

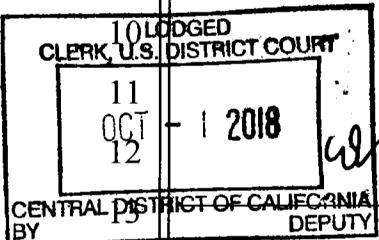
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CENTRAL DISTRICT OF CALIFORNIA BY: ER DEPUTY

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA



LA CV18-8436 -SVW(JPR)

Case No.

**COMPLAINT**

**(FILED UNDER SEAL)**

14 SECURITIES AND EXCHANGE  
15 COMMISSION,  
16 Plaintiff,  
17 vs.  
18 SUSAN WERTH, aka "SUSAN  
19 WORTH," CORPORATE MYSTIC,  
20 LLC, COMMERCIAL EXCHANGE  
SOLUTIONS, INC. and EXCHANGE  
SOLUTIONS COMPANY,  
21 Defendants.

22 Plaintiff Securities and Exchange Commission ("SEC") alleges:

**JURISDICTION AND VENUE**

23 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
24 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§  
25 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the  
26 Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),  
27  
28

78u(d)(3)(A), 78u(e) & 78aa(a).

2. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged in this complaint.

3. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a), because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district. In addition, venue is proper in this district because one or more of the victims identified below resides in this district and received communications from Defendants in this district in furtherance of the fraudulent scheme alleged herein.

## SUMMARY

4. The SEC brings this emergency action to halt an ongoing investment fraud being perpetrated by defendant Susan Werth, aka Susan Worth (“Werth”), and several entities that she operates and controls: defendants Corporate Mystic, LLC (“CM”), Commercial Exchange Solutions, Incorporated (“CES”), and Exchange Solutions Company (“ESC”) (collectively, the “Defendant Entities”). Since in or about 2015, Werth, through her Defendant Entities, has raised more than \$26 million from at least 17 investors by falsely promising investors that their money would be used to fund short-term, high-interest rate loans in connection with tax-deferred real estate projects, which Werth claims would provide as much as a 50 percent return to investors, sometimes in as little as 45 days. In reality, the investments are a sham. None of the investors’ monies are invested in or used to fund tax-deferred real estate projects, or invested in any manner whatsoever. Instead, Werth is operating a Ponzi-scheme, using over 90% of the investor monies to pay other investors their promised returns, and converting virtually all the rest to fund her lifestyle and to pay her personal expenses.

1       5. Werth was convicted of felony theft and ordered to pay approximately  
2 \$235,000 in restitution in 2013. Werth is also the subject of civil default judgments,  
3 both alleging fraudulent conduct very similar to that alleged in this complaint, one in  
4 Pennsylvania, in 2014, in connection with a \$300,000 fraud, and another in  
5 California, in 2013, in connection with a \$400,000 fraud. Concealing her criminal  
6 history and civil fraud judgments from investors, since at least 2015, she has  
7 marketed herself and the Defendant Entities as facilitators of Section 1031 exchanges  
8 – also known as “like kind” exchanges – through which her Section 1031 clients seek  
9 to defer tax payments on the sale of properties by re-investing the proceeds in similar  
10 properties (“Section 1031 clients”). (Section 1031 allows taxpayers to defer taxes on  
11 qualifying gains from the sale of real property, if they reinvest the proceeds in a  
12 similar property within 180 days, sometimes referred to as a like-kind exchange).

13      6. Werth tells investors that she and the Defendant Entities facilitate these  
14 real estate exchanges, including by assisting with construction projects on newly  
15 purchased properties in order to maximize the potential tax benefits of a Section 1031  
16 exchange. Werth tells investors that her Section 1031 clients sometimes need large  
17 sums of cash on short notice, often in the \$500,000 to \$1 million range, to address  
18 unexpected problems with their construction projects which put their ability to  
19 qualify for the tax-deferred exchange at risk. According to Werth, this makes her  
20 Section 1031 clients willing to borrow large sums of money at high interest rates in  
21 order to complete the construction projects on-time. And this is where Werth offers  
22 investors the opportunity to make money. She tells investors that if they invest in the  
23 Defendant Entities, she will use their money to loan her Section 1031 clients the  
24 funds necessary to complete their construction projects on-time. In return, Werth  
25 promises the investors as high as a 50 percent return on their investment, which she  
26 claims will come from the interest on the loans that she makes to her Section 1031  
27 clients.

28

1       7. Among the many misrepresentations Werth makes to investors while  
2 soliciting their investments is that she cannot use her own money to facilitate these  
3 lucrative exchange loans because she is just a “neutral third party” who acts as an  
4 intermediary between the investors and the Section 1031 clients. She also tells  
5 investors that their investments are low-risk, claiming that she and the Defendant  
6 Entities will place first position liens on the properties underlying the real estate  
7 exchanges. Werth gives investors a “corporate guarantee,” claiming that the  
8 Defendant Entities will pay back the investors if her Section 1031 clients default on  
9 their payments. Werth then gives investors what she claims are the Defendant  
10 Entities’ bank account statements, which suggest that the Defendant Entities have  
11 enough funds in their bank accounts to pay investors back in the event of a default.

12      8. These representations Werth and the Defendant Entities made to  
13 investors, as well as many others, are materially false and misleading. The corporate  
14 guarantees that Werth gave investors are worthless, because neither Werth nor the  
15 Defendant Entities have the millions of dollars it would take to make investors whole  
16 in the event of default. The bank statements that Werth gave to investors were  
17 forgeries, as were many of the other documents Werth gave to investors to convince  
18 them to invest. In short, Werth and the Defendant Entities are nothing more than a  
19 fraud, and the Section 1031 exchange business that was supposed to be the backbone  
20 of these investments simply does not exist.

21      9. Werth has concealed this reality to date by using approximately \$24  
22 million of the \$26 million she raised to make Ponzi payments to earlier investors. As  
23 for the approximately \$2 million that remained, she spent that on herself and her  
24 personal expenses. And not only were the securities Werth sold to investors  
25 completely worthless, but she never registered them with the Commission as she was  
26 required to do.

27      10. Werth’s scheme is ongoing. As of at least mid-August 2018, Werth was  
28 still making Ponzi payments to investors and continuing to promise investors that she

1 would repay their principal with interest in the near future. Werth and the Defendant  
2 Entities operate no legitimate business, making the only potential source of funds for  
3 repayment new investor funds. Werth is continuing to solicit new investors, as  
4 recently as September 2018, using the new business name “Exchange Development  
5 Company.”

6        11. By engaging in this conduct, Werth and the Defendant Entities have  
7 each violated and continue to violate the antifraud provisions of Sections 17(a)(1), (2)  
8 & (3) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act,  
9 15 U.S.C. § 78j(b), and Rules 10b-5(a), (b) and (c) thereunder, 17 C.F.R. 240.10b-  
10 5(a),(b) & (c), and the registration provisions of Sections 5(a) and (c) of the Securities  
11 Act, 15 U.S.C. § 77e(a) and (c).

