK, after FINRA requested evidence that such disclosures were made prior to the investments. Avenir identified the Purchase Agreement executed in connection with each equity investment as the “offering document” required by Rule 5122.

38. Avenir has never provided Rule 5122 disclosures to investors or FINRA with respect to investors who were solicited to invest but did not invest in Avenir.

39. Notwithstanding that the proceeds from the JC, AC and NL investments alleged above were specifically used to fill an existing or impending net capital deficit, only the Rule 5122(b) filing related to JC (Clements’ mother) contained any reference to using the proceeds for net capitalization. The “5122 Disclosure” prepared for both AC and NL on December 15, 2014, and filed with FINRA, falsely stated that the proceeds of their investments were used for “day to day operation of the firm.”

40. The 5122 Disclosure prepared for NL, and filed with FINRA, also falsely stated that selling compensation was disclosed “at the time of and before the purchase of your equity investment.” Nobody at Avenir disclosed to NL the fact of, or amount of, the ten percent selling compensation the Firm paid to Ibrahim.

IV. With Clements’ Knowledge and Approval, CR Sold Equity and Debt in BRCH Without Disclosing to Investors that He Would Use the Proceeds for Personal, Non-Business Expenses

41. In April 2014, CR began soliciting funds for a holding company, BRCH, to establish, run and grow the Bull Run branch of Avenir. As further alleged below, CR has raised

\$173,800 from six customers through eight sales of equity or promissory notes and deposited the funds in BRCH's bank account.

42. At the time of each sale, CR represented either orally or in writing that proceeds from their investments would be used for general operating expenses and growing BRCH. Each of the Senior Promissory Notes alleged below included a "Use of Proceeds" disclosure limited to business expenses:

The proceeds from the issuance of the Note shall be used by the Maker for general working capital, expansion of its operation and necessary office equipment. Acquisition of personnel which includes but it's not limited to sign-on bonuses and or [sic] loans for registered representatives, legal and consulting costs, salaries and necessary insurance cost for management and staff. In addition proceeds will be used to acquire assets in order to expand and diversify the brokerage operation.

CR orally made substantially the same representation to purchasers of equity in BRCH.

43. Notwithstanding his representations to BRCH investors regarding use of proceeds, CR has treated their invested funds as his own. As set forth on **Schedule A** attached hereto, he has spent approximately \$77,000 of investor funds on purely personal expenses.

44. Clements was well aware of CR's misrepresentations to customers and subsequent conversion of their funds. On April 9, 2014, prior to soliciting any investors for BRCH, CR submitted a written request for approval from Clements to offer up to \$500,000 of BRCH promissory notes. Clements approved the issuance of the promissory notes in writing on April 10, 2014, and noted that CR had "Completed Private Transaction training" two days earlier "[t]elephonically."

45. Prior to the capital raises, Clements even advised CR that he could treat investor funds as his own, even though Clements was aware that the Senior Promissory Notes all included

the above-quoted Use of Proceeds clause. From Clements' review of BRCH financial records, he was aware, or reckless in not knowing, that CR was using investor proceeds as his own.

A. KK's \$53,000 Debenture and Equity Investments

46. Subsequent to his December 2013 and March 2013 investments in Avenir, alleged above, KK made both a \$45,000 loan and an \$8,000 equity investment in BRCH. Like KK's earlier investments in Avenir, CR solicited both of KK's investments in BRCH.

47. On or about April 15, 2014, KK and CR executed a Senior Promissory Note memorializing KK's loan of \$45,000 to BRCH. The Senior Promissory Note provided for an interest rate of 12 percent per annum, payable semi-annually, and a due date on April 15, 2017. The Senior Promissory Note included the above-quoted "Use of Proceeds" disclosure stating that proceeds would be used for general operating expenses and growing BRCH.

48. KK made the loan memorialized by the Senior Promissory Note in two payments: \$35,000 on April 8, 2014 and \$10,000 on April 13, 2014. Both of KK's payments pre-date the execution of the Senior Promissory Note, which misstated the amount invested as \$500,000. The April 8 payment also predated CR's written letter seeking Clements' approval of the offering, the Firm's FINRA Rule 5122 filing, and the commencement date for the offering indicated in the FINRA Rule 5122 filing.

49. On or about May 9, 2014, CR sold KK a five percent equity interest in BRCH for \$8,000. Although KK's Purchase Agreement did not describe BRCH's intended use of the proceeds from KK's equity investment, CR orally disclosed that proceeds would be used for general operating expenses and growing BRCH. Avenir has not filed a FINRA Rule 5122 filing with FINRA regarding the May 9, 2014 equity investment.

B. CS's \$36,000 Equity Investment

50. In or about May 2014, CR solicited CS, a 53-year-old resident of Illinois, to invest in BRCH. On May 16, 2014, CS and CR executed a Purchase Agreement in which CS agreed to pay \$25,000 in four installments to acquire a ten percent equity interest in BRCH. At the time, CS was not a customer of Avenir, but opened a trading account through CR on July 15, 2014.

51. Although CS's Purchase Agreement states that he will pay \$25,000 for a ten percent equity interest, he paid an additional \$11,000 to BRCH, which was deposited in BRCH's bank account as follows: \$7,500 on July 11, 2014; \$2,500 on September 8, 2014; \$500 on September 15, 2014; and \$500 on September 16, 2014.

52. Although CS's Purchase Agreement did not disclose the use of proceeds relating to his investment, CR orally disclosed that proceeds would be used for general operating expenses and growing BRCH.

