

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

_____	)	
SECURITIES AND EXCHANGE COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No.
	)	
JOHN ALEXANDER GRANT,	)	
BENJAMIN LEE GRANT and	)	
SAGE ADVISORY GROUP, LLC,	)	JURY TRIAL DEMANDED
	)	
Defendants.	)	
_____	)	

**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

Plaintiff Securities and Exchange Commission (“the Commission”) alleges the following against defendants John Alexander Grant (“Jack Grant”), Benjamin Lee Grant (“Lee Grant”), and Sage Advisory Group, LLC (“Sage”):

**PRELIMINARY STATEMENT**

1. Jack Grant is a lawyer and former stockbroker who lives in Yarmouth Port, Massachusetts. His son Lee Grant owns and operates Sage, an investment advisory firm based in Boston, Massachusetts. In 1988, the Commission obtained a permanent injunction against Jack Grant based on his sale of unregistered securities and misappropriation of investor funds. The Commission then issued an order barring Jack Grant from associating with a broker-dealer or an investment adviser. Since at least the mid-1990s, Jack Grant violated the Commission’s bar order by providing investment advice for compensation, including advising clients to place their assets with First Wilshire Securities Management, Inc. (“First Wilshire”), an investment adviser

based in Pasadena, California, and advising them to place their investment using his son Lee Grant, who worked first at First Wilshire itself, then at Wedbush Morgan Securities (“Wedbush”), a broker-dealer based in Los Angeles, California, and, since 2005, as the founder and sole owner of Sage. Jack Grant continued to provide investment advice through 2011.

2. Jack Grant advised individuals and small businesses on the management of their assets and investments. He interviewed clients, obtained their investment-related information, and counseled them about their financial goals. Acting on his advice, virtually all of his clients set up accounts with Sage, his son’s firm. Indeed, more than 95% of Lee Grant’s clients at Sage were referred by his father. Jack Grant sent instructions to Lee Grant regarding client accounts and received information from Lee Grant about what to tell clients about their accounts. Jack Grant served as the primary contact for many Sage clients about their accounts, but Jack Grant and Lee Grant sometimes met together with Sage clients to discuss their accounts and provide investment advice. The clients paid Jack Grant for his “financial planning” services and also paid an asset management fee to Sage (*i.e.*, to Lee Grant).

3. Jack Grant, Lee Grant and Sage have not disclosed to Sage’s advisory clients that Jack Grant is barred from associating with an investment adviser. In addition, Lee Grant and Sage have not disclosed Jack Grant’s disciplinary history in Sage’s application for investment adviser registration on Form ADV, which Sage is required to file with the Commission and which Lee Grant signs under penalty of perjury.

4. Through the activities alleged in this Complaint: (a) Jack Grant has violated the Commission’s 1988 order barring him from associating with an investment adviser; (b) Jack Grant, Lee Grant and Sage have engaged in fraudulent or deceptive conduct with respect to investment advisory clients, in violation of Sections 206(1) and 206(2) of the Investment

Advisers Act of 1940 (“Advisers Act”); and (c) Sage and Lee Grant have made untrue statements of material fact and/or omitted material facts in reports filed with the Commission, in violation of Section 207 of the Advisers Act. (In the alternative with respect to item (b), Jack Grant has aided and abetted the violations of Sections 206(1) and 206(2) of the Advisers Act by Lee Grant and Sage.)

5. Accordingly, the Commission seeks: (a) the issuance of a writ of mandamus, injunction or order commanding Jack Grant to comply with the Commission’s 1988 order barring him from associating with an investment adviser; (b) a permanent injunction prohibiting Jack Grant, Lee Grant and Sage from further violations of the relevant provisions of the federal securities laws; (c) disgorgement of the defendants’ ill-gotten gains, plus pre-judgment interest; and (d) the imposition of a civil penalty due to the egregious nature of the defendants’ violations.