12        12. The SEC seeks against Defendants a temporary restraining order and  
13 preliminary and permanent injunctions prohibiting future such violations; an order  
14 freezing Defendants' assets, requiring preservation of documents, and ordering an  
15 accounting; and disgorgement of Defendants' ill-gotten gains, prejudgment interest,  
16 and civil penalties.

## **THE DEFENDANTS**

18        13. **Defendant Susan Werth**, also known as Susan Worth (“Werth”), is a  
19 resident of San Diego, California; she is the chief executive, sole owner, and operator  
20 of Defendants Corporate Mystic, LLC, Commercial Exchange Solutions,  
21 Incorporated, and Exchange Solutions Company, and she controls their bank  
22 accounts. Werth is not registered with the Commission in any capacity.

23       14. In 2013, Werth was convicted of felony theft and elder abuse in  
24 California Superior Court, Case No. FWV1202510, sentenced to five years of  
25 probation and ordered to pay restitution in the amount of \$235,000. In 2012, Werth  
26 was sued for fraud in the United States District Court for the Eastern District of  
27 Pennsylvania, Case No. 12-003431, for allegedly borrowing approximately \$300,000  
28 from two individuals and never repaying the loan, the \$90,000 loan fee, or any of the

1 interest that she owed them. In 2011, Werth was sued in the State Superior Court of  
2 California, San Diego County, Case No. 37-2011-103130-CU-FR-CTL, for fraud for,  
3 among other reasons, allegedly holding herself out as a financial, real estate, and  
4 investment consultant and then defrauding her clients of the money she was supposed  
5 to invest. Default judgments were entered against Werth in both those civil lawsuits.

6       15. During her investigative testimony before the SEC, in connection with  
7 the conduct alleged in this Complaint, Werth invoked her Fifth Amendment privilege  
8 against self-incrimination as to all substantive questions and in response to the SEC's  
9 request for production of documents.

10      16. **Defendant Corporate Mystic, LLC** ("CM") is a California corporation  
11 with its principal place of business in San Diego, California, and registered on or  
12 about September 2, 2010. Werth has controlled Corporate Mystic and its bank  
13 accounts at all relevant times. Corporate Mystic has not registered any offerings of  
14 securities under the Securities Act, nor has it registered a class of any securities under  
15 the Exchange Act.

16      17. **Defendant Commercial Exchange Solutions, Inc.** ("CES") is a  
17 Wyoming corporation with its principal place of business in San Diego, California,  
18 and registered on or about December 2, 2014. Werth has controlled CES and its bank  
19 accounts at all relevant times. CES has not registered any offerings of securities  
20 under the Securities Act, nor has it registered a class of any securities under the  
21 Exchange Act.

22      18. **Defendant Exchange Solutions Company** ("ESC") is a Wyoming  
23 Corporation with its principal place of business in San Diego, California, and  
24 registered on or about February 20, 2015. Werth has controlled ESC and its bank  
25 accounts at all relevant times. ESC has not registered any offerings of securities  
26 under the Securities Act, nor has it registered a class of any securities under the  
27 Exchange Act.

28

## **FACTUAL ALLEGATIONS**

## A. Defendants' Unregistered Offering

19. Since in or about 2015 and continuing to the present, Werth has raised more than \$26 million from at least 17 different investors, each of whom has invested in one or more of Werth's Defendant Entities.

20. Werth represents to investors that she and the Defendant Entities are in the business of “facilitating” real estate exchanges under Section 1031, which she says is a tax code provision that allows taxpayers to defer paying taxes on the gains from the sale of a business or investment property if the taxpayer reinvests the proceeds in a similar property within 180 days.

21. The investment documents that Werth typically presents to investors include private placement memoranda, investment proposals, business plans, memoranda of understanding, promissory notes, loan agreements, corporate guarantees, collateral account agreements, bank statements, professional resumes, and letters and other documents from accounting, tax and property and business evaluation firms.

22. One of the central forms of investment that Werth uses to induce investors to give her and her companies money are the promissory notes issued by Corporate Mystic, CES, and ESC. Pursuant to these promissory notes, an investor agrees to provide one of Werth's Defendant Entities with money, which the investor is led to believe will result in both the return of principal and a sizeable profit in a short period of time based on Werth's claimed expertise in facilitating 1031 exchanges.

23. No registration statement was or is in effect as to the securities offered by Werth and the Defendant Entities.

24. Werth and the Defendant Entities, directly and indirectly, sold and offered to sell unregistered securities in interstate commerce, by soliciting individuals and entities in multiple states, including California, New Mexico, and Florida, to

1 invest in the Defendant Entities, including during face-to-face meetings, over the  
2 telephone, and through various forms of electronic communication, including on a  
3 website, [www.commercialexchangesolutions.com](http://www.commercialexchangesolutions.com), through email communications,  
4 and via text messages.

5       25. Werth also created private placement memoranda (“PPMs”), investment  
6 proposal letters, and other written materials designed to solicit investors to invest in  
7 the Defendant Entities and distributed those materials to investors and prospective  
8 investors.

9       26. Werth and the Defendant Entities conducted this unregistered offering  
10 from in or about 2015 to the present as part of a single, integrated, ongoing financing  
11 scheme, where they offered and sold the securities in the same or similar manner, for  
12 the same type of consideration, and for the same general purpose.

13           **B. Defendants’ Purported Section 1031 Exchange Business**

14       27. Werth represents to actual and prospective investors that she and the  
15 Defendant Entities are in the business of facilitating Section 1031 exchanges, by  
16 providing their Section 1031 clients with services such as preconstruction consulting,  
17 managing construction contractors, and reviewing and releasing funds to contractors  
18 and vendors.

19       28. Werth represents that, due to the volatility of construction costs and the  
20 complications of aspects such as budgeting, some of the Section 1031 exchanges that  
21 she and the Defendant Entities facilitate experience undervaluation or funding issues  
22 near the end of the 180-day exchange window. Werth claims that these issues could  
23 directly impact the ultimate tax benefit realized through the Section 1031 exchange,  
24 so one of the services the Defendant Entities claim to provide is securing funding for  
25 their clients.

26       29. Werth further represents that if they invest in the Defendant Entities, she  
27 will use their money to loan her Section 1031 clients the funds necessary to complete  
28 their construction projects on time. In return, Werth promises investors as high as a

1 50 percent return on their investment, which she claims will come from the interest  
2 on the loans that she makes to her Section 1031 clients.

3       30. Werth further represents to investors that their investments in the  
4 Defendant Entities are low-risk, claiming that she and the Defendant Entities will  
5 place first position liens on the properties underlying the real estate exchanges.  
6 Werth also gives investors a “corporate guarantee,” which means the Defendant  
7 Entities will agree to pay back investors if their Section 1031 clients default on their  
8 payments.