53. Nobody at Avenir filed a FINRA Rule 5122 disclosure relating to the offer and sale of CS's equity purchase in BRCH.

C. AC's \$7,500 Equity Investment

54. Subsequent to his November 2013 investment in Avenir, alleged above, CR solicited AC to invest in BRCH. On June 20, 2014, AC and CR executed a Purchase Agreement in which AC agreed to pay \$7,500 to acquire a six percent equity interest in BRCH. The Purchase Agreement also contained a nonsensical provision that payment of \$15,000 in total would bring AC's total to only seven percent.

55. Although AC's Purchase Agreement did not disclose the use of proceeds relating to his investment, CR orally disclosed that proceeds would be used for general operating expenses and growing BRCH.

56. Nobody at Avenir filed a FINRA Rule 5122 disclosure relating to the offer and sale of RD's equity purchase in BRCH.

D. The Ss' \$35,000 Debentures

57. In or about August 2014, CR solicited AS and his wife (together, the Ss), residents of New York, to loan funds to BRCH. On August 8, 2014, AS (then 67 years old), his wife (then 65 years old) and CR executed a \$25,000 Senior Promissory Note, which provided for an interest rate of 12 percent per annum, payable quarterly, and return of principal on May 15, 2015.

58. In or about October 2014, CR again solicited the Ss to loan funds to BRCH. On October 3, 2014, the Ss and CR executed a \$10,000 Senior Promissory Note, which provided for an interest rate of 12 percent per annum, payable quarterly, and return of principal on October 3, 2015.

59. Both the August 8, 2014 and October 3, 2014 Senior Promissory Notes included the above-quoted "Use of Proceeds" disclosure stating that proceeds would be used for general operating expenses and growing BRCH.

E. RD's \$23,000 Equity Investment

60. In or about September 2014, CR solicited RD, a 55-year-old resident of Illinois, to invest in BRCH. On September 5, 2014, RD and CR executed a Purchase Agreement in which RD agreed to pay \$20,000 to acquire a three percent equity interest in BRCH. The Purchase

Agreement also provided a “buyers option” to obtain an additional one percent interest in BRCH for \$10,000. RD was not a customer of Avenir.

61. Although the terms of RD’s Purchase Agreement required RD to pay either \$20,000 for three percent equity or \$30,000 for four percent, RD paid a total of \$23,000, which CR deposited in BRCH’s account.

62. Although RD’s Purchase Agreement did not disclose the use of proceeds relating to his investment, CR orally disclosed that proceeds would be used for general operating expenses and growing BRCH.

63. Nobody at Avenir filed a FINRA Rule 5122 disclosure relating to the offer and sale of RD’s equity purchase in BRCH.

F. ES’s \$19,300 Debenture

64. In or about January 2015, Bull Run registered representative DS solicited Customer ES, a 61-year-old resident of Ohio, to loan funds to BRCH. On January 13, 2015, ES and CR executed a \$19,300 Senior Promissory Note, which provided for an interest rate of 12 percent per annum, payable quarterly, and return of principal on December 15, 2015.

65. The January 13, 2015 Senior Promissory Note included the above-quoted “Use of Proceeds” disclosure stating that proceeds would be used for general operating expenses and growing BRCH.

G. From the Opening of BRCH’s Bank Account with Investor Funds, CR Regularly Used the Proceeds from Equity and Debt Investments in BRCH for his Personal Needs

66. CR established Avenir’s Bull Run branch shortly before KK’s debenture and equity investments in BRCH alleged above, and opened a BRCH bank account with KK’s initial

payment. From April 8, 2014 through May 15, 2014, KK's investments made up all but \$152 of BRCH's capital.

67. All of the proceeds from equity investments in BRCH and debentures issued by BRCH were deposited in BRCH's bank account. As set forth on Schedule A hereto, during the period from April 8 through the present, CR regularly used BRCH funds for personal, non-business expenses. For example:

- a. On April 14, 2014, CR used KK's investment funds to make purchases of \$961.38 at Destination XL (a men's clothing store).
- b. On April 25, 2014, CR used KK's investment funds to pay \$606 to a credit collections service.
- c. On May 12, 2014, CR used KK's investment funds to make purchases of \$432.67 at Finish Line (a sports apparel store), of \$271.42 at Kay Jewelers, of \$49.05 at Bed Bath and Beyond, and of \$54.41 at Build-a-Bear.
- d. Over the entire April 8 through May 15, 2014 period, CR withdrew \$1,600 of KK's funds from BRCH's bank account.
- e. On May 22, 2014, CR made purchases of \$281.85 at Finish Line, of \$35 at Gold Creations (a jewelry store) and of \$50 at the Relax Place (a massage parlor).
- f. On May 27, 2014, CR wrote a check from the BRCH for \$6,000, payable to himself.
- g. On June 2, 2014, CR made purchases of \$447.83 at Burlington Coat Factory.
- h. On July 1, 2014, CR made purchases of \$267.27 at Burlington Coat Factory.
- i. On July 7, 2014, CR made purchases of \$225.97 at Burlington Coat Factory.