### **JURISDICTION**

6. The Commission seeks the issuance of a writ of mandamus, injunction or order commanding Jack Grant to comply with the Commission’s 1988 order barring him from associating with an investment adviser pursuant to Section 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78u(e)]. The Commission seeks a permanent injunction and disgorgement as to all defendants pursuant to Section 209(d) of the Advisers Act [15 U.S.C. §80b-9(d)]. The Commission seeks the imposition of a civil penalty as to all defendants pursuant to Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

7. The Court has jurisdiction over this action pursuant to Section 21(e) of the Exchange Act [15 U.S.C. §78u(e)] and Sections 209(d), 209(e) and 214 of the Advisers Act [15 U.S.C. §§80b-9(d), 80b-9(e), 80b-14]. Venue is proper in this District because, at all

relevant times, Jack Grant and Sage maintained offices here and Jack Grant and Lee Grant maintained residences here.

8. In connection with the conduct described in this Complaint, Jack Grant, Lee Grant and Sage directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

9. The conduct of Jack Grant, Lee Grant and Sage involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

#### **DEFENDANTS**

10. Jack Grant, age 68, lives in Yarmouth Port, Massachusetts. He is currently admitted to the practice of law in Massachusetts.

11. Lee Grant, age 38, lives in Boston, Massachusetts. From 1998 to 2001 he was a registered representative of First Wilshire. From 2001 through 2005, he was a registered representative of Wedbush. Since 2005, he has been the sole owner of Sage.

12. Sage is a Massachusetts limited liability company based in Boston. It has been registered with the Commission as an investment adviser since July 22, 2005. As a registered investment adviser, Sage is required by Section 203 of the Advisers Act to execute and keep current an application for investment adviser registration on Form ADV. [See 17 C.F.R. §279.1.] Part I of Form ADV is filed with the Commission and is available to the public; Part II of Form ADV is sent to the adviser's clients. According to its most recent Form ADV (dated March 30, 2011), Sage has 336 client accounts with more than \$123 million in assets under management. Lee Grant signs Sage's filings on Form ADV under penalty of perjury.

**STATEMENT OF FACTS**

**Jack Grant's Disciplinary History**

13. From 1970 to 1987, Jack Grant operated a broker-dealer firm. He offered his customers personalized financial advice and sold them investments. He managed their personal assets and prepared investment portfolios for them.

14. In 1988, the Commission filed suit against Jack Grant in federal court alleging that Jack Grant had sold \$5.5 million of unregistered securities and had misappropriated investors' funds in the 1985-86 time period. Jack Grant consented to entry of a final judgment permanently enjoining him from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 [15 U.S.C. §§77e(a), 77e(c), 77q(a)] and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. §78j(b); 17 C.F.R. §240.10b-5].

15. At the same time, Jack Grant consented to entry of an administrative order which barred him from associating with a broker-dealer or investment adviser. The Commission issued the bar order in July 1998.

16. In 1990, Jack Grant was indicted for bankruptcy fraud related to the concealment of assets in a bankruptcy proceeding from 1987 to 1990. He was convicted and received a twelve-month probationary sentence. In 1992, his conviction was upheld by the Court of Appeals for the First Circuit.

17. In 1991, Jack Grant consented to a temporary suspension from the practice of law arising from his conviction for bankruptcy fraud. In April 1994, the Massachusetts Supreme Judicial Court suspended him from the practice of law for one year.

**Jack Grant's Continued Activities as an Investment Adviser**

18. After his suspension from the practice of law expired in 1995, Jack Grant set up a solo law practice. Through this law practice, he provided some of his former brokerage customers with financial planning and investment advisory services.

