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10 UNITED STATES DISTRICT COURT
11 EASTERN DISTRICT OF CALIFORNIA
12 SACRAMENTO DIVISION

13
14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,

16 vs.

17 LAWRENCE "LEE" LOOMIS, LOOMIS WEALTH
SOLUTIONS, LLC, JOHN HAGENER, AND LISMAR
18 FINANCIAL SERVICES, LLC,

19 Defendants.
20
21

Civil Action No. 2:10-cv-00458-MCE-KJN

COMPLAINT

22 Plaintiff Securities and Exchange Commission ("Commission") alleges:

23 **SUMMARY OF THE ACTION**

24 1. During 2007 and 2008, Lawrence "Lee" Loomis and John Hagener misappropriated
25 approximately \$10 million from more than 100 investors primarily located in California,
26 Washington, and Illinois through the fraudulent sale of interests in two supposed real estate
27 investments funds (the "Naras Funds"). In soliciting investments for the Naras Funds, Loomis told
28 investors they were "liquid high-yield accounts" that would be invested in short-term home loans

1 secured by deeds of trust on homes purchased with the loans. Loomis also claimed the loans were
2 “guaranteed” by a third party. He promised investors 12% returns on their investments and told
3 them their accounts were safe, savings-like accounts.

4 2. In fact, the claims were not true. Loomis and Hagener were secretly diverting
5 investor funds to finance the operations of other companies they controlled. Rather than investing
6 in real estate secured by deeds of trust, Naras Funds money was commingled with money of
7 several entities Loomis or Hagener controlled, and then spent on operating expenses, such as
8 payroll, utilities, travel, and other expenses Loomis incurred in a failed real estate scheme.

9 3. During 2007 and 2008, when Loomis’ other companies were losing money and
10 financing their operations with money from the Naras Funds, Loomis took hundreds of thousands
11 of dollars from those companies for himself.

12 4. Even though Hagener was misappropriating the Naras Funds’ assets to fund other
13 businesses, and not advancing the interests of Naras Funds investors, investors’ money was also
14 spent to pay Hagener more than \$190,000 to run the Naras Funds.

15 5. Loomis and his company, Loomis Wealth Solutions, LLC (“LWS”), and Hagener
16 and his company, Lismar Financial Services, LLC (“Lismar”) (collectively, “Defendants”),
17 violated numerous provisions of the federal securities laws, including the antifraud statutes, by
18 misappropriating investor assets, making materially false and misleading statements in connection
19 with the purchase or sale of securities, and perpetrating a fraud on their investors. The
20 Commission seeks to enjoin Defendants from further violations of the securities laws,
21 disgorgement of their ill-gotten gains, and payment of civil money penalties.

22 JURISDICTION AND VENUE

23 6. The Commission brings this action pursuant to Section 20(b) of the Securities Act
24 of 1933 (“Securities Act”) [15 U.S.C. § 77t(b)], Sections 21(d) and 21(e) of the Securities
25 Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d) and 78u(e)], and Sections 209 and
26 214 of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-9 and 80b-14].

27 7. This Court has jurisdiction over this action pursuant to Section 22(a) of the
28 Securities Act [15 U.S.C. § 77v(a)], Sections 21(d)(3), 21(e), and 27 of the Exchange Act [15

1 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa], and Sections 209 and 214 of the Advisers Act [15 U.S.C.
2 §§ 80b-9 and 80b-14]. Defendants, directly or indirectly, have made use of the means and
3 instrumentalities of interstate commerce or of the mails in connection with the acts, transactions,
4 practices, and courses of business alleged in this complaint.

5 8. Venue in this District is proper pursuant to Section 22 of the Securities Act [15
6 U.S.C. § 77v], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the
7 Advisers Act [15 U.S.C. § 80b-14] because a substantial portion of the conduct alleged in this
8 complaint occurred within the Eastern District of California.