- j. On July 14, 2014, CR made purchases of \$165.23 at Shiekh Shoes (a shoe store), \$325.39 at Finish Line, and \$173.08 at Petco (a pet supplies store).
- k. On August 11, 2014, CR made a payment of \$275 to his personal Visa.
- l. On August 18, 2014, CR made purchases of \$110.63 at Foot Locker and of \$74.79 at Perfumania (a perfume store).
- m. On August 29, 2014, CR made purchases of \$226 at Payless ShoeSource.
- n. On September 26, 2014, CR made a payment of \$261.31 to his personal Visa bill and made purchases of \$65.23 at Shiekh Shoes and \$108.75 at Finish Line.
- o. On October 1, 2014, CR made purchases of \$248.68 at Astrogaming (a video game company).
- p. On October 8, 2014, CR made purchases of \$299.06 at Finish Line and of \$253.93 at Burlington Coat Factory.
- q. On October 15, 2014, CR made purchases of \$52.08 at Gamestop (a video game retailer).
- r. On October 27, 2014, CR made a payment of \$352.67 to his personal Visa bill.
- s. On January 30, 2015, CR made purchases of \$480 at RJ Jewelry (a pawn shop).
- t. On February 25, CR made purchases of \$200 at Central Park Produce (a grocery store).

68. As of February 27, 2015, CR has used funds from the BRCH bank account for personal use on 187 occasions totaling \$77, 287.55. Clements had access to, and examined, the books and records of BRCH and was or should have been aware of these expenditures.

69. These expenditures were inconsistent with CR's representations regarding the use of proceeds from the Senior Promissory Notes and equity investments alleged above. The intended use of investment proceeds is a material fact to investors.

FIRST CAUSE OF ACTION
Willful Fraud in the Sale of Avenir Equity Interests
(Section 10(b) of the Securities Exchange Act of 1934,
Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010)
(Avenir, Clements and Ibrahim)

70. The Department realleges and incorporates by reference paragraphs 1–69 above.

71. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder make it unlawful for any person, by the use of any means or instrumentality of interstate commerce, or of the mails, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, in connection with the purchase or sale of a security.

72. FINRA Rule 2020 provides that: “No member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.”

73. FINRA Rule 2010 requires that members and associated persons, in the conduct of their business, “observe high standards of commercial honor and just and equitable principals of trade.”

74. In or about November 2013, Clements directed Ibrahim to contact his customers regarding investing in Avenir, and to offer a one percent interest in Avenir for every \$50,000

invested. Clements did not explain any basis for the price of the equity. Clements did not provide Ibrahim with any information regarding the Firm's financial condition, recent investments in Avenir at far lower prices, or the PLAN OF ACTION the Firm submitted to its clearing firm on November 25, 2013.

75. One of the investors Ibrahim solicited was NL, who agreed to invest \$250,000 for a five percent equity interest in Avenir.

76. In connection with the sale of Avenir's equity to NL, Avenir, through Ibrahim, knowingly omitted a material fact necessary to make the statements made to NL, in light of the circumstances under which they were made, not misleading. Specifically, Avenir, through Ibrahim, failed to disclose that Avenir was facing a dire regulatory capital situation as a result of a \$190,000 margin call and faced the prospect that it would soon fail its regulatory capital requirement.

77. Clements prepared the NL Purchase Agreement, which contained the terms of NL's investment. Through the NL Purchase Agreement, Clements knowingly represented that the purchase price of a one percent share in Avenir was \$50,000, without disclosing that AC paid half that price 22 days earlier and that JC paid a small fraction of that price 27 days earlier. The fact that Avenir sold the equity interests in the Firm at far lower prices within the previous month was a material fact.

78. Avenir is a Wyoming registered company, with its principal place of business in New York. Clements works from Avenir's Florida office, and Ibrahim works from Avenir's New York office. NL is a resident of New York. In connection with the sale of an equity interest in the Firm to NL, Avenir and Clements employed the means or instrumentality of

interstate commerce, including the use of mails or the internet to send the purchase agreements and other investment-related documents to investors.

79. By engaging in the foregoing conduct, Respondents Avenir, Clements and Ibrahim willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 and also violated FINRA Rules 2020 and 2010.

SECOND CAUSE OF ACTION
Willful Fraud in the Sale of Debt and Equity Interests in BRCH
(Section 10(b) of the Securities Exchange Act of 1934,
Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010)
(Avenir)

80. The Department realleges and incorporates by reference paragraphs 1–79 above.

81. From April 2014 through at least January 2015, Avenir, through CR, sold securities, by and through the sale of debenture and equity interests in BRCH, to investors KK, CS, AC, the Ss, RD, and ES. These investors each provided BRCH with funds in exchange for equity interests in BRCH and/or the promise of interest and capital payments from BRCH.

82. In connection with each of the sales of equity or debenture investments in BRCH to KK, CS, AC, RD, the Ss, and ES alleged herein, Respondent Avenir, through CR, knowingly misrepresented the intended use of the investment proceeds. The Senior Promissory Notes issued for the loans each explicitly include a “Use of Proceeds” section, which lists a number of business uses for the investment proceeds but does not identify any intention to use the funds for personal use. CR orally made substantially the same representation to purchasers of equity in BRCH.

83. In each instance set forth on Schedule A hereto, CR treated investor funds as his personal funds. He knowingly misrepresented how the funds would be used prior to each sale of equity or debt in BRCH.

84. CR's use of equity investment and loan proceeds for his personal needs was a material fact to investors.

85. Avenir is a Wyoming registered company, with its principal place of business in New York, while BRCH, the holding company for CR's Avenir branch, is an Illinois corporation. Investors KK, CS, AC, RD and ES are residents of Illinois. The Ss's are residents of New York. In connection with sales of equity interests and promissory notes of BRCH, Avenir, through CR, employed the means or instrumentality of interstate commerce, including the use of the telephone and of the mails or the internet to send the purchase agreements and other investment-related documents to investors.

