

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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Office of Proceedings
Proceedings Clerk

12:02 pm, Aug 21, 2013

In the Matter of

CFTC DOCKET NO. SD 13-03

VERUUS WEALTH
MANAGEMENT, LLC,

Registrant.

**NOTICE OF INTENT TO REVOKE THE REGISTRATIONS
OF VERUUS WEALTH MANAGEMENT, LLC**

I.

The U. S. Commodity Futures Trading Commission (“Commission”) has received information from its staff that tends to show, and the Commission’s Division of Enforcement (“Division”) alleges and is prepared to prove, that:

1. Veruus Wealth Management, LLC (“Veruus”) is a Colorado limited liability corporation whose listed address with the Commission is at 4600 S. Syracuse Street, Suite 900, Denver, Colorado 80237.

2. Veruus has been registered with the Commission as a commodity pool operator (“CPO”) and as a commodity trading advisor (“CTA”) since May 3, 2012, pursuant to Section 4m of the Commodity Exchange Act (the “Act”), 7 U.S.C. § 6m (Supp. V. 2011).

3. On August 24, 2012, David W. McCarthy, his wife, and their Colorado limited liability company, DRCK LLC (“DRCK”) (collectively “Private Plaintiffs”), filed a state court civil injunctive action against Veruus, Direction Labs, Inc., a Colorado corporation that solicited them to invest in a Veruus-managed foreign exchange trading account, Veruus’ and Direction

Labs' chief executive officer and two other individuals. *See DRCK LLC, et al. v. Direction Labs, Inc., Veruus Wealth Management, LLC, et al.*, Case No. 2012CV5305 (Denver Co. D. Ct., 2nd JD, filed August 24, 2012).

4. The Private Plaintiffs' complaint alleged that from January 2012 through approximately June 2012, Defendant Veruus and the other Defendants knowingly obtained or exercised control over monies Private Plaintiffs provided to Veruus to invest in a trading account to be managed by Veruus after Direction Labs and other Defendants solicited Private Plaintiffs by telling them that an initial \$300,000 investment would yield \$1,000,000 within twelve months. The complaint further alleged that, without authorization and with the intent to deprive Private Plaintiffs of the use or benefit of those monies, Veruus and the other Defendants used the Private Plaintiffs' funds for operating expenses instead of for trading activity, thereby constituting civil theft and conversion.

5. The Private Plaintiffs also alleged that they made a \$500,000 investment in Direction Labs through a stock purchase agreement and advanced an additional \$48,000 for payroll to Direction Labs in exchange for additional stock in the company. As alleged, Veruus and the other Defendants breached these agreements by "improperly commingling funds."

6. The complaint also alleged that Veruus and the other Defendants received a benefit at the Private Plaintiffs' expense by using Private Plaintiffs' trading funds for purposes other than those stated to the Private Plaintiffs, thereby unjustly enriching themselves at Private Plaintiffs' expense.

7. On November 28, 2012, the District Court for the City and County of Denver, Colorado entered an Order of Default Judgment against Defendants Veruus and Direction Labs, Inc. (hereinafter collectively, the "Default Defendants") ("Default Order"). The Default Order

found that the Private Plaintiffs had filed claims for civil theft, conversion, unjust enrichment and breach of contract, that the Default Defendants were properly served, and that the Default Defendants are jointly and several liable on those claims and on a breach of fiduciary duty claim against Direction Labs.

8. The Default Order also found that the Private Plaintiffs suffered \$339,517.79 in damages under the civil theft claim, comprised of the \$300,000 investment and \$39,517.79 in reported profits in the trading account. Further, the Court ordered that the Private Plaintiffs were entitled to treble the damages of \$339,517.79 pursuant to C. R. S. A. § 18-4-405 (2012), which allows treble damages as a punitive remedy for stealing an owner's property. The Default Order therefore awarded total damages of \$1,589,557.56, which includes the \$339,517.79 trading account loss, trebled, plus \$548,000 recompense for Private Plaintiffs' stock purchase. The Court entered a final judgment amount of \$1,635,197.46 after adding fees, costs and interest.

9. Pursuant to Section 8a(4) of the Act, 7 U.S.C. § 12a(4), the Commission may revoke the registration of any person if cause exists under Section 8a(3) of the Act which would warrant a refusal of registration of that person.

10. Pursuant to Section 8a(3)(K) of the Act, 7 U.S.C. § 12a(3)(K), the Commission may refuse to register any person who has been found by any court of competent jurisdiction to have violated any statute or any rule, regulation or order thereunder which involves theft or conversion of funds.

11. The facts set forth above that Veruus was found guilty of theft and conversion by a Colorado state court constitute a valid basis under Section 8a(3)(K) of the Act, 7 U.S.C. § 12a(3)(K), for the Commission to revoke Veruus' registrations as a CTA and CPO.

II.

12. Pursuant to Commission Regulation (“Regulation”) 3.60(a), 17 C.F.R. § 3.60(a) (2013), Veruus is hereby notified that a public proceeding shall be conducted in accordance with the provisions of Regulation 3.60, 17 C.F.R. § 3.60 (2013), and Part 10 of the Regulations, 17 C.F.R. § 10.1 *et seq.*, on the following questions:

- a. Whether Veruus is subject to statutory disqualification from registration under Section 8a(4) as set forth in Section I above;
- b. If the answer to the above question is affirmative, then whether the Registrations of Veruus as a CTA and CPO should be revoked.

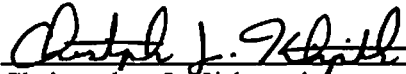
13. Such proceeding shall be before an Administrative Law Judge or Presiding Officer in accordance with Regulations 3.60 and 10.8, 17 C.F.R. § 3.60, 10.8 (2012), and all post-hearing procedures shall be conducted pursuant to Regulation 3.60(i)-(j), 17 C.F.R. § 3.60(i)-(j) (2013).

14. In accordance with the provisions of Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3) (2013), Veruus is entitled to file a response challenging the evidentiary bases of the statutory disqualification or show cause why, notwithstanding the accuracy of the allegations, its registrations should not be revoked. Such a response must be filed with the Proceedings Clerk, Office of Proceedings, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and served upon Susan B. Padove, Senior Trial Attorney, Division of Enforcement, Chicago Regional Office, 525 W. Monroe St., Chicago, IL 60661, within thirty (30) days after the date of service of this Notice upon Veruus, in accordance with the provisions of Regulation 3.60(b), 17 C.F.R. § 3.60(b)(2013). If Veruus fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true, and the

Administrative Law Judge or the Presiding Officer may issue an Order of Default in accordance with the provisions of Regulation 3.60(g), 17 C.F.R. § 3.60(g) (2013).

III.

15. The Proceedings Clerk shall serve this Notice of Intent to Revoke the Registrations of Veruus by registered or certified mail pursuant to Regulation 3.50, 17 C.F.R. § 3.50 (2013).



Christopher J. Kirkpatrick
Deputy Secretary of the Commission
Commodity Futures Trading Commission

Dated: August 21, 2013