

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9871 / July 31, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 75576 / July 31, 2015

INVESTMENT ADVISERS ACT OF 1940
Release No. 4151 / July 31, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31729 / July 31, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16713

In the Matter of

MICHAEL T. SEABOLT

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE ACT OF
1934, SECTION 203(k) OF THE
INVESTMENT ADVISERS ACT OF 1940,
AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Michael T. Seabolt (“Seabolt” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, and Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

1. From 2009 through 2012, Respondent Michael Seabolt solicited numerous investors to direct millions of dollars to a fraudulent scheme operated by Nikolai Battoo and his two companies under the trade name Private International Wealth Management (“PIWM”). From 2004 through 2012, Seabolt was the U.S.-based salesperson for Battoo’s PIWM investment program. In late 2008, Seabolt learned that Battoo’s hedge funds and the PIWM investment program had significant exposure to leveraged investments in the Madoff Ponzi scheme and a failed derivative investment program. Seabolt did not inform investors about the losses suffered. Instead, Seabolt continued touting the strong performance of Battoo’s PIWM investment program to prospective and existing investors and continued to distribute account statements, marketing materials, and other documents misrepresenting the historical performance of the PIWM portfolios and the value of existing investors’ holdings. Since 2009, new and existing investors invested tens-of-millions of dollars with Battoo and his entities based on false information they received from Seabolt and Battoo, and Battoo subsequently misappropriated those funds.

Respondent

2. **Michael T. Seabolt**, 43, is a resident of Wellington, Florida. From 2004 through 2012, Seabolt was the primary salesperson for Battoo’s PIWM investment program. Seabolt worked for Battoo pursuant to a consulting agreement between Battoo and Bolt Capital Consultants, Inc., a single-person consulting firm established by Seabolt for the purpose of working with Battoo. Seabolt also served on the Professional Executive Board for Battoo’s PIWM investment program. Prior to working for Battoo, from 2002 to 2004 Seabolt worked for Sovereign International Asset Management (“SIAM”), a now-defunct Florida-based investment adviser. Seabolt was introduced to Battoo through his employment at SIAM. Until March 2015,

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceedings.

Seabolt was an insurance salesperson in Florida, and he is now unemployed. Seabolt previously held a Series 7 and a Series 66 license, but he has not held licenses with a registered broker-dealer since 2004. Seabolt has never registered with the Commission and has no prior disciplinary history with the Commission.

Related Persons/Entities

3. **Nikolai Simon Battoo** (“Battoo”), 43, was an alternative investment manager who managed assets using a variety of vehicles and entities. From 2004 through 2012, Battoo raised more than \$400 million from investors who directed their funds to his PIWM investment program and several hedge funds he controlled. Battoo acted as investment adviser to investors in his PIWM program through two entities that he controlled: BC Capital Group, S.A. (Panama) (“BC Panama”) and BC Capital Group Ltd. (Hong Kong) (“BC Hong Kong”) (collectively the “BC Capital entities”). In addition to PIWM, Battoo managed several hedge fund families through affiliated entities, including Anchor Hedge Fund Ltd. (“Anchor”), Galaxy Fund Inc., Phi R (Squared) Investment Fund Ltd. (“Phi R Squared”), and FuturesOne Diversified Fund Ltd. and FuturesOne Innovative Fund Ltd. (the “FuturesOne funds”). Battoo, a citizen of Trinidad and Tobago, maintained a residence and office in Florida until at least 2011. He currently lives in Switzerland. In September 2012, the Commission filed an emergency enforcement action in district court against Battoo, BC Panama, and BC Hong Kong, alleging that they defrauded investors located worldwide in violation of the antifraud provisions of the federal securities laws and acted as unregistered broker-dealers. On September 30, 2014, the district court entered a default judgment against Battoo, BC Panama, and BC Hong Kong, which included permanent injunctions and disgorgement, prejudgment interest, and civil penalties totaling \$358,129,196.86.

4. **Alliance Investment Management, Limited** (“AIM”) is a Bahamas-based company that is registered as a broker-dealer with the Securities Commission of the Bahamas. AIM is a wholly owned subsidiary of Benchmark Bahamas Limited, a publicly traded investment company listed on the Bahamas International Securities Exchange. From 2004 through 2012, AIM served as custodian for BC Panama and purported to maintain custody over the PIWM portfolio assets. On August 8, 2014, the Commission filed a complaint against AIM in United States district court, alleging that AIM participated in Battoo’s fraud by facilitating Battoo’s misappropriation of assets and by providing false account statements and holdings information to investors and their agents.

5. **Julian Brown** (“Brown”), age unknown, a Bahamian national and resident, is the President and a Director of AIM. Brown was a member of the Professional Executive Board and Investment Advisory Board for Battoo’s PIWM investment program. Brown has never been registered in any capacity with the Commission or associated with a registrant. On August 8, 2014, the Commission filed a complaint against Brown in United States district court, alleging that Brown, through AIM, helped facilitate Battoo’s fraud.