86. By engaging in the foregoing conduct, Respondent Avenir, through CR, willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 and also violated FINRA Rules 2020 and 2010.

**THIRD CAUSE OF ACTION
Aiding and Abetting Fraud
(Violations of FINRA Rules 2020 and 2010 by Aiding and Abetting
Violations of Section 10b and Rule 10b-5 of the Securities Exchange Act)
(Clements)**

87. The Department realleges and incorporates by reference paragraphs 1–86 above.

88. Aiding and abetting a violation of Section 10(b) of the Exchange Act and Rule 10b-5 of the Securities Exchange Act violates FINRA Rules 2020 and 2010.

89. Prior to Ibrahim's solicitation of NL's \$250,000 investment in Avenir, Clements directed Ibrahim to raise equity from customers, including NL, and to state that invested funds would be used for Avenir's day-to-day operations and growth. Ibrahim did so. However, as Clements was aware, Avenir was facing a regulatory capital crisis and needed NL's investment to meet its net capital requirement and avoid another suspension of its securities business. This

was a material fact to NL. Accordingly, Clements provided knowing and substantial assistance to Ibrahim in his fraudulent sale of Avenir equity to NL.

90. Prior to CR's solicitation of investors to purchase equity or debt from BRCH, Clements advised CR that he could treat investor funds as his own. Clements also knew, from his review of the Senior Promissory Notes issued to investors KK, the Ss and ES, that CR promised to use the proceeds for general operating expenses and growing BRCH. Clements was or should have been aware, from his review of BRCH financial records, that CR was actually using proceeds from equity investments and promissory notes for CR's personal needs. The use of BRCH investment proceeds for CR's personal needs was a material fact to investors. Accordingly, Clements provided knowing and substantial assistance to CR in his fraudulent sales of equity or debt in BRCH to KK, CS, AC, RD, the Ss, and ES.

91. By engaging in the foregoing conduct, Respondent Clements aided and abetted violations of Section 10(b) of the Exchange Act of 1934, Rule 10-5 thereunder, and FINRA Rule 2020, and therefore violated FINRA Rules 2020 and 2010.

**FOURTH CAUSE OF ACTION
Misuse of Funds
(FINRA Rules 2150 and 2010)
(Avenir)**

92. The Department realleges and incorporates by reference paragraphs 1–91 above.

93. FINRA Rule 2150 prohibits members or persons associated with a member from making improper use of a customer's securities or funds.

94. As set forth on Schedule A, CR used funds invested by KK, CS, AC, RD, the Ss and ES in BRCH through debentures and equity sales for his personal expenses.

95. Through CR, Avenir used funds invested in BRCH for purposes not authorized by the investors, namely, CR's personal expenses. This was an improper use of their funds.

96. By engaging in the foregoing conduct, Respondent Avenir violated FINRA Rules 2150 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including that Respondents be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest, and including monetary sanctions, be imposed;
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondents Avenir, Clements and Ibrahim willfully violated Securities Exchange Act of 1934 § 10(b) and Rule 10b-5 thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: April 27, 2015



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SCHEDULE A

Schedule A to the Complaint*

**Bull Run Capital Holdings Bank Account: April 8, 2014 - February 27, 2015
 All Deposits Versus CR Withdrawals for Personal Use**