9       31. Werth and the Defendant Entities represent that because they are  
10 “neutral third parties” in the Section 1031 exchanges, they do not invest their own  
11 funds in the projects, which they claim could cause “adverse tax consequences.”  
12 Instead, they purport to act as an intermediary by soliciting funds from third parties  
13 on a short term basis.

14       32. Werth and the Defendant Entities further represent that the only money  
15 they make in the process comes from fees paid by their Section 1031 clients, plus a  
16 small portion of the interest paid by their Section 1031 clients. In other words, Werth  
17 represents that she does not keep any of the investors’ money, and that it all will go to  
18 the exchanges.

19           **C. Defendants’ Promissory Notes are Investment Contracts**

20       33. The investments that Werth and the Defendant Entities offered to  
21 investors in connection with the purported Section 1031 exchange projects were  
22 securities in the form of investment contracts, and also in the form of notes.

23       34. Werth and the Defendant Entities regularly described the short term  
24 funding that their purported clients needed for the Section 1031 exchange projects as  
25 “investments,” and described the individuals and entities they solicited to provide that  
26 funding as “investors.”

27       35. According to the PPM received by at least one investor in or about July  
28 2016, investor funds would be pooled into CES’s construction project bank accounts

1 and would be used for the business of making investments in Section 1031  
 2 exchanges, including investments for construction, rehabilitation, and development of  
 3 real property. The PPM claimed that these investments would be secured by a  
 4 security instrument encumbering the real property underlying the Section 1031  
 5 exchanges.

6       36. The PPM described Werth as the Chief Executive Officer and Director  
 7 of CES, and as someone with over twenty years of experience as a “1031 exchange  
 8 specialist” and “Construction Exchange Officer.”

9       37. Werth and the Defendant Entities made the same or similar  
 10 representations to other investors in other documents. For example, in or about April  
 11 2017, Werth created an “Investment Proposal” about CES and distributed it to  
 12 another investor. The Investment Proposal described the investor as an “investor”  
 13 and represented that investor funds would go through the “CES financial center,”  
 14 where the funds would be kept in separate accounts for each exchange project just so  
 15 that CES was “never” in actual receipt of the funds provided by the investor.

16       38. The Investment Proposal described CES as being engaged in the  
 17 business of Section 1031 tax deferred exchanges that require a certain level of debt on  
 18 the new property, which CES obtained through investors in a “private investment  
 19 transaction.”

20       39. Like the PPM, the Investment Proposal represented that any investment  
 21 in the Section 1031 exchanges would be collateralized by a security instrument  
 22 encumbering the property (a deed of trust in the “1st position”) and identified Werth  
 23 as the Chief Executive Officer and Director of CES.

24       40. Werth and the Defendant Entities made the same or similar  
 25 representations to other investors during face-to-face meetings, over the telephone,  
 26 and through electronic communications, including through a website  
 27 [www.commercialalexchangesolutions.comwebsite](http://www.commercialalexchangesolutions.comwebsite), emails, and text messages.

28       41. For example, Werth represented to one investor that she was the Chief

1 Executive Officer of CES, which she said was set up for the purpose of providing  
2 services and funding to clients who are in the process of completing Section 1031  
3 exchanges and need more funds than they anticipated at or near the end of the 180-  
4 day window. Werth further represented that investor funds would be used solely for  
5 the purpose of paying for the construction projects, would not be used by Werth for  
6 any personal expenses, and that investments in the construction projects would be  
7 collateralized by a security instrument encumbering the property (*i.e.*, a first deed of  
8 trust).

9       42. Investors who agreed to invest in the Defendant Entities would receive a  
10 promissory note from Werth. Although the terms of the promissory notes varied  
11 from investor to investor, the notes typically came due in 30 days, 45 days, 90 days,  
12 or a similarly short period of time, and promised the investors high rates of return,  
13 typically ranging from 10 percent to as high as 50 percent over the short duration of  
14 the note.

15       43. In addition, Werth and the Defendant Entities typically entered into  
16 Memoranda of Understanding, Loan Agreements, Collateral Agreements, and/or  
17 Corporate Guarantees with the investors at or around the time they issued the  
18 promissory notes.

19       44. The Memoranda of Understanding purported to identify, among other  
20 things, the properties that will receive the investors' funds in order to complete the  
21 Section 1031 exchange project(s) and even provided the investors with pictures and  
22 parcel identification numbers for those properties.

23       45. The corporate guarantees and collateral agreements that Werth and the  
24 Defendant Entities provided to investors typically represented that one of the  
25 Defendant Entities would set aside a certain amount of money in one or more of its  
26 bank accounts to ensure that investors would be repaid in the event that one of the  
27 Defendant Entities' Section 1031 clients failed to pay back the principal and interest  
28 owed to the investors.

1           **D. Defendants' Material Misrepresentations and Omissions**

2       46. Werth and the Defendant Entities knew, or were reckless in not  
3 knowing, that the representations they are making to investors about the nature of  
4 their investment and how their money will be spent are false and misleading,  
5 including as to (1) Werth's background and experience; (2) Werth's and the  
6 Defendant Entities' ability to guarantee the investors' repayment; and (3) the  
7 intended use of investors' proceeds. As illustrated by the examples in Section F  
8 *infra*, Werth has been making these misrepresentations and omissions verbally and in  
9 writing, between 2015 and the present.

10      47. Werth and the Defendant Entities mislead investors by holding out  
11 Werth – the person responsible for the Defendant Entities and the success of the  
12 investments – as someone with over twenty years of experience as a “1031 exchange  
13 specialist” and “Construction Exchange Officer.” These representations are  
14 materially false and misleading because they fail to disclose Werth’s true  
15 background, which includes a felony theft conviction in 2013, two default judgments  
16 against her for civil fraud, and the operation of the fraudulent, nonexistent Section  
17 1031 business described herein.

18      48. Werth and the Defendant Entities also misrepresent to investors the risks  
19 involved in the investments and mislead investors when they provide corporate  
20 guarantees and collateral agreements to investors indicating that one of the Defendant  
21 Entities will set aside money in one or more of its bank accounts to ensure that  
22 investors are repaid their investments plus interest. In reality, Werth and the  
23 Defendant Entities set aside no money to guarantee or collateralize the investments  
24 and they fail to maintain sufficient funds in the Defendant Entities’ bank accounts to  
25 honor the corporate guarantees and collateral agreements. Instead, Werth and the  
26 Defendant Entities almost immediately spend whatever money does come into their  
27 bank accounts, usually to make Ponzi payments to other investors or to pay for  
28 Werth’s personal expenses.