Battoo's Fraudulent Scheme

6. Battoo portrayed himself to investors as a highly successful asset manager from 2004 until September 2012, when the Commission brought an emergency injunctive action to halt his fraud. By 2012, Battoo and his BC Capital entities had raised more than \$400 million from investors around the world, including more than \$200 million from U.S.-based investors. Battoo managed assets through hedge funds where one of his entities was named as the fund manager, and through individual portfolios that he managed under the name PIWM. Many of the U.S. investors who invested in PIWM invested through pooled investment vehicles by pooling their funds together and investing in offshore entities that subsequently invested in PIWM.

7. Battoo built up his assets under management through both his hedge funds and the PIWM program by claiming exceptionally high risk-adjusted returns over a long time frame that included the 2007-2008 financial crisis. In 2008, however, Battoo's hedge funds suffered major losses in two areas. Battoo's hedge funds had made large, leveraged investments in Madoff feeder funds that suffered a total loss as a result of the Madoff Ponzi scheme. In addition, Battoo's hedge funds were invested heavily in fund-linked certificates whose performance was linked to Phi R Squared, a hedge fund managed by Battoo. Phi R Squared suffered substantial losses in 2008 based on impairments caused by the financial crisis, and as a result the fund-linked certificates lost 85% of their value. In total, Battoo's hedge funds lost at least \$149 million due to their Madoff exposure and their investments in fund-linked certificates.

8. Battoo's PIWM investment program also suffered substantial losses in 2008 due to its high concentration of investments in Battoo's hedge funds. Rather than acknowledge these losses, Battoo put considerable effort into concealing them from his PIWM investors. For example, Battoo told investors that PIWM incurred minimal losses (between 0.5% and 0.78%) from Madoff, even though some PIWM portfolios had Madoff exposure exceeding 28%. Battoo also never disclosed the losses resulting from the fund-linked certificates.

9. PIWM portfolios lost up to 40% of their value from their exposure to Battoo's hedge funds, yet Battoo failed to inform PIWM investors about these losses. Instead, Battoo provided investors with false performance information and false account statements that reflected strong performance throughout the financial crisis.

10. In addition to concealing the substantial losses from PIWM investors, Battoo also diverted at least \$45.7 million of investor funds to himself so that he could live the high life during his scheme. He spent \$3 million of investor funds to fly around the world on a private plane and \$11 million to renovate and furnish his 40,000-square-foot home in Switzerland. Battoo directed \$5 million of investor funds to AIM, BC Panama's custodian that gave him unfettered access to investor funds. Battoo also used more than \$3 million of investor funds to pay a Swiss attorney to assist him in securing immigration status in Switzerland.

11. On September 6, 2012, the Commission filed an emergency injunctive action in district court against Battoo and the entities he controlled. The Commission's complaint alleged violations of Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act

and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

12. On September 30, 2014, the district court entered a default judgment permanently enjoining Battoo and his BC Capital companies from violating Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. The district court also ordered Battoo and his two BC Capital entities to pay disgorgement, prejudgment interest, and penalty, imposed jointly and severally, totaling \$358,129,196.86.

Seabolt Background

13. From 2004 through 2012, Seabolt was the primary salesperson for Battoo's PIWM investment program. Seabolt was responsible for soliciting new investments in PIWM and for managing relationships with PIWM investors and their advisers. During this period, at Battoo's direction, Seabolt traveled around the United States to meet with prospective and existing investors and their advisers and regularly spoke at investment conferences to further publicize PIWM. From 2009 to 2012, Seabolt solicited investments of millions of dollars for the PIWM program from new and existing investors. As part of his efforts, Seabolt distributed PowerPoint presentations created by Battoo to prospective investors and/or their advisers that explained the PIWM program and showed its historical performance and holdings. At times, Seabolt traveled with Battoo to attend investor meetings and conferences. Seabolt was instrumental in securing investments by PIWM investors and in facilitating the mechanics of those investments.

14. Seabolt remained a primary contact for PIWM investors and their advisers after they invested. Each month, Seabolt emailed monthly reports to investors and their advisers that reflected the holdings and performance of each investor's portfolio. These reports were generated by Battoo and/or his entities. Each quarter, Seabolt also mailed quarterly account statements to investors that Battoo and/or his entities created. Seabolt also fielded questions from investors and their advisers about the performance of their PIWM investments and coordinated contributions and redemptions. Seabolt also transmitted to investors and/or their advisers periodic newsletters prepared by Battoo providing updates on the portfolios and forecasts for upcoming periods.