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|-----------------------------------|
| 1 | 04/08/2014 | \$ 34,000.00 | | Kevin Kozlowski Promissory Note |
| 2 | 04/10/2014 | | \$ (3,500.00) | CR |
| 3 | 04/11/2014 | \$ 500.00 | | Kevin Kozlowski Promissory Note |
| 4 | 04/14/2014 | | \$ (961.38) | CR "Destination XL" |
| 5 | 04/15/2014 | \$ 500.00 | | Kevin Kozlowski Promissory Note |
| 6 | 04/16/2014 | \$ 10,000.00 | | Kevin Kozlowski Promissory Note |
| 7 | 04/16/2014 | | \$ (300.00) | ATM Withdrawal |
| 8 | 04/16/2014 | | \$ (2,207.16) | CR "Rent Recovery" |
| 9 | 04/21/2014 | | \$ (2,200.00) | CR |
| 10 | 04/25/2014 | | \$ (300.00) | ATM Withdrawal |
| 11 | 04/25/2014 | | \$ (606.00) | CR "Credit Collection Services" |
| 12 | 04/28/2014 | | \$ (250.00) | CR |
| 13 | 05/05/2014 | \$ 152.99 | | Expedia Deposit |
| 14 | 05/06/2014 | | \$ (500.00) | ATM Withdrawal |
| 15 | 05/09/2014 | \$ 8,000.00 | | Kevin Kozlowski Equity Investment |
| 16 | 05/09/2014 | | \$ (500.00) | ATM Withdrawal |
| 17 | 05/12/2014 | | \$ (260.48) | CR "Finish Line" |
| 18 | 05/12/2014 | | \$ (271.42) | CR "Kay Jewelers" |
| 19 | 05/12/2014 | | \$ (49.05) | CR "Bed Bath and Beyond" |
| 20 | 05/12/2014 | | \$ (54.41) | CR "Build a Bear" |
| 21 | 05/12/2014 | | \$ (172.19) | CR "Finish Line" |
| 22 | 05/13/2014 | | \$ (93.89) | CR "Steve Maddens" |
| 23 | 05/14/2014 | | \$ (166.26) | CR "Talking Friends" |
| 24 | 05/14/2014 | | \$ (110.00) | CR |
| 25 | 05/14/2014 | | \$ (5,500.00) | CR |
| 26 | 05/16/2014 | \$ 5,000.00 | | Charles Strayve Equity Investment |
| 27 | 05/19/2014 | \$ 150.00 | | Wu Deposit |
| 28 | 05/20/2014 | \$ 61.61 | | Terry Town House Deposit |
| 29 | 05/22/2014 | | \$ (500.00) | ATM Withdrawal |
| 30 | 05/22/2014 | | \$ (251.85) | CR "Finish Line" |
| 31 | 05/22/2014 | | \$ (35.00) | CR "Gold Creations" |
| 32 | 05/22/2014 | | \$ (50.00) | CR "The Relax Palace" |
| 33 | 05/23/2014 | | \$ (54.49) | CR "India Emporium" |
| 34 | 05/27/2014 | | \$ (147.00) | CR "Maumee Municipal Court" |
| 35 | 05/27/2014 | | \$ (92.64) | CR "Macy East" |
| 36 | 05/27/2014 | | \$ (6,000.00) | CR |
| 37 | 05/27/2014 | \$ 281.24 | | Art Van Furniture Deposit |
| 38 | 05/27/2014 | \$ 149.75 | | Art Van Furniture Deposit |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|-----------------------------------|
| 39 | 05/28/2014 | | \$ (240.00) | CR |
| 40 | 05/29/2014 | \$ 5,000.00 | | Charles Strayve Equity Investment |
| 41 | 06/02/2014 | | \$ (300.00) | ATM Withdrawal |
| 42 | 06/02/2014 | | \$ (200.00) | ATM Withdrawal |
| 43 | 06/02/2014 | | \$ (447.83) | CR "Burlington Coat Factory" |
| 44 | 06/03/2014 | | \$ (500.00) | ATM Withdrawal |
| 45 | 06/03/2014 | | \$ (6.96) | CR "Tony's" |
| 46 | 06/03/2014 | | \$ (100.00) | CR "ATT" |
| 47 | 06/03/2014 | \$ 141.68 | | Big Lots Deposit |
| 48 | 06/03/2014 | \$ 300.00 | | CR Deposit |
| 49 | 06/06/2014 | \$ 7,500.00 | | Charles Strayve Equity Investment |
| 50 | 06/06/2014 | | \$ (229.53) | CR |
| 51 | 06/06/2014 | | \$ (115.57) | CR "Alteza Insurance" |
| 52 | 06/06/2014 | | \$ (32.08) | CR "Great Clips" |
| 53 | 06/06/2014 | \$ 100.00 | | CR Deposit |
| 54 | 06/06/2014 | \$ 200.00 | | Denita Bonilla Deposit |
| 55 | 06/06/2014 | \$ 75.00 | | Mandy N Moran Deposit |
| 56 | 06/09/2014 | | \$ (40.00) | ATM Withdrawal |
| 57 | 06/09/2014 | | \$ (100.00) | ATM Withdrawal |
| 58 | 06/09/2014 | | \$ (29.95) | CR "Jewel" |
| 59 | 06/09/2014 | | \$ (36.45) | CR "Everlast Worldwide" |
| 60 | 06/10/2014 | | \$ (500.00) | ATM Withdrawal |
| 61 | 06/10/2014 | | \$ (100.00) | CR |
| 62 | 06/16/2014 | | \$ (46.68) | CR "Tony's" |
| 63 | 06/16/2014 | | \$ (9.31) | CR "Shop and Save" |
| 64 | 06/18/2014 | | \$ (100.00) | ATM Withdrawal |
| 65 | 06/18/2014 | | \$ (113.50) | CR "Life Time Fitness" |
| 66 | 06/20/2014 | \$ 7,500.00 | | Anthony Ciampa Equity Investment |
| 67 | 06/23/2014 | \$ 7,500.00 | | Charles Strayve Equity Investment |
| 68 | 06/23/2014 | | \$ (39.76) | CR "Payless Shoes" |
| 69 | 06/23/2014 | \$ 55.00 | | Mandy N Moran Deposit |
| 70 | 06/23/2014 | | \$ (440.00) | ATM Withdrawal |
| 71 | 06/24/2014 | | \$ (100.00) | CR "Heather Bonilla" |
| 72 | 06/25/2014 | | \$ (500.00) | ATM Withdrawal |
| 73 | 06/25/2014 | \$ 500.00 | | CR Deposit |
| 74 | 06/26/2014 | | \$ (210.81) | CR "Scuf Gering Int" |
| 75 | 06/26/2014 | | \$ (80.16) | CR "Glendale Heights X" |
| 76 | 06/30/2014 | | \$ (171.33) | CR "Ultra" |
| 77 | 07/01/2014 | | \$ (69.00) | CR |
| 78 | 07/01/2014 | | \$ (267.27) | CR "Burlington Coat Factory" |
| 79 | 07/01/2014 | | \$ (1,894.00) | CR |
| 80 | 07/01/2014 | \$ 2,000.00 | | CR Deposit |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|-----------------------------------|
