

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION)	
)	
Plaintiff,)	
)	
v.)	
)	Civil Action No. 19-cv-6458
MARCUS BEAM)	
)	
Defendant.)	
_____)	

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. The Commission brings this action to enjoin Defendant Marcus Beam (“Beam”) from violating the antifraud provisions of the federal securities laws. From no later than June 2017 through at least July 2019, Beam – acting primarily through a purported advisory business known as Chase Private Equity, which he later changed to New World Capital (collectively, “CPE”) – misappropriated at least \$207,000 from advisory clients and investors in funds he purportedly managed.

2. Beam solicited and obtained money from individuals by promising, in exchange for compensation, to advise them how to invest their money, and to invest it for them in pre-IPO shares and other securities, including through purported pooled investment vehicles called the Chase Private Equity Fund (“CPE Fund”) and the Prime Money Market Fund (“Prime Fund”) which he claimed to be operating through CPE and for which he claimed to serve as the fund advisor.

3. For at least two of those individuals, however, instead of investing their money, Beam commingled and misappropriated the vast majority of it for personal and business expenses. He then

concealed the misappropriation by fabricating periodic account statements and other documents falsely showing the money had been invested as he represented. When those two individuals sought to redeem their investments in 2018 and 2019, Beam failed to return the funds.

4. As a result of the conduct alleged in this Complaint, Beam violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a); Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5; and Sections 206(1), 206(2), and 206(4) and Rule 206(4)-8 of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-6(1), 80b-6(2), 80b-6(4), and 17 C.F.R. § 275.206(4)-8. Unless restrained and enjoined, Beam is reasonably likely to continue to violate the federal securities laws.

5. The Commission therefore respectfully requests the Court enter: (i) a permanent injunction restraining and enjoining Beam from violating the federal securities laws; (ii) an order directing Beam to pay disgorgement with prejudgment interest; and (iii) an order directing Beam to pay a civil money penalty.

II. DEFENDANT

6. Beam, age 49, is a resident of Woodridge, Illinois. During the relevant time period, he worked in the Chicago area as an investment adviser, advising individual clients and purported pooled investment vehicles, including the CPE Fund and the Prime Fund, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. He also transacted business as CPE, which he claimed was as an investment advisory firm in the Chicago area. Beam has never been registered with the Commission as an investment adviser, and neither CPE, the CPE Fund nor the Prime Fund has ever been registered with the Commission or FINRA in any capacity. In addition, during the relevant time period, CPE was not registered or licensed to do business with the Illinois Secretary of State, or, on information and belief, in any other jurisdiction – indeed, New World Capital did not file its articles of domestic organization in Illinois until November 29, 2018,

and when it did so, it registered the name “Chase Private Equity” as a name under which New World Capital planned to transact business. New World Capital listed its principal place of business in Chicago.

III. JURISDICTION AND VENUE

7. The Court has subject matter jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); Sections 21(d) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa(a); and Sections 209 and 214 of the Advisers Act, 15 U.S.C. §§ 80b-9 and 80b-14.

8. The Court has personal jurisdiction over Beam, and venue is proper in this District, because, among other things: (i) Beam solicited investment advisory clients and offered or sold securities to investors in this District; (ii) Beam is a resident of this District; and (iii) some or all of the acts and transactions in which Beam engaged and that constitute violations of the federal securities laws occurred in this District.

9. In connection with the conduct alleged in this Complaint, Beam, directly and indirectly, singly or in concert with others, has made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, the mails, and/or the facilities of a national securities exchange.

IV. FACTUAL BACKGROUND

A. Beam Solicits Investments from Clients and Prospective Clients

10. Since at least 2017, and while in the Chicago area, Beam solicited individuals to invest with him, claiming to represent CPE, the CPE Fund and the Prime Fund. The primary investment plan Beam marketed was for individuals to contribute \$100 a month for investments in gold, pre-IPO securities, stocks and art, at a cost of a \$199 start-up fee and a \$99 annual account maintenance fee. In or around mid-2017, Beam oversaw as many as eight or so telemarketers who

worked at his office in Lombard, Illinois, who made around 100 cold solicitation calls a day using a script that Beam wrote. Later, in or around early 2018, Beam outsourced the telemarketing function overseas using the same script. The script pitched an automated investment platform, where investments “will be professionally monitored and maintained by your member management team. Periodically reallocating your portfolio to insure maximum profitability.” Beam was successful in obtaining investments through this telemarketing operation.