19. After Lee Grant joined First Wilshire in 1998, Jack Grant advised his clients to place their assets with First Wilshire, and he helped them set up accounts with his son at First Wilshire. After Lee Grant moved to Wedbush in 2001, Jack Grant advised his clients to place their assets with First Wilshire and to use Wedbush to execute their securities transactions (with his son receiving a percentage of the brokerage commissions as compensation from Wedbush). After Lee Grant went into business for himself as Sage in 2005, Jack Grant advised his clients to place their assets with First Wilshire using accounts at Sage (with his son receiving a fee based on the amount of assets being managed by First Wilshire). Today, virtually all of Lee Grant's clients at Sage are also clients of Jack Grant.

20. When advising clients to place their assets with First Wilshire in a manner that generated financial benefit for his son, Jack Grant described First Wilshire's investment performance and represented that he had researched the benefits of First Wilshire compared to other money managers. He sometimes recommended that a client liquidate other investments in order to place their assets with First Wilshire.

21. Jack Grant met with his clients (sometimes together with Lee Grant) to discuss their financial plans and investments. At those meetings, he typically discussed First Wilshire's recent performance and strategy, and he sometimes recommended that the clients place additional assets with First Wilshire by liquidating other investments.

22. A May 6, 2009 letter to two Sage clients typifies the advice that Jack Grant has given his clients about First Wilshire. He wrote:

I would suggest that each of you consolidate all of your retirement funds ... to be managed by First Wilshire Securities Management.... I would suggest that you elect to continue to use First Wilshire Securities Management to manage both accounts. You are well aware of the performance record of First Wilshire. [Summary of the clients' returns] .... For your information, I believe now is an excellent time to increase the amount of your money under First Wilshire's management, and, based on many years of experience, I believe that First Wilshire is the best choice of investment managers for the management of your funds.

23. Emails sent by Jack Grant's clients provide many examples of his recommendations about First Wilshire. For instance, one client emailed First Wilshire, "I just started working with a new Financial Advisor, Jack Grant who is an attorney in Massachusetts, [and who] recommended First Wilshire as a place to invest a large portion of our retirement money."

24. Jack Grant provided investment advice to clients through meetings, telephone calls, mail, or electronic mail on at least each of the following dates: January 15, 2005; October 13, 2005; February 23, 2006; October 30, 2006; November 12, 2006; December 12, 2006; August 13, 23, 25, and 25, 2007; September 18, 19, and 27, 2007; October 12, 2007; November 8 and 15, 2007; December 10, 12, 13, 14, 17, 22, and 26, 2007; January 8 and 16, 2008; February 11 and 20, 2008; March 5, 6, 10, 16, and 18, 2008; April 4, 8, and 24, 2008; May 14, 22, and 26, 2008; June 19, 2008; July 22, 2008; August 6, 2008; September 17, 24, and 30, 2008; November 17, 2008; December 19 and 22, 2008; May 6, 2009; and June 16 and 18, 2009. On these occasions, Jack Grant communicated to Lee Grant the investment advice that he had given to his clients, and in many cases, he instructed Lee Grant to take appropriate actions.

25. Jack Grant billed his clients on law office letterhead for “tax and financial planning services” or simply “financial planning services”.

26. Jack Grant has also used his law practice as a means to generate investment business for Sage. For instance, he frequently installed himself (or, more recently, his son Lee) as co-trustee of trusts he established for clients. In some cases, he used the position of co-trustee to ensure that the trusts’ funds were invested with Sage.

**Jack Grant’s Integral Role at Sage**

27. Sage’s client base has come almost exclusively from the efforts of Jack Grant. Sage currently has over 100 clients. All but four of these clients were clients of Jack Grant or had some familial or other relationship with one of his clients. Jack Grant advised each of these clients to place their assets with First Wilshire using an account at Sage. In fact, approximately 25% of Lee Grant’s customers at Sage were Jack Grant’s brokerage customers before he was barred from associating with a broker-dealer or investment adviser in 1988.

28. After Jack Grant convinced a client to place assets with First Wilshire using an account at Sage, he collected relevant information from the client for the purpose of completing the account opening forms. For example, on more than 25 occasions between August 2007 and December 2008, he obtained from prospective Sage clients their investment objectives, risk tolerance, investment horizon, investment experience, and preferred investment types. Jack Grant collected this information for the benefit of Lee Grant and Sage.