| 81 | 07/02/2014 | | \$ (123.23) | CR |
| 82 | 07/02/2014 | | \$ (94.02) | CR |
| 83 | 07/03/2014 | | \$ (40.00) | CR "Suzy Lee" |
| 84 | 07/07/2014 | | \$ (300.00) | ATM Withdrawal |
| 85 | 07/07/2014 | | \$ (167.25) | CR "Scuf Geming Int" |
| 86 | 07/07/2014 | | \$ (225.97) | CR "Sburlington Coat Factory" |
| 87 | 07/07/2014 | | \$ (100.00) | CR "Suzy Lee" |
| 88 | 07/07/2014 | | \$ (492.71) | CR "Carmax" |
| 89 | 07/07/2014 | \$ 1,400.00 | | CR Deposit |
| 90 | 07/07/2014 | \$ 50.00 | | Mandy N Moran Deposit |
| 91 | 07/11/2014 | \$ 7,500.00 | | Charles Strayve Equity Investment |
| 92 | 07/14/2014 | | \$ (180.00) | ATM Withdrawal |
| 93 | 07/14/2014 | | \$ (165.23) | CR "Shiekh Shoes" |
| 94 | 07/14/2014 | | \$ (159.85) | CR "Finish Line" |
| 95 | 07/14/2014 | | \$ (56.54) | CR "Finish Line" |
| 96 | 07/14/2014 | | \$ (173.08) | CR "Petco" |
| 97 | 07/14/2014 | \$ 700.00 | | Heather Bonilla Deposit |
| 98 | 07/15/2014 | | \$ (200.00) | ATM Withdrawal |
| 99 | 07/15/2014 | | \$ (105.84) | CR "Alteza Insurance" |
| 100 | 07/15/2014 | | \$ (148.25) | CR "Life Time Fitness" |
| 101 | 07/17/2014 | | \$ (160.00) | ATM Withdrawal |
| 102 | 07/18/2014 | | \$ (500.00) | ATM Withdrawal |
| 103 | 07/18/2014 | | \$ (96.78) | CR "Animal Center" |
| 104 | 07/21/2014 | \$ 509.00 | | CR Deposit |
| 105 | 07/22/2014 | \$ 50.00 | | Mandy N Moran Deposit |
| 106 | 07/24/2014 | \$ 2,000.00 | | CR Deposit |
| 107 | 07/24/2014 | \$ 500.00 | | Luis Bonilla Deposit |
| 108 | 07/25/2014 | | \$ (214.44) | CR |
| 109 | 07/28/2014 | | \$ (140.82) | CR "Macys" |
| 110 | 07/28/2014 | | \$ (9.76) | CR "Payless Shoes" |
| 111 | 07/28/2014 | | \$ (54.92) | CR "Ross" |
| 112 | 07/28/2014 | | \$ (7.50) | CR "Petco" |
| 113 | 07/28/2014 | | \$ (57.05) | CR "Dicks" |
| 114 | 07/28/2014 | | \$ (128.62) | CR "Ultra" |
| 115 | 07/28/2014 | \$ 50.00 | | Mandy N Moran Deposit |
| 116 | 07/30/2014 | \$ 2,600.00 | | CR Deposit |
| 117 | 08/01/2014 | | \$ (148.25) | CR "Life Time Fitness" |
| 118 | 08/01/2014 | | \$ (69.00) | CR "Life Time Fitness" |
| 119 | 08/01/2014 | \$ 169.00 | | Corey Murtaugh Deposit |
| 120 | 08/04/2014 | | \$ (492.71) | CR "Carmax" |
| 121 | 08/04/2014 | \$ 1,500.00 | | CR Deposit |
| 122 | 08/04/2014 | \$ 540.77 | | CR Deposit |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|---------------------------|
| 123 | 08/04/2014 | \$ 100.00 | | CR Deposit |
| 124 | 08/04/2014 | \$ 25.00 | | Denita Bonilla Deposit |
| 125 | 08/06/2014 | \$ 2,500.00 | | CR Deposit |
| 126 | 08/07/2014 | | \$ (40.00) | ATM Withdrawal |
| 127 | 08/07/2014 | | \$ (20.00) | ATM Withdrawal |
| 128 | 08/07/2014 | | \$ (30.13) | CR "Ross" |
| 129 | 08/08/2014 | \$ 3,326.03 | | Debit Card Refund Deposit |
| 130 | 08/08/2014 | | \$ (4,000.00) | CR |
| 131 | 08/08/2014 | | \$ (40.91) | CR "Dicks" |
| 132 | 08/08/2014 | | \$ (60.00) | CR "Sue Lee" |
| 133 | 08/08/2014 | | \$ (240.00) | CR "Salaza Auto" |
| 134 | 08/08/2014 | \$ 2,684.80 | | Chase Deposit |
| 135 | 08/08/2014 | \$ 200.00 | | Nicole M Peach Deposit |
| 136 | 08/08/2014 | \$ 68.00 | | Chase Deposit |
| 137 | 08/11/2014 | | \$ (500.00) | ATM Withdrawal |
| 138 | 08/11/2014 | | \$ (275.00) | CR "Visa" |
| 139 | 08/11/2014 | \$ 30.00 | | Denita Bonilla Deposit |
| 140 | 08/11/2014 | \$ 10.00 | | Jason D Bonilla Deposit |
| 141 | 08/12/2014 | | \$ (500.00) | ATM Withdrawal |
| 142 | 08/12/2014 | | \$ (150.00) | CR "Sue Lee" |
| 143 | 08/13/2014 | \$ 25,000.00 | | Speciale Promissory Note |
| 144 | 08/14/2014 | \$ 34.00 | | Chase Deposit |
| 145 | 08/15/2014 | | \$ (500.00) | ATM Withdrawal |
| 146 | 08/15/2014 | | \$ (130.00) | CR "Hair" |
| 147 | 08/15/2014 | \$ 225.00 | | Nicole M Peach Deposit |
| 148 | 08/18/2014 | | \$ (110.63) | CR "Footlocker" |
| 149 | 08/18/2014 | | \$ (79.74) | CR "Perfumenia" |
| 150 | 08/18/2014 | | \$ (53.00) | CR "Love S Country" |
| 151 | 08/19/2014 | | \$ (626.58) | CR "Walmart" |
| 152 | 08/19/2014 | | \$ (80.35) | CR "Vitamin Shoppe" |
| 153 | 08/20/2014 | | \$ (3,300.00) | CR |
| 154 | 08/20/2014 | \$ 5,300.00 | | CR Deposit |
| 155 | 08/22/2014 | \$ 200.00 | | Nicole M Peach Deposit |
| 156 | 08/25/2014 | | \$ (100.00) | ATM Withdrawal |
| 157 | 08/25/2014 | | \$ (500.00) | ATM Withdrawal |
| 158 | 08/25/2014 | | \$ (32.00) | Cesar Rodirugez "Tony's" |
| 159 | 08/25/2014 | | \$ (72.45) | CR "Paypal" |
| 160 | 08/25/2014 | \$ 60.00 | | Mandy N Moran Deposit |
| 161 | 08/26/2014 | | \$ (48.79) | CR "Visa" |
| 162 | 08/26/2014 | \$ 21.54 | | Best Buy Deposit |
| 163 | 08/28/2014 | | \$ (403.00) | ATM Withdrawal |
| 164 | 08/28/2014 | | \$ (25.00) | CR "Juan Geraldo" |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|-----------------------------------|
| 165 | 08/29/2014 | | \$ (226.00) | CR "Payless Shoes" |
| 166 | 09/02/2014 | | \$ (200.00) | ATM Withdrawal |
| 167 | 09/02/2014 | | \$ (61.08) | CR "Walmart" |
| 168 | 09/02/2014 | \$ 2,900.00 | | CR Deposit |
| 169 | 09/02/2014 | \$ 80.00 | | Mandy N Moran Deposit |
| 170 | 09/02/2014 | \$ 20.00 | | Jason D Bonilla Deposit |
| 171 | 09/03/2014 | | \$ (100.00) | CR |
| 172 | 09/03/2014 | \$ 500.00 | | CR Deposit |
| 173 | 09/04/2014 | | \$ (2,500.00) | CR "Charles Strayve" |
| 174 | 09/05/2014 | | \$ (500.00) | CR "Charles Strayve" |
| 175 | 09/05/2014 | | \$ (492.71) | CR "Carmax" |
| 176 | 09/08/2014 | \$ 2,500.00 | | Charles Strayve Equity Investment |
| 177 | 09/08/2014 | | \$ (86.69) | CR "Champps" |
| 178 | 09/08/2014 | \$ 280.00 | | FedEx Deposit |
| 179 | 09/08/2014 | \$ 68.00 | | Chase Deposit |
| 180 | 09/09/2014 | | \$ (152.40) | CR "Butera" |
| 181 | 09/11/2014 | | \$ (105.84) | CR "Alteza Insurance" |
| 182 | 09/11/2014 | | \$ (101.00) | CR "Secretary of State" |
| 183 | 09/12/2014 | | \$ (14.00) | CR "Ross" |
| 184 | 09/15/2014 | \$ 500.00 | | Charles Strayve Equity Investment |
| 185 | 09/15/2014 | | \$ (100.00) | ATM Withdrawal |
| 186 | 09/15/2014 | \$ 220.00 | | CR Deposit |
| 187 | 09/15/2014 | \$ 100.00 | | CR Deposit |
| 188 | 09/16/2014 | \$ 500.00 | | Charles Strayve Equity Investment |
| 189 | 09/16/2014 | \$ 2,000.00 | | Avenir Financial Group Deposit |
| 190 | 09/16/2014 | \$ 28.00 | | Home Depot Deposit |
| 191 | 09/18/2014 | | \$ (140.00) | ATM Withdrawal |
| 192 | 09/18/2014 | | \$ (40.10) | CR "PF" |
| 193 | 09/19/2014 | | \$ (272.20) | CR "Carmax" |
| 194 | 09/23/2014 | \$ 31.01 | | CR Deposit |
| 195 | 09/23/2014 | \$ 119.00 | | Chase Deposit |
| 196 | 09/24/2014 | \$ 10,000.00 | | Rusty Donoho Equity Investment |
| 197 | 09/26/2014 | | \$ (300.00) | ATM Withdrawal |
| 198 | 09/26/2014 | | \$ (216.31) | CR "Visa" |
| 199 | 09/26/2014 | | \$ (65.23) | CR "Shiekh Shoes" |
| 200 | 09/26/2014 | | \$ (108.75) | CR "Finish Line" |
| 201 | 09/28/2014 | | \$ (885.63) | CR "Destination XL" |
| 202 | 09/28/2014 | | \$ (278.95) | CR "Walmart" |
| 203 | 09/29/2014 | | \$ (100.00) | ATM Withdrawal |
| 204 | 09/29/2014 | | \$ (28.67) | CR "Turtle Wax" |
| 205 | 10/01/2014 | | \$ (500.00) | ATM Withdrawal |
| 206 | 10/01/2014 | | \$ (248.68) | CR "Astrogaming" |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|--------------------------------|
| 207 | 10/01/2014 | | \$ (255.05) | CR "Champps" |
| 208 | 10/02/2014 | | \$ (78.00) | CR "PF" |
| 209 | 10/03/2014 | | \$ (16.00) | CR "Life Tach" |
| 210 | 10/03/2014 | | \$ (16.00) | CR "Life Tach" |
| 211 | 10/06/2014 | \$ 10,000.00 | | Rusty Donoho Equity Investment |
| 212 | 10/06/2014 | | \$ (300.00) | ATM Withdrawal |
| 213 | 10/08/2014 | | \$ (300.00) | ATM Withdrawal |
| 214 | 10/08/2014 | | \$ (49.62) | CR "Norgetown Cleaners" |
| 215 | 10/08/2014 | | \$ (28.00) | CR "Norgetown Cleaners" |
| 216 | 10/08/2014 | | \$ (299.06) | CR "Finish Line" |
| 217 | 10/08/2014 | | \$ (235.93) | CR "Burlington Coat Factory" |
| 218 | 10/08/2014 | | \$ (492.71) | CR "Carmax" |
| 219 | 10/09/2014 | | \$ (3,800.00) | CR |
| 220 | 10/14/2014 | | \$ (50.00) | CR "Paypal" |
| 221 | 10/14/2014 | \$ 3,100.00 | | CR Deposit |
| 222 | 10/15/2014 | | \$ (52.08) | CR "Gamestop" |
| 223 | 10/16/2014 | \$ 1,000.00 | | CR Deposit |
| 224 | 10/21/2014 | \$ 10,000.00 | | Speciale Promissory Note |
| 225 | 10/22/2014 | | \$ (2,000.00) | CR |
| 226 | 10/23/2014 | | \$ (1,600.00) | CR |
| 227 | 10/27/2014 | | \$ (352.67) | CR "Visa" |
| 228 | 10/27/2014 | | \$ (1,350.00) | CR |
| 229 | 10/27/2014 | | \$ (263.00) | CR "Paypal" |
| 230 | 10/27/2014 | | \$ (233.77) | CR "Ultra" |
| 231 | 10/30/2014 | \$ 3,000.00 | | Rusty Donoho Equity Investment |
| 232 | 10/30/2014 | \$ 30.00 | | CR Deposit |
| 233 | 11/12/2014 | | \$ (125.00) | CR |
| 234 | 11/14/2014 | | \$ (25.00) | CR "Payment to Joss" |
| 235 | 11/24/2014 | | \$ (600.00) | CR |
| 236 | 11/30/2014 | \$ 1,440.00 | | CR Deposit |
| 237 | 12/16/2014 | \$ 9,300.00 | | Earl Streacker Promissory Note |
| 238 | 12/22/2014 | | \$ (50.00) | CR |
| 239 | 12/24/2014 | | \$ (40.00) | CR |
| 240 | 12/25/2014 | | \$ (150.00) | CR |
| 241 | 01/14/2015 | \$ 10,000.00 | | Earl Streacker Promissory Note |
| 242 | 01/14/2015 | | \$ (178.20) | CR "Alteza Insurance" |
| 243 | 01/14/2015 | | \$ (450.00) | CR "Lyana Yonkers" |
| 244 | 01/14/2015 | | \$ (450.00) | CR "Lyana Yonkers" |
| 245 | 01/14/2015 | | \$ (200.00) | CR |
| 246 | 01/15/2015 | | \$ (492.71) | CR |
| 247 | 01/15/2015 | \$ 65.00 | | Chase Deposit |
| 248 | 01/16/2014 | | \$ (50.00) | CR "Joss" |