11. Beam directed individuals to sign up on CPE’s website. During the relevant time period, the website offered membership in CPE’s investment platform as part of a “private membership group.” Beam advertised CPE’s portfolio as “perfectly diversified,” and comprised of, among other things, non-publicly traded companies, gold and real estate, and “traditional as well as alternative investments.” In addition, Beam described CPE as a “private members only investment club” that “invest[s] as a group,” and that member accounts would be “professionally managed and occasionally automatically reallocated to assure your money is always working smarter and earning the best possible returns.”

12. Beam also emailed a CPE Fund prospectus and membership agreement to at least one client when soliciting investments. Among other things, the agreement identified Brokerage Firm A as the custodian of CPE’s brokerage accounts, and the prospectus stated the fund’s portfolio was “designed for simplistic aggressive growth, smart diversification and capital preservation,” and “will typically be vested in Real Estate, Alternative Investments, Pre IPO companies, Cash and cash alternatives.” The agreement also defined the purpose of the CPE Fund: “[T]o invest assets of Chase Private Equity secured assets [sic] and other investments . . . for the education and benefit of the Members.”

13. The CPE Fund prospectus also stated that investments over \$5,000 incurred a 1.5% management and 15% success fee, with smaller investments paying only the registration and annual

fees noted above. The prospectus further stated investments could be redeemed on 120 days' notice.

14. CPE account opening forms referenced the Prime Fund and identified a CPE webpage where a prospectus for this and other identified funds was available.

15. Beam claimed he could grow his clients' money, and the representations he made about CPE and the CPE Fund were successful in yielding at least two clients in the Chicago area who entrusted their savings to him. Beam enticed Investor A with promises of diversified investments in pre-IPO securities, real estate and antiques and much higher returns than the 4% she was earning in her 401(k).

16. Beam told Investor A through text messages that he sent from September 2017 through January 2018 that he, among other things, held a Series 65 investment adviser license, managed over \$40 million of accounts, that he would "make you more money in a year than you've made in the last five years where you were," and that "we don't get paid till [sic] we make you money . . . our income is tied to our [p]erformance."

17. When Investor A expressed concern over the tax penalties associated with taking an early distribution on her 401(k) in order to transfer the funds to Beam, he assured her through text messages in October and November 2017 that CPE's investment growth of close to 34% would be more than enough to offset the penalty, and that she could recoup the loss "within probably seven months" of coming to CPE.

18. In November 2017, based on Beam's claims, Investor A liquidated the entirety of her \$130,000 401(k) account and entrusted \$115,000 of it to Beam. At Beam's direction, Investor A made her funds payable to CPE's bank account, which was maintained at a branch in the Chicago area. In doing so, she incurred approximately \$40,000 in tax penalties with the IRS. Investor A expected Beam to invest her money as he had represented he would.

19. In at least two periodic account statements that Beam emailed to Investor A in or around April and July 2018, he represented that the full amount of her principal (\$115,000) had been invested in the CPE Fund. In these statements Beam also reported gains on the investment of approximately \$14,000 for the first two quarters of 2018.

20. In addition, Beam and Investor A agreed that he would provide her separate investment advice in connection with her individual brokerage account at Brokerage Firm A. Beam told her through a series of text messages in October 2017 and January 2018 which stocks to purchase and when to purchase them. He also told her through those text messages that the fees she paid him to manage her investment funds in the CPE Fund (*i.e.*, the 1.5% management and 15% success fee noted above) would include this separate investment advice he provided to her.

21. As with Investor A, Investor B also wired funds from her retirement account (\$40,000) to invest with Beam in June 2017, incurring approximately \$14,000 in tax penalties with the IRS. She too was enticed by the prospect of investments in pre-IPO securities, gold, stocks and art, by Beam's representation that he was averaging between 17%-19% in earnings, and by his assurance that he would "double" her money and that it would be "no problem." Investor B understood she would pay Beam fees for investment advisory services.

22. A month later, in July 2017, Beam told Investor B that Uber was having a pre-IPO offering and that it would be a good opportunity, so Investor B wired \$15,000 from her individual brokerage account to CPE's bank account.

23. Beam previously had told Investor B that CPE clients held various positions in then-privately held, pre-IPO technology stocks – among others, Airbnb and Lyft. This was consistent with Beam's representations in a March 2018 newsletter that CPE clients held investments in Uber, Lyft, DocuSign, and Airbnb. This newsletter, provided at least to Investor A, encouraged clients or

their friends and family “interested in supercharging your investments or retirement fund” to contact their member manager to “double down and ride the IPO wave.”