1       49. Werth and the Defendant Entities also misrepresent how investor funds  
2 will be treated and mislead investors when they say investor funds will be kept in  
3 separate accounts for each exchange project. In reality, investor funds are  
4 continuously commingled with other investors' funds and transferred amongst  
5 Werth's and the Defendant Entities' financial accounts.

6       50. Werth and the Defendant Entities also misrepresent how investor funds  
7 will be spent and mislead investors when they say investor funds will be used for the  
8 business of making investments in Section 1031 exchanges, including investments for  
9 construction, rehabilitation, and development of real property. In reality, virtually  
10 none of the investors' monies are invested in any Section 1031 exchange projects or  
11 invested in any manner whatsoever. Again, Werth and the Defendant Entities spend  
12 virtually all of the money that comes into their bank accounts to make Ponzi  
13 payments to other investors or to pay for Werth's personal expenses.

14       51. In the alternative, Werth and the Defendant Entities acted negligently  
15 and failed to exercise reasonable care in making these representations about Werth,  
16 the Defendant Entities, and how investor funds would be spent.

17       52. Werth and the Defendant Entities' false and misleading statements  
18 pertain to material facts that reasonable investors find important in making their  
19 investment decision.

20       53. Reasonable investors would find it important to know that Werth is a  
21 convicted felon and that neither she nor the Defendant Entities can make good on  
22 their guarantees of the promissory notes.

23       54. Investors were not aware that their funds were being used for these  
24 undisclosed purposes, and reasonable investors would have considered it important in  
25 their decision to invest, and continue to invest, in the Defendant Entities to know that  
26 their funds were being used for purposes other than what was represented to them by  
27 Werth and the Defendant Entities, and that their funds would be diverted to pay other  
28 investors and to pay Werth's expenses, rather than invested to fund Section 1031

1 projects.

2       **E. Deceptive Conduct in Furtherance of the Scheme.**

3       55. In addition to making false and misleading statements to investors, and  
 4 misappropriating investor funds, Werth and the Defendant Entities are engaging in  
 5 several other deceptive acts in order to carry out and in furtherance of their fraudulent  
 6 scheme, as illustrated by the examples in Section F *infra*.

7       56. Werth and the Defendant Entities knew, or were reckless in not  
 8 knowing, that their deceptive acts give investors the false impression that the  
 9 Defendant Entities are engaged in a *bona fide* business, that the Defendant Entities  
 10 are well capitalized, and that there is little or no risk in investing in the Defendant  
 11 Entities.

12       57. Werth and the Defendant Entities are misappropriating investor funds,  
 13 including using investor funds to make Ponzi payments to other investors, to make  
 14 payments to Werth, and to make payments on Werth's personal expenses. Between  
 15 in or about 2015 and continuing to the present, Werth and the Defendant Entities  
 16 have misappropriated and misused more than \$25 million of the more than \$26  
 17 million they raised from 17 different investors and used that money for the following  
 18 undisclosed and unauthorized purposes:

Type of Expense	Amount
Payments to Investors	\$23,972,139
Payments to Werth	\$2,007,416

23       58. Another deceptive act that Werth and the Defendant Entities engage in to  
 24 carry out and further their fraudulent scheme is forging documents. For example, to  
 25 back up the corporate guarantees and collateral agreements being offered to investors,  
 26 Werth and the Defendant Entities provide investors with what purport to be bank  
 27 statements from well-established financial institutions like Wells Fargo, Bank of  
 28

1 America, and HSBC. The bank statements make it appear as if the Defendant  
2 Entities have millions of dollars in their bank accounts and can easily guarantee  
3 repayment of whatever money the investor is willing to invest. In reality, the  
4 Defendant Entities have a fraction, or sometimes none, of the money

5 59. Werth and the Defendant Entities also forge documents from outside  
6 service providers such as accountants and consultants. Werth and the Defendant  
7 Entities use the forged documents to make it appear as if a third party has verified  
8 Werth's claims about investing in the Defendant Entities.

9 60. In the alternative, Werth and the Defendant Entities acted negligently  
10 and failed to exercise reasonable care in providing the forged documents to investors  
11 and in their expenditures of investor funds.

12 61. These deceptive acts pertain to material facts that reasonable investors  
13 would find important in making their investment decisions, including that the  
14 Defendant Entities cannot meet their guarantees of investors' funds, and that the  
15 Defendant Entities do not actually engage third party service providers such as  
16 accountants and consultants.

17 **F. Defendants' Execution of the Fraud**

18 62. Since in or about 2015 and continuing to the present, Werth and the  
19 Defendant Entities have carried out this fraud and have raised more than \$26 million  
20 from at least 17 different investors using the same or similar manner and means  
21 outlined above, as illustrated by the following examples:

22 **1. Investor A**

23 63. On or about August 17, 2016, Werth solicited Investor A to invest  
24 approximately \$100,000 in one of the Defendant Entities' purported exchange  
25 projects and signed a promissory note on behalf of Defendant CES, agreeing to repay  
26 Investor A the \$100,000 that Investor A agreed to invest, plus interest on the unpaid  
27 principal at the rate of 40 percent for forty-five (45) days.

28 64. On or about August 17, 2016, Werth signed a Memorandum of

1 Understanding with Investor A on behalf of Defendant CES that stated, among other  
2 things, that Investor A's funds would be deposited into separate accounts held for the  
3 benefit of individual exchange projects and that the Defendant Entities would  
4 guarantee those funds up to \$15 million.

5       65. On or about August 17, 2016, Werth signed and provided Investor A a  
6 "Corporate Guarantee" on behalf of Defendant CES, agreeing to prompt, full and  
7 complete performance on Investor A's investment and to pay the full amount of  
8 principal and interest to Investor A in the event of a default on the exchange project.  
9 To back up the corporate guarantee, Werth provided Investor A with what purported  
10 to be a bank statement from Comerica Bank, NA, showing that CES had a balance of  
11 over \$5 million in three accounts held at the bank and that at least \$500,000 of that  
12 money was held in escrow, as of August 17, 2016.

13       66. In reality, according to all of the Defendant Entities' known bank  
14 records, Defendant CES had only approximately \$188,000 in its bank accounts as of  
15 August 17, 2016.

16       67. In or about December 2016, after Werth and the Defendant Entities  
17 failed to repay Investor A's investment as agreed, Werth provided Investor A with a  
18 Property & Business Evaluation Report purportedly prepared and signed by a third  
19 party service provider ("Service Provider"), which led Investor A to believe, among  
20 other things, that a third party had verified Werth's claims about investing in the  
21 Defendant Entities. In reality, Werth forged this document, or caused it to be forged,  
22 and it was not prepared or signed by the Service Provider.

23       68. Werth told Investor A, in or about January 2017, that the IRS was to  
24 blame for the "hiccup" and "speed bump" in paying back the money that Investor A  
25 was owed. Werth told Investor A that the IRS was demanding capital gains from  
26 investors and that she was involved in a lawsuit over this. Werth told Investor A that  
27 this had created "big problems" and that it could take several years for all of this to  
28 get "cleared up."