29. Jack Grant told his clients what information they should send to Sage in order to open their accounts, how to prepare checks to set up their Sage accounts, and where they should send the checks. He sometimes provided his clients with Sage and First Wilshire paperwork to

sign, as well as copies of Part II of Sage's Form ADV. Jack Grant typically forwarded the relevant information and paperwork to Lee Grant with instructions to open the new accounts.

30. After clients placed their assets with First Wilshire using accounts at Sage, Jack Grant frequently acted as the clients' principal contact about their investment. If a client wished to withdraw cash or make changes to the account, Jack Grant often collected relevant information from the client and forwarded the information to Lee Grant with appropriate instructions.

31. Many clients of Sage have rarely, if ever, spoken or met with Lee Grant, instead obtaining information about their investments from Jack Grant. Indeed, some Sage clients consider Jack Grant to be their financial adviser. Other clients consider Jack and Lee Grant collectively to be their financial advisers, and if they are unable to reach one of them, they contact the other.

32. Jack and Lee Grant routinely coordinated their communications with their shared clients, often exchanging drafts of letters to clients. They also have discussed the hiring of employees at both Sage and Jack Grant's law office.

33. For some clients, Lee Grant played little to no role in the provision of investment advice to Sage clients, and was largely following the instructions of Jack Grant.

**Failure to Disclose Jack Grant's Disciplinary History**

34. Jack Grant, Lee Grant and Sage did not disclose to Sage's advisory clients that Jack Grant is barred from associating with an investment adviser.

35. Lee Grant and Sage made materially false statements and omissions concerning Jack Grant's association with Sage, his disciplinary history, and the facts underlying that

disciplinary history in Part I of Sage's Form ADV, filed on July 7, 2005. Specifically, under Item 11 of Form ADV Part I (entitled "Disclosure Information"), Sage and Lee Grant falsely answered "No" to the following required information:

- a. "Has the SEC... ever... entered an *order* against you or any *advisory affiliate* in connection with *investment-related* activity?" [Section C];
- b. "Has an authorization to act as an attorney, accountant, or federal contractor granted to you or any *advisory affiliate* ever been revoked or suspended?" [Section F], and,
- c. "Has any domestic or foreign court... ever *found* that you or any *advisory affiliate* were *involved* in a violation of *investment-related* statutes or regulations?" [Section H].

[Emphasis added.] Jack Grant was (and remains) an advisory affiliate of Sage who was enjoined from further securities law violations in 1988, who was barred by the Commission in 1988 from associating with a broker-dealer or investment adviser, and whose license to practice law was suspended in 1994. As a result, a "yes" answer was required to each of those questions, along with detailed information explaining the "yes" answers. The "no" answer to each question was a material misrepresentation, and the failure to identify and describe Jack Grant's disciplinary history was a material omission.

36. Lee Grant and Sage repeated the material false statements and omissions in amendments to Sage's Form ADV filed on July 21, 2005, October 28, 2005, November 22, 2005, March 1, 2006, March 8, 2007, February 12, 2008, March 24, 2009, March 31, 2010, October 6, 2010, October 11, 2010, and March 30, 2011.

37. In addition, Lee Grant and Sage did not disclose Jack Grant's disciplinary history in Part II of Sage's Form ADV, which was sent to existing clients on or about October 3, 2005 and which was provided to new clients on or about the time they became clients.

**FIRST CLAIM FOR RELIEF**  
**(Violation of Commission Bar by Jack Grant)**

38. The Commission repeats and incorporates by reference the allegations in paragraphs 1-37 above.

39. As set forth above, Jack Grant is subject to a 1988 order by the Commission barring him from associating with an investment adviser.

40. Notwithstanding that Order, Jack Grant has willfully acted as an investment adviser and has been associated with an investment adviser (Sage).