9 **DEFENDANTS**

10 9. Defendant Lawrence L. "Lee" Loomis, age 52, resided in Granite Bay, California at
11 least through early 2009. During 2007 and 2008, Loomis controlled LWS, as well as several
12 related entities. In testimony before the Commission, Loomis asserted his Fifth Amendment
13 privilege against self-incrimination in response to questions regarding the Naras Funds.

14 10. Defendant John Hagener, age 73, resides in Roseville, California. Hagener is
15 Loomis' father-in-law. During 2007 and 2008, Hagener managed Lismar and the Naras Funds. At
16 the time, Hagener was also president of Advanced Lending Group, Inc. dba Nationwide Lending
17 Group ("NLG"), a mortgage bank controlled by Hagener and Loomis that received Naras Funds
18 money. In testimony before the Commission, Hagener asserted his Fifth Amendment privilege
19 against self-incrimination in response to questions regarding the Naras Funds.

20 11. Defendant LWS is a Delaware limited liability company controlled by Loomis.
21 During 2007 and 2008, LWS' principal place of business was Roseville, California. LWS
22 purported to be a financial planning company.

23 12. Defendant Lismar is a Delaware limited liability company wholly-owned and
24 controlled by Hagener. During 2007 and 2008, Lismar's principal place of business was
25 Roseville, California. Lismar was the managing member of the Naras Funds. Hagener managed
26 Lismar.

FACTUAL ALLEGATIONS

Loomis Created The Naras Funds and Raised Approximately \$10 Million Through Public Solicitations

13. In approximately February 2007, Loomis created the Naras Funds. Lismar was created to manage the Naras Funds. Hagener, Loomis' father-in-law, owned and managed Lismar, and managed the Naras Funds through Lismar.

14. Starting in February 2007, Naras Secured Fund, LLC ("Naras-1"), a Delaware limited liability company, offered investors \$975,000 in equity securities called membership units. The offering was not registered with the Commission.

15. Also starting in February 2007, Naras Secured Fund #2, LLC ("Naras-2"), a Delaware limited liability company, offered investors \$10,000,000 in equity securities called membership units. The offering was not registered with the Commission.

16. The Naras Funds were described in offering documents called private placement memoranda ("PPMs"). According to the PPMs, the Naras Funds would use the proceeds raised from investors primarily to invest in promissory notes from borrowing entities. The notes would earn 14% interest for the Naras Funds. The PPMs represented that the borrowing entities would loan the money short term at 14% interest to homebuyers. As security for the loans to the borrowing entities, the Naras Funds would receive second deeds of trust on the homes ultimately purchased by homebuyers with the loan proceeds. According to the PPMs, the Naras Funds would pay investors 12% annual returns.

17. From March 2007 to August 2008, Defendants sold investors approximately \$10 million of limited liability company membership units in the Naras Funds. In Naras-1, Defendants raised over \$900,000 from approximately 30 investors. In Naras-2, Defendants raised over \$9,000,000 from approximately 85 investors.

18. Defendants attracted investors through newspaper ads and direct mailings to the general public touting investment seminars, including seminars Loomis held in California and Washington. After an initial two-hour screening seminar, Loomis invited attendees with sufficient home equity, retirement accounts, and credit, to two-day workshops he conducted. At the

1 workshops, Loomis pitched purchases of residential real estate through LWS and investments in
2 the Naras Funds. During the workshops, Loomis described the Naras Funds as a “liquid high-
3 yield account” that would pay 12% returns on the money invested.

4 19. The Naras-2 PPM stated: “This Offering is directed only to persons who are
5 “accredited investors” as that term is defined in Rule 501(a) promulgated by the U.S. Securities
6 and Exchange Commission under the Securities Act of 1933.” An individual investor is
7 “accredited” under the securities laws if his or her net worth exceeds \$1,000,000 (together with a
8 spouse’s net worth), or if his or her income is at least \$200,000 and is reasonably expected to
9 remain at that level for a year, at the time of investment.