24. Similarly, in at least one periodic account statement that Beam provided to Investor A for the second quarter of 2018, he claimed that the “DocuSign IPO provided us a fantastic second Quarter and has us on pace for another amazing year.”

25. Between July 2017 and December 2017, based on Beam’s claims, Investor B also wire transferred to CPE’s bank account approximately \$37,000 in her mother’s and nieces’ retirement and education accounts to open CPE accounts for them. In addition, as part of CPE’s automated investment program discussed above, Investor B also contributed \$200 per month to CPE’s bank account on behalf of herself and her two niece’s accounts. On account opening forms for each of her niece’s accounts, Investor B selected the Prime Fund for their initial and monthly investments. The periodic account statements that Beam emailed to Investor B reported 18% in investment earnings. Investor B also made the \$99 annual account maintenance payments for at least two of her and her family’s CPE accounts.

26. As with Investor A, Investor B also expected Beam to invest her money and her family members’ money as he had represented he would.

27. Beginning in June 2018 and March 2019, both Investor A and Investor B, respectively, made redemption requests to Beam. He emailed them redemption forms and they submitted the requests. Both investors received assurances by email and otherwise, including from Beam directly, that their redemption requests were being processed, but to date, neither have received any of their funds back.

B. Beam’s Investment Plan is Fraudulent

28. Beam committed fraud in connection with soliciting money from at least one investment advisory client for securities transactions and when offering and selling interests in the

CPE Fund and the Prime Fund to at least Investor A and Investor B. Beam also breached the fiduciary duties he owed as an investment adviser to his individual, CPE Fund and Prime Fund clients.

29. Beam never held a Series 65 license, and the membership agreement that he emailed to Investor A, if not also to others, falsely represented that CPE's and the CPE Fund's brokerage accounts were maintained at Brokerage Firm A. Beam knew or was reckless in not knowing that he never held the license and that neither CPE nor the CPE Fund ever had such accounts at Brokerage Firm A.

30. Instead, the only account at Brokerage Firm A that Beam maintained during the time period was a personal account in his own name. In addition, despite telling Investor A that he managed over \$40 million in account assets, the month-end value of Beam's account at Brokerage Firm A never even reached \$50,000 during the relevant time period.

31. Beam knowingly misappropriated and commingled the vast majority of the funds that both Investor A and Investor B entrusted to him. Indeed, their funds were comingled in CPE's bank account in the Chicago area with funds from other sources, which account Beam used for his personal and business expenses.

32. Despite telling Investor A and Investor B that their funds or the funds of the CPE Fund would be invested in pre-IPO securities, gold, stocks and art, Beam instead spent at least approximately \$46,000 of Investor A's funds and \$44,000 of Investor B's funds on credit card payments; at least approximately \$11,000 of Investor A's funds and \$23,000 of Investor B's funds on rent; at least approximately \$17,000 of Investor B's funds on payroll, including to Investor B as salary owed to her for her work as Beam's office manager; and at least approximately \$6,000 of Investor A's funds and \$5,000 of Investor B's funds on retail purchases.

33. Beam was the sole signatory on CPE's bank accounts, and therefore knew or was reckless in not knowing that he was misappropriating Investor A's and Investor B's investment funds as well as any of the funds that belonged to the purported CPE Fund and Prime Fund.

34. Beam transferred approximately \$37,000 of funds that Investor A invested for the purported CPE Fund and \$17,500 of Investor B's investment funds to his personal account at Brokerage Firm A. During the relevant time period, he traded securities in that personal account, but the trading resulted in a net realized loss of more than \$16,000.

35. To conceal his misappropriation, Beam fabricated account statements. As noted above, Investor A's statements showed that the full \$115,000 principal had been invested across four asset classes, and reported gains of approximately \$14,000 for the first two quarters of 2018. Account statements Beam provided to Investor B similarly reported non-existent investments and gains.

36. Beam knew or was reckless in not knowing that Investor A's account statements were false because (i) Beam spent more than half of her \$115,000 investment on personal and business expenses; (ii) neither CPE nor the CPE Fund had a brokerage account at Brokerage Firm A as the CPE membership agreement represented; and (iii) Beam's trading in his individual account at Brokerage Firm A resulted in a significant net realized loss, not a gain. For similar reasons, Beam knew or was reckless in not knowing that the account statements he provided to Investor B were false.