| No. | Date | All Deposits | CR Withdrawals | Description/Memo |
|-----|------------|--------------|----------------|---------------------------|
| 249 | 01/26/2015 | | \$ (2,200.00) | CR |
| 250 | 01/29/2015 | | \$ (600.00) | CR |
| 251 | 01/30/2015 | \$ 4,235.00 | | CR Deposit |
| 252 | 01/30/2015 | | \$ (480.00) | CR "RJ Jewelry" |
| 253 | 02/02/2015 | | \$ (240.00) | CR |
| 254 | 02/02/2015 | | \$ (40.00) | CR "Joss" |
| 255 | 02/06/2015 | | \$ (300.00) | CR |
| 256 | 02/10/2015 | | \$ (492.71) | CR |
| 257 | 02/18/2015 | | \$ (455.00) | CR |
| 258 | 02/18/2015 | | \$ (250.00) | CR |
| 259 | 02/19/2015 | | \$ (525.00) | CR |
| 260 | 02/19/2015 | | \$ (200.00) | CR "Central Park Produce" |
| 261 | 02/25/2015 | | \$ (99.99) | CR "LPBates" |
| 262 | 02/27/2015 | \$ 9,280.00 | | CR Deposit |
| 263 | 02/27/2015 | | \$ (115.00) | CR |

Key

Rows shaded in blue represent Investor Proceeds

| | |
|--|---------------|
| Total Raised From Investors: | \$ 173,800.00 |
| Total Deposited by [REDACTED]: | \$ 42,185.78 |
| Total Deposited by Other Individuals: | \$ 2,699.00 |
| Total Deposited by Third Parties: | \$ 9,631.64 |
| Total Deposited: | \$ 228,316.42 |
| Total ATM Withdrawals: | \$ 10,623.00 |
| Total Non-ATM Expenditures: | \$ 66,664.55 |
| Total Rodriguez Personal Expenses: | \$ 77,287.55 |
| Percentage of Investor Funds Misused: | 44.47% |

Source: General Ledgers provided by CR