1       69. To back up these statements, Werth gave Investor A several documents  
2 that she claimed related to her dispute with the IRS, including a “Notice of Action  
3 Taken” that was purportedly issued by the IRS on August 3, 2017.

4              **2. Investor B**

5       70. On or about April 18, 2018, Werth solicited Investor B to invest  
6 approximately \$500,000 in one of the Defendant Entities’ purported exchange  
7 projects and signed a promissory note on behalf of defendant CES, agreeing to repay  
8 Investor B the \$500,000 he invested in Defendant CES plus a flat rate of interest on  
9 the unpaid principal of 40 percent due and payable on June 1, 2018.

10       71. On or about April 16, 2018, Werth provided Investor B with a  
11 Memorandum of Understanding that identified 750 Post Street, San Francisco, CA  
12 94109 and 2400 Washington Street, San Francisco, CA 94115 as the 1031 exchange  
13 projects being funded by Investor B’s \$500,000 investment in Defendant CES

14       72. On or about April 12, 2018, Werth signed a “Collateral Account Bank  
15 Agreement” on behalf of Defendant CES, agreeing to pledge as collateral for Investor  
16 B’s \$500,000 investment in CES, the funds contained in Wells Fargo bank account  
17 ending in #XXXXX11025. The collateral agreement required CES to maintain the  
18 funds in the Wells Fargo bank account until Investor B was repaid the \$500,000 he  
19 invested, plus any interest, fees, and finance charges.

20       73. To back up the collateral agreement, Werth provided Investor B with  
21 what purported to be a Wells Fargo bank account statement for CES’s bank account  
22 ending in #XXXXX11025 for the time period between March 1, 2018 and March 31,  
23 2018, which showed an outstanding balance in the subject account of \$7.2 million.

24       74. In reality, Werth forged the bank statement, or caused it to be forged,  
25 because CES did not maintain a Wells Fargo bank account ending in XXXXX11025.  
26 For the bank accounts CES did maintain at that bank, it only had approximately  
27 \$33,252 in its known bank accounts as of March 31, 2018.

1                   **3. Investor C**

2       75. On or about April 26, 2018, Werth solicited Investor C to invest  
3 approximately \$500,000 in one of the Defendant Entities' purported exchange  
4 projects and signed a promissory note on behalf of defendant CES, agreeing to repay  
5 Investor C the \$500,000 he invested in Defendant CES plus a flat rate of 15 percent  
6 interest on the principal in ninety (90) days.

7       76. On or about June 4, 2018, Werth provided Investor C with a  
8 Memorandum of Understanding that identified "a project located in San Francisco,  
9 CA" as the 1031 exchange project being funded by Investor C's \$500,000 investment  
10 in Defendant CES.

11      77. On or about April 26, 2018, Werth signed a "Collateral Account Bank  
12 Agreement" on behalf of Defendant CES, agreeing to pledge as collateral Defendant  
13 CES's Wells Fargo bank account ending in #xxxxx1025 for the specific purpose of  
14 guaranteeing that the \$500,000 Investor C invested in Defendant CES would be  
15 repaid to Investor C plus interest. The Collateral Account Bank Agreement purported  
16 to be co-signed by C.D., someone identified as working in the Asset Management  
17 division of Wells Fargo, where the funds were purportedly being held.

18      78. In reality, Werth forged the signature of C.D., or caused it be forged,  
19 because the Defendant Entities did not have a Wells Fargo bank account ending in  
20 #xxxxx1025.

21                   **G. Lulling Statements**

22      79. Since the Section 1031 exchange business that Werth and the Defendant  
23 Entities claim is the backbone of the investments is nothing more than a fraud and  
24 does not exist, numerous investors have not been repaid at all, have only been  
25 partially repaid, or have not been repaid within the time periods Werth and the  
26 Defendant Entities represented they would be repaid.

27      80. This has led numerous investors, between 2015 and the present, to  
28 contact Werth demanding explanations, and the return of their investments.

1       81. Werth gives investors an array of excuses, both verbally and in writing.  
 2 These include: (1) falsely claiming that the SEC is to blame for her inability to  
 3 follow through on her representations about the investment; and (2) blaming her  
 4 accountants and the United States Internal Revenue Service (“IRS”) for her inability  
 5 to follow through on her representations about the investment.

6       82. Werth’s lulling statements caused at least one investor, in or about July  
 7 2018, to delay reporting the fraudulent scheme to regulators, and led another investor,  
 8 in or about August 2016, to invest more money in the Defendant Entities.

9                   **H. Defendants Acted with Scienter, or Alternatively, were Negligent**

10       83. As set forth above, Werth knew, or was reckless in not knowing, that the  
 11 representations she made to investors regarding their investment in the Defendant  
 12 Entities were false and misleading.

13       84. Werth knew, or was reckless in not knowing, that she made false and  
 14 misleading statements to investors about her background and her ability to safeguard  
 15 their investments because she described herself as the Chief Executive Officer and  
 16 Director of CES, someone with over twenty years of experience as a “1031 exchange  
 17 specialist,” and as “Construction Exchange Officer,” without once disclosing to  
 18 investors that she had been convicted of felony theft and elder abuse in 2013 and had  
 19 twice been sued for fraud.

20       85. Werth knew, or was reckless in not knowing, that she made false and  
 21 misleading statements to investors about the risks involved in their investment  
 22 because she signed corporate guarantees and collateral agreements on behalf of the  
 23 Defendant Entities indicating that the Defendant Entities would set aside a certain  
 24 amount of money to make sure investors were repaid, even though the Defendant  
 25 Entities had not set aside that money and many of the documents she provided  
 26 investors to back up those representations were forgeries.

27       86. Werth knew, or was reckless in not knowing, that she made false and  
 28 misleading statements to investors about how investor funds would be maintained

1 because she told investors that their funds would be kept in separate bank accounts  
 2 for each exchange project when, in fact, she consistently commingled investor funds  
 3 into the same accounts and consistently transferred investor funds between Werth's  
 4 and the Defendant Entities' financial accounts.

5       87. Werth knew, or was reckless in not knowing, that she made false and  
 6 misleading statements to investors about how investor funds would be spent because  
 7 she told investors their funds would be used for the business of making investments  
 8 in Section 1031 exchanges, including investments for construction, rehabilitation, and  
 9 development of real property when, in fact, she used investors' money to make Ponzi  
 10 payments to other investors, to pay herself, and to pay her personal expenses.

11       88. In the alternative, Werth acted negligently and without reasonable care  
 12 in communicating how she would use investor funds, in giving investors documents  
 13 that were forgeries, in failing to disclose her criminal record to investors, and in  
 14 failing to carry out the Section 1031 exchange business that purportedly provided the  
 15 basis for the investors' returns.

