

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STEVEN MCCRAW,

Defendant.

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Civil Action No.:

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) files this Complaint against Defendant Steven McCraw, and respectfully shows the Court as follows:

**I.
SUMMARY**

1. From at least October 2012 to July 2013, McCraw, a Plano resident, served as the Executive Vice President and Chief Financial Officer of KGW Capital Management, LLC (“KGW Capital”). KGW Capital was created, owned, and operated by Kevin G. White, also of Plano, and purported to be “one of the world’s largest private investment firms” that raised, invested, and managed “private equity funds, hedge funds and publicly traded alternative investment vehicles for institutions and high net worth individuals.” Among the investment alternatives offered by KGW Capital, all of which were unregistered with the Commission, was Revelation Forex Fund, L.P. (the “Fund”), which White claimed was a “highly specialized hedge

fund” that employed a sophisticated, low-risk, high-return foreign currency (“forex”)¹ trading strategy. In addition to serving as the CFO of KGW Capital, McCraw was also the Executive Vice President and Chief Financial Officer of Meridian Propane, LP (“Meridian”), where he was responsible for the day-to-day operations of a propane gas company created and owned by White.

2. In fact, White, aided and abetted by McCraw, was operating a fraudulent scheme. On July 9, 2013, the Commission brought an emergency action to halt the scheme. This Court, in *SEC v. Kevin White, et al*, Civil Action No. 4-13-cv-0383, issued a temporary restraining order and asset freeze. In that case, the Commission alleged that White made multiple misrepresentations about the Fund and its performance, which actually resulted in more than \$2 million in trading losses. The Commission also alleged that White misappropriated investor funds to pay for personal expenses and funded unrelated businesses not disclosed to investors. White raised \$7.4 million from investors by the time his activities were halted. The assets of KGW Capital, the Fund, and White’s other companies were seized by a Court-appointed receiver.

3. McCraw, as the CFO of KGW Capital, was aware of and aided and abetted White’s misrepresentations to investors. Specifically, at White’s direction, McCraw calculated the performance returns for the Fund for time periods during which McCraw knew the Fund did not exist. McCraw was aware that White then used his performance calculations in various marketing materials concerning the Fund to attract potential investors. In an effort to further

¹ The term “forex” is a commonly used shorthand term for “foreign exchange” and is typically used to describe trading of various currencies in the foreign exchange market by investors and speculators. The foreign exchange market is a global, decentralized marketplace that determines the relative values of different currencies. Unlike other financial markets, there is no centralized depository or exchange where transactions are conducted. Instead, these transactions are conducted by several market participants in several locations. Much of the trading is done electronically or by phone, usually through regulated brokers or retail foreign exchange dealers (“RFEDs”).

attract potential investors to the Fund, McCraw was aware of and substantially assisted White's efforts to create what purported to be an independent website that falsely ranked the Fund as one of the best performing forex funds in the world. McCraw also met with prospective Fund investors and offered the unregistered securities for sale, echoing White's claims regarding the Fund's trading performance. In addition, although McCraw did not receive a salary for serving as KGW Capital's CFO, McCraw received \$111,800 in salary for running the day-to-day operations of Meridian. McCraw's entire Meridian salary was paid with investor monies transferred from the Fund to Meridian.

4. By reason of these activities and the conduct described further below, McCraw violated Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)]. He also aided and abetted the primary violations committed by White and his companies of the antifraud provisions of the federal securities laws, specifically Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

5. The Commission, in the interest of protecting the public from any further fraudulent activity and harm, brings this action against McCraw seeking permanent injunctive relief, disgorgement of illicit profits plus accrued prejudgment interest thereon, and a civil monetary penalty, as allowed by law.

II. **JURISDICTION AND VENUE**

6. McCraw offered for sale the unregistered interests in the Fund. McCraw also aided and abetted White's activities, which included misrepresentations made in the offer or sale of securities, as well as misrepresentations made in connection with the purchase or sale of securities. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the

Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

7. Venue is proper under Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa] because McCraw resides in Plano, Texas, and a substantial part of the transactions at issue occurred within the Eastern District of Texas, Sherman Division.

III. **DEFENDANT**

8. McCraw, age 60, is a resident of Plano, Texas. From at least October 2012 through July 2013, McCraw served as the Executive Vice President and Chief Financial Officer of KGW Capital. McCraw was also the Executive Vice President and Chief Financial Officer of Meridian. McCraw is not registered with the Commission.

IV. **STATEMENT OF FACTS**

A. White and KGW Capital.

9. Created by White in 2007, KGW Capital claimed to be “one of the world’s largest private investment firms” and offered several investment opportunities, including the Fund, which KGW Capital described as “a \$1 billion highly specialized currency hedge fund” that pooled investor funds to trade foreign currencies. Neither KGW Capital nor any of its offerings, including the Fund, were registered with the Commission or any other securities regulator. White operated the Fund through a general partnership he created called RFF GP, LLC (“RFF”). In order to attract investors to the Fund, White and KGW Capital used websites, marketing materials, and press releases to claim that: (i) the Fund had a compound annual rate of return of 37%; (ii) the Fund had total returns of more than 385% since its inception in January 2009; (iii)

the Fund achieved positive gains in 42 of the 52 months it was allegedly operating, through April 30, 2013 (gains in 80.77% of the months); and (iv) a hypothetical Fund investment of \$250,000 in January 2009 would have grown to \$964,591 by April 30, 2013. According to White and KGW Capital, the Fund was able to obtain high investment returns because it had the ability to locate and act “upon unique arbitrage opportunities” through the use of “highly sophisticated proprietary software” that “monitor[ed] 105 separate G7 currency pairings 24 hours/day, 5 days/week.”

10. None of the statements by White and KGW Capital about the Fund was true. Although White and KGW Capital repeatedly stated that the Fund’s trading activities began in January 2009, White did not create the Fund until June 2011. It did not receive investor funds or begin any forex trading until September 2011. Between September 2011 and July 2013, during the course of his fraudulent scheme, White solicited and raised approximately \$7.4 million in investments for the Fund through KGW Capital. During that time, the Fund suffered more than \$2 million in trading losses. And, contrary to White’s claims, the Fund made trading profits in only seven of the 20 months it actually engaged in trading through April 30, 2013. In addition, White misappropriated more than \$1.8 million in investor funds. He used those funds to pay his personal expenses and to fund unrelated and undisclosed investments and businesses.

B. Meridian.

11. McCraw and White first met in the spring of 2012. McCraw approached White, seeking capital for a propane gas company McCraw was operating. Rather than invest in the existing company, White agreed to create a new propane gas business, Meridian, in which White owned a controlling interest. White hired McCraw to serve as Meridian’s Executive Vice

President and Chief Financial Officer. McCraw was responsible for Meridian's day-to-day operations and ran Meridian from White's KGW Capital office in Plano.

12. Because Meridian never operated at a profit, White transferred approximately \$578,000 of investor funds to Meridian in an effort to keep the propane gas company financially solvent. McCraw's entire Meridian salary of \$111,800 was paid for by the transferred investor funds. McCraw knew that Meridian received investor funds and that his Meridian salary was being paid for with investor funds.

C. McCraw's Role at KGW Capital.

13. From at least October 2012, McCraw served as Executive Vice President and Chief Financial Officer of KGW Capital. Despite serving as an officer of KGW Capital, McCraw did not receive a salary from KGW Capital that was separate from his Meridian salary. As the CFO of KGW Capital, McCraw's main responsibility was calculating the purported performance returns for the Fund. In order to prepare the calculations, McCraw relied solely on information provided by White. Although McCraw was aware that White did not create the Fund until 2011, at White's direction, McCraw calculated purported gross and annualized returns for the Fund dating back to January 2009. McCraw also prepared hypothetical investment returns for the Fund. For example, according to McCraw, a hypothetical Fund investment of \$250,000 in January 2009 would have grown to \$964,591 by April 30, 2013. McCraw was aware that White then incorporated the results of McCraw's various calculations into press releases and prominently displayed the information in marketing materials and on the websites of KGW Capital and the Fund in an effort to attract potential investors.

14. McCraw's assistance to White, in calculating gross and annualized returns for the Fund, was substantial and knowing. For example, McCraw's role in preparing information for

White's fabricated website was substantial. Moreover, McCraw knew that the calculations put onto that website included a two-year time period that pre-dated the Fund's creation. He knew that White used the calculations to attract investors to the Fund. Nevertheless, McCraw never objected to or challenged White's use of this information. After McCraw became the CFO of KGW Capital, White raised more than \$4.3 million in investments for the Fund.

D. The Fake Ranking Service Website.

15. In January 2013, a few months after McCraw became the CFO of KGW Capital, White and McCraw discussed comparing the performance of the Fund against other forex funds. The following month, White approached several KGW Capital employees, including McCraw, about starting a ranking website for forex funds. White believed that creating a ranking website that listed the Fund as among the best performing forex funds in the world would legitimize the Fund and attract potential investors. White investigated the availability of possible domain names for the ranking website, including "elitehedgefunds.com," "eliteinvestmentfunds.com," and "worldsbesthedgefunds.com." In an effort to maximize the website's reach to potential investors, McCraw suggested that the name of the ranking website include the word "elite" because it would "appeal to [the] investing market segment." Ultimately, White registered the website domain name "EliteForexFunds.com" on March 18, 2013.

16. McCraw calculated the performance returns for the Fund and other forex funds listed on the "EliteForexFunds.com" website and identified performance metrics that gave the appearance that the Fund ranked as the third best performing forex fund in the world when the "EliteForexFunds.com" website was initially launched on or around April 24, 2013. The Fund's third place ranking was based upon its alleged performance since January 2009, even though McCraw was aware that the Fund did not exist until 2011.

17. Consistent with White's goal of having the website appear to be independent, McCraw knew or was reckless in not knowing that the website also made the following statements concerning "Elite Forex Funds" and "EliteForexFunds.com," which McCraw knew were either false or misleading:

- EliteForexFunds.com is "The Definitive Source on The World's Best Forex Funds" and "An internationally recognized source of up-to-date information on the best performing fully managed Forex funds in the world."
- Elite Forex Funds monitors funds that "purely trade the spot Forex market and are not investing in equities, commodities, fixed income, futures contracts, options or derivatives. . . . [Elite Forex Funds'] data will include Administrative Information, Performance Analysis and Correlation Analysis. [Elite Forex Fund's] mission . . . is to find the very best traders, account managers and trading programs in the Forex industry and provide accurate information on these funds to investors worldwide."
- "**Elite Forex** is a platform that reviews and analyzes data on fully managed pure forex funds worldwide. Guidelines to be considered by Elite Forex include a minimum of \$10 million U.S. under management and four (4) year[s] of audited results. Once these guidelines are met, Elite Forex will analyze and rank funds based on numerous performance parameters. The result is **The Elite 10**, a ranking of the top 10 best performing forex funds in the world based on [the] time period January 2009 to March 2013."

18. On April 24, 2013, White launched the website. White sent McCraw an email thanking him for the "outstanding job on the EliteForex website." McCraw responded to White, saying, "Very Welcome! Been a fun project! Hopefully it helps present the full merits of the Fund as we go to market."

19. On April 25, 2013, the day after the "EliteForexFunds.com" website launched, White sent an email to Fund investors, which he subsequently forwarded to McCraw, noting that the Fund had made the "Elite 10 Worldwide, a ranking produced by Elite Forex Funds." White stated to his Fund investors:

We have been providing them due diligence information for over a month. Yesterday, we learned that Revelation not only made their Top 10 but is currently holding the ranking of 3rd in the world in the arena of fully managed Forex funds. We are celebrating today. You can view the Elite site at <http://www.eliteforexfunds.com/about.html>.

All of these statements were false. McCraw knew the statements were false, and he knew that White had actually made those false statements to his investors. But McCraw never questioned White concerning the truthfulness of the statements to Fund investors.

20. After the initial launch of the website, McCraw further revised the performance metrics for ranking the forex funds, which allowed the website to rank the Fund as the second best forex fund in the world, based on performance since January 2009. As a result, a revised “EliteForexFunds.com” website was launched on May 1, 2013. White subsequently incorporated the Elite Forex Funds ranking into marketing brochures and press releases. The websites for KGW Capital and Revelation Forex were also revised to tout the Fund’s higher ranking by Elite Forex Funds. After the “Eliteforexfunds.com” website was launched, the Fund raised another \$350,000 in investor funds.

21. McCraw’s assistance in creating the “Eliteforexfunds.com” website was substantial. McCraw calculated the performance returns for the Fund and the other forex funds listed on the “Eliteforexfunds.com” website. He identified the performance metrics that allowed the Fund to be ranked among “the best performing forex funds in the world.” McCraw based the Fund’s ranking on its alleged performance since January 2009, even though McCraw was aware that the Fund did not exist until 2011. McCraw knew that White intended the website to appear independent even though it was actually developed, controlled, and operated by White for the purpose of legitimizing the Fund’s performance and attracting potential investors. McCraw never objected to or challenged their actions in setting up the website for a fake ranking service.

E. “The Money Show.”

22. In May 2013, McCraw accompanied White to an investor conference, called “The MoneyShow Las Vegas 2013.” In advance of the conference, White provided McCraw with a script containing responses to potential investor questions regarding the Fund, which included representations concerning the performance of the Fund that McCraw knew predated its actual existence. Thus, McCraw knew White intended to mislead prospective investors at the conference by, among other things, representing that the Fund had been performing since 2009, when he knew otherwise.

23. During the conference, McCraw met with potential investors while helping operate KGW Capital’s booth, which was set up to promote the Fund. McCraw distributed brochures to conference attendees that he and White brought to Las Vegas with them. These brochures contained McCraw’s calculations of the Fund’s returns dating back to January 2009, which, again, McCraw knew predated the actual existence of the Fund, and which also contained the Fund’s ranking by the phony ranking service, “eliteforexfunds.com.”

F. The Scheme Collapses.

24. On July 9, 2013, the Commission brought an emergency action to halt this ongoing fraudulent trading scheme in *SEC v. Kevin White, et al*, Civil Action No. 4-13-cv-0383, in the United States District Court for the Eastern District of Texas, Sherman Division. At that time, the Commission alleged that White, KGW Capital, the Fund, and RFF had committed primary violations of the federal securities laws. The Commission obtained an asset freeze and a temporary restraining order against White and his companies. The Court appointed a receiver to seize the assets of White and the three companies.

25. White has subsequently pled guilty to one count of wire fraud and is awaiting sentencing in the Eastern District of Texas, Sherman Division.

V.
CAUSES OF ACTION

FIRST CLAIM
Aiding and Abetting Violations of Securities Act Section 17(a) and
Exchange Act Section 10(b) and Rule 10b-5 Thereunder

26. The Commission realleges and incorporates by reference Paragraphs 1 through 25 of this Complaint as if fully set forth herein.

27. As set out above (and as is more fully alleged in *SEC v. Kevin G. White, et al*, Civil Action No. 4-13-cv-0383), White, KGW Capital, the Fund, and RFF violated Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)] directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication of interstate commerce and by use of the mails, by: (a) employing devices, schemes, or artifices to defraud; (b) obtaining money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit. In their activities in violation of Section 17(a)(1), the Defendants acted with knowledge or severe recklessness, and acted with at least negligence in their conduct that violated Sections 17(a)(2) and (3).

28. In addition, White, KGW Capital, the Fund, and RFF violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], knowingly or with severe recklessness regarding the truth, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means

and instrumentalities of interstate commerce and by use of the mails, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaging in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

29. Through the conduct described above, Defendant aided and abetted the violations of White, KGW Capital, the Fund, and/or RFF by knowingly or recklessly providing substantial assistance to each of them in the commission of one or more of their violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 17(a) of the Securities Act. Unless enjoined and restrained, Defendant will continue to aid and abet violations of these provisions in the future.

SECOND CLAIM
Violations of Sections 5(a) and 5(c) of the Securities Act

30. The Commission realleges and incorporates by reference Paragraphs 1 through 25 of this Complaint as if fully set forth herein.

31. Through the conduct described above, Defendant, directly or indirectly, singly or in concert with others, offered to sell, sold, or delivered after sale certain unregistered securities, and has been, directly and indirectly: (a) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of any prospectus, written contracts, offering documents, or otherwise; (b) carrying and causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, such securities for the purpose of sale or for delivery after sale; or

(c) making use of any means or instruments of transportation or communication in interstate commerce and of the mails to offer to sell such securities.

32. Through the conduct described above, Defendant offered or sold the interests in the Fund to the public through a general solicitation of investors. No registration statement was filed with the Commission or was otherwise in effect with respect to these securities. By reason of the foregoing, Defendant violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and §77e(c)].

RELIEF REQUESTED

Plaintiff respectfully requests that this Court:

- a. Permanently enjoin Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Securities Act Sections 5(a), 5(c), and 17(a) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)];
- b. Permanently enjoin Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, from violating, directly or indirectly, Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder;
- c. Permanently enjoin Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, directly or indirectly, including but not limited to through any entity owned or controlled by McCraw, from participating in

- the issuance, purchase, offer, or sale of any security, provided however, that such permanent injunction shall not prevent Defendant from purchasing or selling securities for his own personal account;
- d. Order Defendant to disgorge ill-gotten gains and/or unjust enrichment realized by him, plus prejudgment interest;
 - e. Order Defendant to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
 - f. Grant all other relief to which the Commission may be entitled.

Respectfully submitted,

DATED: May 30, 2014.

/s/ Janie L. Frank

JANIE L. FRANK

Lead Attorney

Texas Bar No. 07363050

SECURITIES AND EXCHANGE COMMISSION

Burnett Plaza, Suite 1900

801 Cherry St., Unit #18

Fort Worth, TX 76102-6882

(817) 978-6478

(817) 978-4927 (fax)

Frankj@sec.gov