37. In addition, Beam's account at Brokerage Firm A never held positions in Uber, Lyft, Airbnb or DocuSign, and thus Beam knew or was reckless in not knowing his statements to Investor A, Investor B and other existing or prospective clients or investors about purchasing and/or selling those securities were false.

COUNT I

Fraud in Violation of Section 17(a)(1) of the Securities Act

38. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

39. Beam, in the offer or sale of any securities by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly knowingly or recklessly employed a device, scheme or artifice to defraud.

40. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Fraud in Violation of Section 17(a)(2) of the Securities Act

41. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

42. Beam, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly knowingly, recklessly or negligently obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

43. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT III

Fraud in Violation of Section 17(a)(3) of the Securities Act

44. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

45. Beam, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly

knowingly, recklessly or negligently engaged in a transaction, practice or course of business which operated or would operate as a fraud or deceit upon the purchaser of such securities.

46. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT IV

Fraud in Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act

47. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

48. Beam directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly employed a device, scheme or artifice to defraud, in connection with the purchase or sale of securities.

49. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(a) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(a).

COUNT V

Fraud in Violation of Section 10(b) and Rule 10b-5(b) of the Exchange Act

50. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint

51. Beam directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in connection with the purchase or sale of securities.

52. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b).

COUNT VI

Fraud in Violation of Section 10(b) and Rule 10b-5(c) of the Exchange Act

53. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

54. Beam directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly engaged in an act, practice or course of business which operated or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of securities.

55. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(c) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(c).

COUNT VII

Investment Adviser Fraud in Violation of Section 206(1) of the Advisers Act

56. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

57. Beam acted as an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11). For compensation, he engaged in the business of advising clients as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.

58. By engaging in the conduct described in this Complaint, Beam, by use of the mails or the means or instrumentalities of interstate commerce, directly or indirectly, knowingly or recklessly employed a device, scheme, or artifice to defraud a client or prospective client.

59. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

COUNT VIII

Investment Adviser Fraud in Violation of Section 206(2) of the Advisers Act

60. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

61. Beam acted as an investment adviser within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11). For compensation, he engaged in the business of advising clients as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.

62. By engaging in the conduct described in this Complaint, Beam, by use of the mails or the means or instrumentalities of interstate commerce, directly or indirectly, knowingly, recklessly or negligently engaged in a transaction, practice, or a course of business which operated as a fraud or deceit upon a client or prospective client.

63. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

COUNT IX

Investment Adviser Fraud in Violation of Section 206(4) and Rule 206(4)-8 of the Advisers Act

64. The Commission repeats and realleges Paragraphs 1 through 37 of its Complaint.

65. Beam acted as an investment adviser to the CPE Fund and the Prime Fund within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11). For compensation, he engaged in the business of advising the CPE Fund and the Prime Fund as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.

66. The CPE Fund and the Prime Fund were “pooled investment vehicles” within the meaning of Rule 206(4)-8(b) of the Advisers Act, 17 C.F.R. § 275.206(4)-8(b).

67. By engaging in the conduct described in this Complaint, Beam, by use of the mails or the means or instrumentalities of interstate commerce, directly or indirectly, knowingly,

recklessly or negligently made an untrue statement of a material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to an investor or prospective investor in the CPE Fund and/or the Prime Fund; or otherwise engaged in an act, practice or a course of business that was fraudulent, deceptive, or manipulative with respect to investors or prospective investors in the CPE Fund and/or the Prime Fund.

68. By reason of the foregoing, Beam violated, and, unless enjoined, is reasonably likely to continue to violate, Section 206(4) and Rule 206(4)-8 of the Advisers Act, 15 U.S.C. § 80b-6(4) and 17 C.F.R. § 275.206(4)-8.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find Beam committed the violations charged, and enter judgment:

I.

Permanent Injunction

Permanently restraining and enjoining Beam, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from directly or indirectly violating the federal securities laws alleged in this Complaint.

II.

Disgorgement

Ordering Beam to disgorge, with prejudgment interest, all ill-gotten gains received as a result of the acts or courses of conduct alleged in this Complaint.

III.

Penalty

Ordering Beam to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d); and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

IV.

Further Relief

Granting such other and further relief as the Court determines to be necessary and appropriate.

V.

Retention of Jurisdiction

Further, the Commission respectfully requests the Court retain jurisdiction over this action and over Beam in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

JURY DEMAND

Plaintiff demands a trial by jury as to all claims so triable.

DATED: September 30, 2019

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By: /s/ John E. Birkenheier

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