16       89. As the sole principal of the Defendant Entities, Werth's scienter and  
 17 negligence are imputed to the Defendant Entities.

#### **FIRST CLAIM FOR RELIEF**

##### **Fraud in Connection with the Purchase and Sale of Securities Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) (against All Defendants)**

22       90. The SEC realleges and incorporates by reference paragraphs 1 through  
 23 89 above.

24       91. Defendant Werth and the Defendant Entities each defrauded investors by  
 25 misappropriating investor funds, which should have been allocated to construction  
 26 project bank accounts and used for the business of making investments in Section  
 27 1031 exchanges. Defendant Werth and the Defendant Entities also defrauded  
 28 investors by forging documents to make it appear as if they were engaged in a *bona*

*fide business, that the Defendant Entities were well capitalized, and that investors faced little or no risk by investing in the Defendant Entities.*

92. At all relevant times, Defendant Werth and the Defendant Entities acted with scienter, knowing that Defendant Werth was spending investors' money to make Ponzi payments to other investors and for her personal expenses, and knowing that the 1031 exchange business was a complete sham and that the documents they gave investors to suggest they had enough capital to pay back investors were forgeries. In the alternative, Defendant Werth and the Defendant Entities acted negligently.

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

94. By engaging in the conduct described above, defendant Werth and the Defendant Entities violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

## **SECOND CLAIM FOR RELIEF**

## **Fraud in Connection with the Purchase and Sale of Securities**

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

**(against All Defendants)**

95. The SEC realleges and incorporates by reference paragraphs 1 through 89 above.

96. Defendant Werth and the Defendant Entities each made material misrepresentations and omissions to investors by holding Werth out as a highly experienced and successful facilitator of Section 1031 exchanges, who would use

their money to invest in 1031 exchange projects with extremely high returns and with virtually no risk to investors.

97. At all relevant times, Defendant Werth and the Defendant Entities acted with scienter, knowing that Werth was a convicted felon who was spending virtually all of the investors' money to make Ponzi payments to other investors and to pay for her personal expenses, and that the 1031 exchange business Werth claimed to run using the Defendant Entities was a sham. In the alternative, Defendant Werth and the Defendant Entities acted negligently.

98. By engaging in the conduct described above, Werth and the Defendant Entities, and each of them, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

99. By engaging in the conduct described above, defendant Werth and the Defendant Entities violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(b) thereunder, 17 C.F.R. §§ 240.10b-5(b) .

### **THIRD CLAIM FOR RELIEF**

## Fraud in the Offer or Sale of Securities

## **Violations of Section 17(a)(1) and (3) of the Securities Act (against All Defendants)**

100. The SEC realleges and incorporates by reference paragraphs 1 through  
89 above.

101. Defendant Werth and the Defendant Entities each defrauded investors by misappropriating investor funds, which should have been allocated to construction project bank accounts and used for the business of making investments in Section

1 1031 exchanges. Defendant Werth and the Defendant Entities also defrauded  
2 investors by forging documents to make it appear as if they were engaged in a *bona*  
3 *fide* business, that the Defendant Entities were well capitalized, and that investors  
4 faced little or no risk by investing in the Defendant Entities.

5 102. At all relevant times, Defendant Werth and the Defendant Entities acted  
6 with scienter, knowing that Defendant Werth was spending investors' money to make  
7 Ponzi payments to other investors and for her personal expenses, and knowing that  
8 the 1031 exchange business was a complete sham and that the documents they gave  
9 investors to suggest they had enough capital to pay back investors were forgeries. In  
10 the alternative, Defendant Werth and the Defendant Entities acted negligently.

11 103. By engaging in the conduct described above, defendant Werth and the  
12 Defendant Entities, and each of them, directly or indirectly, in the offer or sale of  
13 securities, and by the use of means or instruments of transportation or communication  
14 in interstate commerce or by use of the mails directly or indirectly: (a) employed  
15 devices, schemes, or artifices to defraud and (c) engaged in transactions, practices, or  
16 courses of business which operated or would operate as a fraud or deceit upon the  
17 purchaser.

18 104. By engaging in the conduct described above, defendant Werth and the  
19 Defendant Entities violated, and unless restrained and enjoined will continue to  
20 violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1)  
21 & 77q(a)(3).

22 **FOURTH CLAIM FOR RELIEF**

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

24 **Violations of Section 17(a)(2) of the Securities Act  
(against All Defendants)**

25 105. The SEC realleges and incorporates by reference paragraphs 1 through  
26 89 above.

27 106. Defendant Werth and the Defendant Entities each made material

misrepresentations and omissions to investors by holding Werth out as a highly experienced and successful facilitator of Section 1031 exchanges, who would use their money to invest in 1031 exchange projects with extremely high returns and with virtually no risk to investors.

107. At all relevant times, Defendant Werth and the Defendant Entities acted with scienter, knowing that Werth was a convicted felon who was spending virtually all of the investors' money to make Ponzi payments to other investors and to pay for her personal expenses, and that the 1031 exchange business Werth claimed to run using the Defendant Entities was a sham. In the alternative, Defendant Werth and the Defendant Entities acted negligently.

108. By engaging in the conduct described above, defendant Werth and the Defendant Entities, and each of them, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

109. By engaging in the conduct described above, defendant Werth and the Defendant Entities violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(2) of the Securities Act, 15 U.S.C. §§ 77q(a)(2).

## **FIFTH CLAIM FOR RELIEF**

## **Unregistered Offer and Sale of Securities**

## **Violations of Sections 5(a) and 5(c) of the Securities Act**

**(against All Defendants)**

110. The SEC realleges and incorporates by reference paragraphs 1 through  
89 above.

111. Defendant Werth and the Defendant Entities never registered the securities that they offered to investors with the SEC, and no exemption from

registration applied.

112. By engaging in the conduct described above, Defendant Werth and the Defendant Entities, and each of them, directly or indirectly, singly and in concert with others, has made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer to sell or to sell securities, or carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities for the purpose of sale or for delivery after sale.

113. By engaging in the conduct described above, Werth and the Defendant Entities, have violated, and unless restrained and enjoined, will continue to violate, Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) & 77e(c).

## **PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

L.

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

II.

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and an order to show cause why a preliminary injunction should not be entered, temporarily and preliminarily enjoining Defendants, and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. §77q(a)(1), (2) & (3)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(a), (b) and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b) & (c)], and Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

III.

1       Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining  
2 order and an order to show cause why a preliminary injunction should not be entered,  
3 freezing the funds and assets of Defendants; prohibiting Defendants from destroying  
4 documents; and ordering an accounting by Defendants.