Seabolt's Role in Battoo's Fraud

15. In 2008, Battoo told Seabolt about the massive exposure in Battoo's hedge funds resulting from the Madoff Ponzi scheme and the fund-linked certificates. Seabolt also attended meetings with Battoo and the hedge fund administrators, at which he learned the details and magnitude of these losses. Seabolt knew that PIWM had significant exposure to these hedge funds due to his familiarity with the investment program and his handling of reports, account statements, and marketing materials, all of which showed PIWM's investment holdings.

16. When Seabolt learned of the Madoff losses and fund-linked certificate losses in 2008, he discussed with Battoo the impact it would have on PIWM investors. Battoo told Seabolt that he would personally absorb the tens-of-millions of dollars of losses to the PIWM

portfolios. Battoo told Seabolt that he would replace the PIWM investors' exposure to the failed hedge fund investments with investments from his personal accounts so that PIWM investors would not suffer the losses. Seabolt did not take any steps to verify Battoo's fictitious story. He never informed PIWM investors of the losses suffered, nor did he relay Battoo's story about replenishing accounts with his own funds.

17. To the contrary, Seabolt continued to provide misinformation to PIWM investors. In December 2008, Seabolt distributed to PIWM investors a market commentary written by Battoo that misrepresented PIWM's exposure to Madoff. The market commentary, entitled, "The Art of Strategy Diversification," touted PIWM as highly diversified, and claimed that PIWM had only "a small nominal percentage" of indirect exposure to Madoff through a diversified hedge fund. The commentary estimated that Madoff would cause losses to PIWM investors of "well under 1.0%." Some of the recipients of this market commentary made additional investments in PIWM after December 2008.

18. In addition, Seabolt continued to send investors monthly reports and account statements prepared by Battoo that showed strong performance and that reflected only nominal exposure to Battoo's hedge funds. Each month from 2009 through September 2012, Seabolt emailed account holdings and performance reports prepared by Battoo to PIWM investors and their investment advisers, which misrepresented the PIWM portfolio holdings and historical performance and did not reflect the losses from Madoff or the fund-linked certificates.

19. Seabolt also helped facilitate Battoo's creation of fraudulent account statements that were issued to PIWM investors and their agents. Battoo regularly prepared false account statements, which purported to be issued by AIM, Battoo's custodian. Since early 2010, at the direction of Battoo, Seabolt coordinated with AIM, Battoo's custodian, on multiple occasions to obtain blank AIM letterhead so that Battoo could prepare account statements bearing AIM's logo.

20. Recipients of these fraudulent account statements continued to invest in PIWM. From 2009 through September 2012, existing investors directed more than \$38 million in new investment money to Battoo.

21. Seabolt also continued to sell the PIWM program to new investors as if the 2008 losses never happened. Seabolt touted PIWM's fictitiously strong historical performance at conferences and in meetings with existing and prospective investors. He also distributed written materials that Battoo created to prospective investors that reflected PIWM's allegedly strong track record. He never mentioned to these prospective investors that PIWM had suffered massive investment losses in 2008 and instead led them to believe that PIWM had positive returns throughout the steep market declines in 2008 and 2009.

22. For example, Seabolt met with a group of prospective investors in mid and late 2009. Seabolt provided the investors with marketing materials from Battoo that claimed PIWM was well diversified for wealth preservation, even though he knew PIWM had recently suffered substantial losses from high concentrations in hedge fund and derivative investments. Seabolt also claimed that PIWM had strong historical performance and provided the investors with the inaccurate historical performance numbers Battoo provided. These investors subsequently

invested several million dollars with Battoo.

23. Battoo paid Seabolt a quarterly fee for his services, as well as an annual discretionary bonus. During period of his misconduct, Seabolt received \$240,000 in compensation from Battoo, which came out of PIWM investor funds.

Violations

24. As a result of the conduct described above, Seabolt willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

25. As a result of the conduct described above, Seabolt willfully violated 15(a) of the Exchange Act, which prohibits an unregistered broker-dealer from making use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security.

26. As a result of the conduct described above, Seabolt willfully aided and abetted and caused Battoo's, BC Panama's, and BC Hong Kong's violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

27. As a result of the conduct described above, Seabolt willfully aided and abetted and caused Battoo's, BC Panama's, and BC Hong Kong's violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibit fraudulent conduct by an investment advisor.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Seabolt shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Seabolt be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order..

D. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$240,000.00, prejudgment interest of \$36,444.69, and a civil money penalty of \$150,000.00 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, 17 C.F.R. § 201.600, or 31 U.S.C. § 3717, as appropriate. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Seabolt as a Respondent in these proceedings, and the file number of these proceedings; a copy of

the cover letter and check or money order must be sent to Jeffrey A. Shank, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL 60604.

E. The Commission will hold funds paid in this proceeding in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, in accordance with Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund ("Fair Fund distribution") pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended.

F. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty, or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal security laws or any regulation or order issued under such laws, as set forth in Sections 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary