

IN THE DISTRICT COURT OF OKLAHOMA ~~IN THE DISTRICT COURT~~  
STATE OF OKLAHOMA ~~OKLAHOMA COUNTY~~ OKLAHOMA COUNTY

NOV - 3 2017

RICK WARREN  
COURT CLERK

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Oklahoma Department of Securities )  
ex rel. Irving L. Faught, )  
Administrator, )

Plaintiff, )

v. )

Justin Wayne Baker, )

Defendant. )

Case No.

**CJ-2017 - 6327**

**ALETIA HAYNES TIMMONS**

**PETITION FOR PERMANENT INJUNCTION AND OTHER RELIEF**

Plaintiff, Oklahoma Department of Securities ex rel. Irving L. Faught, Administrator, ("**Department**"), for its claims against the above-named Defendant, alleges and states as follows:

**OVERVIEW**

1. This case involves violations of the Oklahoma Uniform Securities Act of 2004 ("**Act**"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011 and Supp. 2016), by Justin Wayne Baker ("**Defendant**"). Specifically, the Department alleges that Defendant transacted business in and from this state as an unregistered investment adviser in violation of Section 1-403 of the Act and made untrue statements of material fact and omissions of material fact in violation of Section 1-502 of the Act.

**JURISDICTION**

2. The Administrator of the Department brings this action pursuant to Section 1-603 of the Act and is the proper party to bring this action against Defendant.

3. Pursuant to Sections 1-102 and 1-610 of the Act, Defendant is subject to the provisions of the Act.

4. By virtue of his residence and activities in this state, Defendant is subject to the jurisdiction of the Court and to service of summons within or outside of this state.

5. Venue is proper in this county.

#### **DEFENDANT**

6. Defendant is an individual who, upon information and belief, currently resides in Oilton, Oklahoma. Defendant resided in Blanchard, Eufaula, and/or Oilton, Oklahoma, at all times material hereto.

7. Defendant has never been registered under the Act in any capacity.

8. Defendant is not qualified to be registered under the Act as an investment adviser because he has not taken and passed the applicable examinations.

#### **INVESTMENT ADVICE**

9. Although unregistered, Defendant has held himself out to be a registered investment adviser and has provided investment advice in and from Oklahoma to other persons for compensation or with an agreement to receive compensation.

10. In August 2016, Defendant joined a financial communications platform called "StockTwits." StockTwits markets itself as "the leading social network for investors and traders."

11. Defendant's profile on StockTwits states, "I am a full time RIA [registered investment adviser] with the knowledge to share. I day trade on a regular basis and long term invest for many of my clients. Come join the money flow!" Defendant has 53 followers on StockTwits.

12. Sometime in or before January 2017, Defendant created and/or joined an internet chatroom in which participants discuss stocks and other investments.

13. In this chatroom, Defendant represented himself to be a “Registered Investment Advisor” that has been “professionally” trading for 8.5 years. Defendant described his business as an “investment business with a few employees and a fair number of clients.” Defendant also represented that he “trades on multiple people’s accounts and take[s] a percentage of the profit. It’s not particularly a hedge fund but could be considered one technically.”

14. Certain members of the chatroom sought Defendant’s services. Defendant instructed those members to open brokerage accounts at Interactive Brokers, fund the accounts, and connect the accounts to Defendant’s adviser account at Interactive Brokers. Defendant said he would trade the accounts and take 25 percent of the monthly profits as compensation. The clients were to pay the advisory fee by check.

15. During the time period beginning December 12, 2016 and ending July 12, 2017, eight individuals opened brokerage accounts at Interactive Brokers and appointed Defendant as their investment adviser (“**Investors**”).

16. Some of the Investors were participants in the chatroom described above while others were related to Defendant or otherwise knew Defendant.

17. Using his discretion, Defendant traded securities in the Investors’ accounts—except for one account—at Interactive Brokers.

18. The excepted account is the account of an Investor who gave a check in the amount of \$2,000 to Defendant in approximately January 2017 for the purpose of depositing the check into the Investor’s account at Interactive Brokers. The check was

not deposited into the Investor's account and, instead, was deposited into the bank account of a member of Defendant's family. The Investor's account at Interactive Brokers remained unfunded.

19. Collectively, the Investors deposited approximately \$116,546 into their accounts at Interactive Brokers, experienced realized losses totaling \$40,579 or 34.8% of the deposits, and paid commissions and fees to Interactive Brokers totaling \$15,796 or 13.6% of the deposits.

20. Three of the Investors' accounts remain open and linked to Defendant's adviser account.

#### **UNTRUE STATEMENTS AND OMISSIONS**

21. As described above, Defendant told the Investors that he is a registered investment adviser when in fact he is not.

22. Defendant never told the Investors that he is not even qualified to be a registered investment adviser.

23. Defendant never told the Investor referenced in paragraph 18 above that Defendant did not deposit the Investor's \$2,000 check into the Investor's account at Interactive Brokers.

24. On July 12, 2017, Defendant told another Investor, to induce the Investor to open an account, "I do make fairly decent calls. I have some bad times but overall I'm 80% right[.]" Defendant omitted to tell this Investor the fact that by the end of June 30, 2017, the other Investors had already collectively lost a total of 37.5% of their principal through realized losses, commissions, and fees, excluding any advisory fees paid to Defendant.

25. When another one of the Investors, a retired senior with a low risk tolerance, started questioning his account balance in July 2017, the Defendant tried to conceal the Investor's losses by misrepresenting, among other things, that the account statements provided by Interactive Brokers were wrong.

26. There is a substantial likelihood that a reasonable investor would consider these misrepresented and omitted facts important.

### **FIRST CAUSE OF ACTION**

#### **(Violation of Section 1-403(A) of the Act: Transacting Business as an Unregistered Investment Adviser)**

27. The Department realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 26 above.

28. Defendant has transacted business in this state as an investment adviser by engaging, for compensation, in the business of advising others as to the value of securities and/or the advisability of investing in, purchasing, or selling securities.

29. Defendant is not registered in any capacity under the Act.

30. By reason of the foregoing, Defendant has violated, and unless enjoined may continue to violate, Section 1-403(A) of the Act.

### **SECOND CAUSE OF ACTION**

#### **(Violation of Section 1-502 of the Act: Untrue Statements and Omissions of Material Fact)**

31. The Department realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

32. Defendant made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

33. By reason of the foregoing, Defendant has violated, and unless enjoined may continue to violate, Section 1-502(A)(2) of the Act.

### **THIRD CAUSE OF ACTION**

#### **(Violation of Section 1-502 of the Act: Engaged in Fraudulent or Deceitful Act, Practice, or Course of Business)**

34. The Department realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

35. Defendant engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person.

36. By reason of the foregoing, Defendant has violated, and unless enjoined may continue to violate, Section 1-502(A)(3) of the Act.

### **PRAYER FOR RELIEF**

Defendant has engaged in acts and practices in violation of the Act. Unless enjoined, Defendant may continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.


WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, the Department prays for the following relief:

1. Temporary and permanent injunctions enjoining Defendant from transacting business in and/or from this state as an investment adviser;

2. Order of restitution to the Investors and all other persons for whom Defendant has transacted business in and/or from this state as an unregistered investment adviser;
3. Order imposing on Defendant a civil penalty in the amount of \$20,000, payable to the Department's Investor Education Revolving Fund; and
4. Such other equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act.

Respectfully,

OKLAHOMA DEPARTMENT OF SECURITIES  
Irving L. Faught, Administrator

By:   
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