5                          **IV.**

6       Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
7 Civil Procedure, permanently enjoining Defendants, and their officers, agents,  
8 servants, employees and attorneys, and those persons in active concert or  
9 participation with any of them, who receive actual notice of the judgment by personal  
10 service or otherwise, and each of them, from violating Section 17(a) of the Securities  
11 Act [15 U.S.C. §77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)]  
12 and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 5(a) and 5(c) of the  
13 Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

14                          **V.**

15       Order Defendants to disgorge all funds received from their illegal conduct,  
16 together with prejudgment interest thereon.

17                          **VI.**

18       Order Defendants to pay civil penalties under Section 20(d) of the Securities  
19 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §  
20 78u(d)(3)].

21                          **VII.**

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

VIII.

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

Dated: October 1, 2018

*/s/ Douglas M. Miller*  
DOUGLAS M. MILLER  
Attorney for Plaintiff  
Securities and Exchange Commission

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

<b>I. (a) PLAINTIFFS</b> ( Check box if you are representing yourself <input type="checkbox"/> )	<b>DEFENDANTS</b> ( Check box if you are representing yourself <input type="checkbox"/> )					
SECURITIES AND EXCHANGE COMMISSION						
SUSAN WERTH aka "SUSAN WORTH," CORPORATE MYSTIC, LLC, COMMERCIAL EXCHANGE SOLUTIONS, INC., and EXCHANGE SOLUTIONS COMPANY						
(b) County of Residence of First Listed Plaintiff _____ <i>(EXCEPT IN U.S. PLAINTIFF CASES)</i>						
County of Residence of First Listed Defendant San Diego <i>(IN U.S. PLAINTIFF CASES ONLY)</i>						
(c) Attorneys (Firm Name, Address and Telephone Number) If you are representing yourself, provide the same information. Donald W. Searles, Douglas M. Miller, and M. Lance Jasper Securities and Exchange Commission 444 S. Flower Street, Suite 900 Los Angeles, CA 90071      (323) 965-3998						
Attorneys (Firm Name, Address and Telephone Number) If you are representing yourself, provide the same information. Shaun Khojayan Law Offices of Shaun Khojayan & Associates P.L.C. 515 S. Flower Street, 36th Floor Los Angeles, CA 90071      (310) 274-6111						
<b>II. BASIS OF JURISDICTION</b> (Place an X in one box only.)						
<input checked="" type="checkbox"/> 1. U.S. Government Plaintiff	<input type="checkbox"/> 3. Federal Question (U.S. Government Not a Party)					
<input type="checkbox"/> 2. U.S. Government Defendant	<input type="checkbox"/> 4. Diversity (Indicate Citizenship of Parties in Item III)					
<b>III. CITIZENSHIP OF PRINCIPAL PARTIES</b> -For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant)						
Citizen of This State	<input type="checkbox"/> PTF <input type="checkbox"/> DEF	Incorporated or Principal Place of Business in this State	<input type="checkbox"/> PTF <input type="checkbox"/> DEF			
Citizen of Another State	<input type="checkbox"/> 1 <input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 4 <input type="checkbox"/> 5			
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3 <input type="checkbox"/> 4	Foreign Nation	<input type="checkbox"/> 6 <input type="checkbox"/> 7			
<b>IV. ORIGIN</b> (Place an X in one box only.)						
<input checked="" type="checkbox"/> 1. Original Proceeding	<input type="checkbox"/> 2. Removed from State Court	<input type="checkbox"/> 3. Remanded from Appellate Court	<input type="checkbox"/> 4. Reinstated or Reopened	<input type="checkbox"/> 5. Transferred from Another District (Specify) _____	<input type="checkbox"/> 6. Multidistrict Litigation - Transfer	<input type="checkbox"/> 8. Multidistrict Litigation - Direct File
<b>V. REQUESTED IN COMPLAINT: JURY DEMAND:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (Check "Yes" only if demanded in complaint.)						
<b>CLASS ACTION under F.R.Cv.P. 23:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				<b>MONEY DEMANDED IN COMPLAINT:</b> \$ _____		
<b>VI. CAUSE OF ACTION</b> (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.) 15 U.S.C. § 78j(b), 17 C.F.R. §§ 240.10b-5(a-c), 15 U.S.C. §§ 77q(a)(1-3), 15 U.S.C. §§ 77e(a) & 77e(c)						
<b>VII. NATURE OF SUIT</b> (Place an X in one box only).						
<b>OTHER STATUTES</b>	<b>CONTRACT</b>	<b>REAL PROPERTY CONT.</b>	<b>IMMIGRATION</b>	<b>PRISONER PETITIONS</b>	<b>PROPERTY RIGHTS</b>	
<input type="checkbox"/> 375 False Claims Act	<input type="checkbox"/> 110 Insurance	<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 462 Naturalization Application	<b>Habeas Corpus:</b>	<input type="checkbox"/> 820 Copyrights	
<input type="checkbox"/> 376 Qui Tam (31 USC 3729(a))	<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 245 Tort Product Liability	<input type="checkbox"/> 463 Alien Detainee	<input type="checkbox"/> 510 Motions to Vacate Sentence	<input type="checkbox"/> 830 Patent	
<input type="checkbox"/> 400 State Reapportionment	<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 530 General	<input type="checkbox"/> 835 Patent - Abbreviated New Drug Application	
<input type="checkbox"/> 410 Antitrust	<input type="checkbox"/> 140 Negotiable Instrument	<b>TORTS PERSONAL PROPERTY</b>				
<input type="checkbox"/> 430 Banks and Banking	<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 370 Other Fraud	<b>Other:</b>	<input type="checkbox"/> 840 Trademark	
<input type="checkbox"/> 450 Commerce/ICC Rates/Etc.	<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 315 Airplane	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 540 Mandamus/Other	<b>SOCIAL SECURITY</b>	
<input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Vet.)	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 861 HIA (1395f)	
<input type="checkbox"/> 470 Racketeer Influenced & Corrupt Org.	<input type="checkbox"/> 153 Recovery of Overpayment of Vet. Benefits	<input type="checkbox"/> 330 Fed. Employers' Liability	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 555 Prison Condition	<input type="checkbox"/> 862 Black Lung (923)	
<input type="checkbox"/> 480 Consumer Credit	<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 560 Civil Detainee Conditions of Confinement	<input type="checkbox"/> 863 DIWC/DIW (405 (g))	
<input type="checkbox"/> 490 Cable/Sat TV	<input type="checkbox"/> 160 Other Contract	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<input type="checkbox"/> 864 SSID Title XVI	
<input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange	<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 424 Civil Rights	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 865 RSI (405 (g))	
<input type="checkbox"/> 890 Other Statutory Actions	<input type="checkbox"/> 195 Contract Product Liability	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<input type="checkbox"/> 441 Voting	<b>FEDERAL TAX SUITS</b>	<b>CIVIL RIGHTS</b>	
<input type="checkbox"/> 891 Agricultural Acts	<input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)	
<input type="checkbox"/> 893 Environmental Matters		<input type="checkbox"/> 362 Personal Injury-Med Malpractice	<input type="checkbox"/> 443 Housing/Accommodations	<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 871 IRS-Third Party 26 USC 7609	
<input type="checkbox"/> 895 Freedom of Info. Act		<input type="checkbox"/> 365 Personal Injury-Product Liability	<input type="checkbox"/> 445 American with Disabilities-Employment	<input type="checkbox"/> 740 Railway Labor Act		
<input type="checkbox"/> 896 Arbitration		<input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability	<input type="checkbox"/> 446 American with Disabilities-Other	<input type="checkbox"/> 751 Family and Medical Leave Act		
<input type="checkbox"/> 899 Admin. Procedures Act/Review of Appeal of Agency Decision		<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 448 Education	<input type="checkbox"/> 790 Other Labor Litigation		
<input type="checkbox"/> 950 Constitutionality of State Statutes				<input type="checkbox"/> 791 Employee Ret. Inc. Security Act		