41. The Commission did not consent to Jack Grant acting as an investment adviser or becoming associated with Sage.

42. As a result, Jack Grant has violated and, and unless enjoined, will continue to violate the Commission's 1988 order barring him from associating with an investment adviser.

**SECOND CLAIM FOR RELIEF**  
**(Violation of Sections 206(1) and 206(2) of the Advisers Act by**  
**Lee Grant, Sage and Jack Grant, or, in the alternative as to Jack Grant,**  
**Aiding and Abetting Violations of Sections 206(1) and 206(2) by Lee Grant and Sage**

43. The Commission repeats and incorporates by reference the allegations in paragraphs 1-42 above.

44. At all relevant times, Sage was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)], Lee Grant was an "investment adviser" due to his ownership and control of Sage, and Jack Grant was an "investment adviser" due to his integral role at Sage and due to his activities within the scope of Section 202(a)(11).

45. As set forth above, Jack Grant, Lee Grant and Sage did not disclose to Sage's advisory clients that Jack Grant is barred from associating with an investment adviser.

46. Jack Grant, Lee Grant and Sage, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) have employed or are employing devices, schemes, or artifices to defraud; or (b) have engaged or are engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

47. As a result, Jack Grant, Lee Grant and Sage have violated and, unless enjoined, will continue to violate Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§80b-6(1), (2)]. In the alternative, Jack Grant has aided and abetted and, unless enjoined, will continue to aid and abet violations of Sections 206(1) and (2) of the Advisers Act by Lee Grant and Sage.

**THIRD CLAIM FOR RELIEF**  
**(Violation of Section 207 of the Advisers Act by Lee Grant and Sage)**

48. The Commission repeats and incorporates by reference the allegations in paragraphs 1-47 above.

49. Section 207 of the Advisers Act [15 U.S.C. §80b-7] provides that it is unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission under Section 203, or to omit to state in any such application or report any material fact which is required to be stated therein. A Form ADV is a registration application or report filed with the Commission pursuant to Section 203.

50. As set forth above, Sage's filings on Forms ADV (which Lee Grant signed under penalty of perjury) were materially false and misleading.

51. As a result, Lee Grant and Sage have violated and, unless enjoined, will continue to violate Section 207 of the Advisers Act [15 U.S.C. §80b-7].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

- A. Issue a writ of mandamus, permanent injunction, or order pursuant to Section 21(e) of the Exchange Act [15 U.S.C. §78u(e)] commanding Jack Grant to comply with the provisions of the Commission's 1988 bar order.
- B. Enter a permanent injunction restraining Jack Grant, Lee Grant and Sage, and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§80b-6(1), 80b-6(2)]
- C. Enter a permanent injunction restraining Lee Grant and Sage, and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of Section 207 of the Advisers Act [15 U.S.C. §80b-7];
- D. Require Jack Grant, Lee Grant and Sage to disgorge their ill-gotten gains, plus pre-judgment interest;
- E. Order Jack Grant, Lee Grant and Sage to pay an appropriate civil penalty pursuant to Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)];
- F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

G. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,



Martin F. Healey (Mass. Bar No. 27550)

Regional Trial Counsel

Frank C. Huntington (Mass. Bar No. 544045)

Senior Trial Counsel

Kevin B. Currid (Mass. Bar No. 644413)

Senior Enforcement Counsel

Marc J. Jones (Mass. Bar No. 645910)

Senior Enforcement Counsel

H. Norman Knickle (R.I. Bar No. 4957)

Attorney-Adviser

Attorneys for Plaintiff

**SECURITIES AND EXCHANGE COMMISSION**

33 Arch Street, 23<sup>rd</sup> Floor

Boston, MA 02110

(617) 573-8960 (Huntington direct)

(617) 573-4590 (fax)

huntingtonf@sec.gov (Huntington email)

Dated: September 1, 2011