FOR OFFICE USE ONLY:

Case Number:

CV18-8436

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

**VIII. VENUE:** Your answers to the questions below will determine the division of the Court to which this case will be initially assigned. This initial assignment is subject to change, in accordance with the Court's General Orders, upon review by the Court of your Complaint or Notice of Removal.

<b>QUESTION A: Was this case removed from state court?</b>		STATE CASE WAS PENDING IN THE COUNTY OF:		INITIAL DIVISION IN CACD IS:	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <small>If "no," skip to Question B. If "yes," check the box to the right that applies, enter the corresponding division in response to Question E, below, and continue from there.</small>		<input type="checkbox"/> Los Angeles, Ventura, Santa Barbara, or San Luis Obispo <input type="checkbox"/> Orange <input type="checkbox"/> Riverside or San Bernardino		Western Southern Eastern	
<b>QUESTION B: Is the United States, or one of its agencies or employees, a PLAINTIFF in this action?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <small>If "no," skip to Question C. If "yes," answer Question B.1, at right.</small>		<b>B.1.</b> Do 50% or more of the defendants who reside in the district reside in Orange Co.? <small>check one of the boxes to the right</small> →		<small>YES. Your case will initially be assigned to the Southern Division.</small> <input type="checkbox"/> Enter "Southern" in response to Question E, below, and continue from there.  <small>NO. Continue to Question B.2.</small> <input checked="" type="checkbox"/>	
		<b>B.2.</b> Do 50% or more of the defendants who reside in the district reside in Riverside and/or San Bernardino Counties? (Consider the two counties together.) <small>check one of the boxes to the right</small> →		<small>YES. Your case will initially be assigned to the Eastern Division.</small> <input type="checkbox"/> Enter "Eastern" in response to Question E, below, and continue from there.  <small>NO. Your case will initially be assigned to the Western Division.</small> <input checked="" type="checkbox"/> Enter "Western" in response to Question E, below, and continue from there.	
<b>QUESTION C: Is the United States, or one of its agencies or employees, a DEFENDANT in this action?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No <small>If "no," skip to Question D. If "yes," answer Question C.1, at right.</small>		<b>C.1.</b> Do 50% or more of the plaintiffs who reside in the district reside in Orange Co.? <small>check one of the boxes to the right</small> →		<small>YES. Your case will initially be assigned to the Southern Division.</small> <input type="checkbox"/> Enter "Southern" in response to Question E, below, and continue from there.  <small>NO. Continue to Question C.2.</small> <input type="checkbox"/>	
		<b>C.2.</b> Do 50% or more of the plaintiffs who reside in the district reside in Riverside and/or San Bernardino Counties? (Consider the two counties together.) <small>check one of the boxes to the right</small> →		<small>YES. Your case will initially be assigned to the Eastern Division.</small> <input type="checkbox"/> Enter "Eastern" in response to Question E, below, and continue from there.  <small>NO. Your case will initially be assigned to the Western Division.</small> <input type="checkbox"/> Enter "Western" in response to Question E, below, and continue from there.	
<b>QUESTION D: Location of plaintiffs and defendants?</b>		A. Orange County	B. Riverside or San Bernardino County	C. Los Angeles, Ventura, Santa Barbara, or San Luis Obispo County	
Indicate the location(s) in which 50% or more of <i>plaintiffs who reside in this district</i> reside. (Check up to two boxes, or leave blank if none of these choices apply.)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Indicate the location(s) in which 50% or more of <i>defendants who reside in this district</i> reside. (Check up to two boxes, or leave blank if none of these choices apply.)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>D.1. Is there at least one answer in Column A?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No <small>If "yes," your case will initially be assigned to the SOUTHERN DIVISION.</small> <small>Enter "Southern" in response to Question E, below, and continue from there.</small> <small>If "no," go to question D2 to the right.</small> →		<b>D.2. Is there at least one answer in Column B?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No <small>If "yes," your case will initially be assigned to the EASTERN DIVISION.</small> <small>Enter "Eastern" in response to Question E, below.</small> <small>If "no," your case will be assigned to the WESTERN DIVISION.</small> <small>Enter "Western" in response to Question E, below.</small> ↓			
<b>QUESTION E: Initial Division?</b> <small>Enter the initial division determined by Question A, B, C, or D above:</small> →		INITIAL DIVISION IN CACD			
<b>QUESTION F: Northern Counties?</b> <small>Do 50% or more of plaintiffs or defendants in this district reside in Ventura, Santa Barbara, or San Luis Obispo counties?</small>		<small>WESTERN</small> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

**IX(a). IDENTICAL CASES:** Has this action been previously filed **in this court?**

NO

YES

If yes, list case number(s): \_\_\_\_\_

**IX(b). RELATED CASES:** Is this case related (as defined below) to any civil or criminal case(s) previously filed **in this court?**

NO

YES

If yes, list case number(s): \_\_\_\_\_

**Civil cases** are related when they (check all that apply):

- A. Arise from the same or a closely related transaction, happening, or event;
- B. Call for determination of the same or substantially related or similar questions of law and fact; or
- C. For other reasons would entail substantial duplication of labor if heard by different judges.

Note: That cases may involve the same patent, trademark, or copyright is not, in itself, sufficient to deem cases related.

**A civil forfeiture case and a criminal case** are related when they (check all that apply):

- A. Arise from the same or a closely related transaction, happening, or event;
- B. Call for determination of the same or substantially related or similar questions of law and fact; or
- C. Involve one or more defendants from the criminal case in common and would entail substantial duplication of labor if heard by different judges.

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**X. SIGNATURE OF ATTORNEY**

(OR SELF-REPRESENTED LITIGANT): /s/ Douglas M. Miller

DATE: 10/1/2018

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**Notice to Counsel/Parties:** The submission of this Civil Cover Sheet is required by Local Rule 3-1. This Form CV-71 and the information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. For more detailed instructions, see separate instruction sheet (CV-071A).

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Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405 (g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))