10 20. Despite the claim that Naras-2 was limited to accredited investors, Loomis
11 routinely sold Naras-2 securities to investors he knew were unaccredited. Loomis and Hagener
12 both knew investors in Naras-2 were unaccredited based on information obtained as a result of the
13 investment workshops. For example, in a February 2008 LWS investor financial profile, the
14 investor’s net worth and salary were inadequate for her to be accredited. Yet Loomis solicited and
15 accepted an approximately \$150,000 investment from the investor in Naras-2. This investor also
16 had limited prior securities experience, and Loomis did not provide her, or any other investor,
17 financial statements for the Naras Funds.

18 **Defendants Lured Investors with Misrepresentations About the Naras Funds’**
19 **Investments and Safety**

20 21. After the investment workshops, in follow-up one-on-one meetings with investors,
21 Loomis pitched the Naras Funds in detail. He told investors that the Naras Funds were safe,
22 savings-like accounts.

23 22. Loomis suggested investors “harvest” the equity in their own homes by refinancing
24 their homes and obtaining cash for investment in the Naras Funds. He also suggested investors
25 liquidate IRAs and 401(k) accounts and move the money to a self-directed IRA that would invest
26 the money in the Naras Funds.

27 23. Loomis promised investors that their investments in the Naras Funds could be fully
28 redeemed on 90-days notice. Loomis also told investors that the Naras Funds investments were

1 | guaranteed by a third party; however, Loomis did not disclose that he actually controlled the third
2 | party, and that the third party did not have the assets to pay the guarantee.

3 | **Loomis' Solicitations Harmed Investors**

4 | 24. In one example of Loomis' fraudulent scheme, a Placer County, California couple
5 | invested almost \$200,000 in the Naras Funds. Despite their demands, their investment has not
6 | been repaid. The couple first heard about the Naras Funds at a two-day workshop in October 2007
7 | held in Sacramento, California, having seen an advertisement in their local newspaper. The
8 | husband was semi-retired and the wife was nearing retirement, and thus they were interested in
9 | conservative investments that would provide reliable income during their retirement years.

10 | 25. At the workshop, Loomis said the Naras Funds would provide a consistent annual
11 | return of 12%. Loomis claimed that the money invested in the Naras Funds would be loaned on a
12 | short-term basis at 14% to purchase real estate and would be secured by the real estate.

13 | 26. In mid-October 2007, the Placer County couple met with Loomis at his Roseville,
14 | California office, where he repeated the representations he made at the workshop. Loomis also
15 | said the couple could get their money back at any time with 90-days written notice. Loomis
16 | further stated that the Naras Funds were very liquid. Loomis also said the investment was all the
17 | more secure because it would be unconditionally guaranteed by another company. Although the
18 | couple was not accredited as required to invest in Naras-2, Loomis said they were close enough
19 | and encouraged them to invest in Naras-2. Loomis encouraged the couple to take out an equity
20 | line of credit on their home to obtain cash to invest in the Naras Funds.

21 | 27. In another example, a San Jose, California couple invested \$250,000 in the Naras
22 | Funds. The couple, a former chaplain and his wife, both nearing retirement, first met Loomis in
23 | March 2008 at a two-day workshop in San Jose, California. During the workshop, Loomis said
24 | the Naras Funds would earn 12%, were liquid, and that investments in them could be withdrawn at
25 | any time.

26 | 28. Shortly thereafter, the San Jose couple met with Loomis in Pleasanton, California,
27 | where he recommended that the couple "equity harvest" by taking out an equity line of credit on
28 |

1 their home to invest in the Naras Funds. Loomis referred them to a banker who had previously
2 worked for him to help them refinance their home, which the couple subsequently did.

3 29. In April 2008, the husband of the San Jose couple met with Loomis at Loomis'
4 Roseville, California office. At the meeting, Loomis introduced the investor to John Hagener, who
5 Loomis said ran the Naras Funds. During the meeting, Hagener provided the investor detailed
6 instructions and account information so the investor could wire his money to invest in the Naras
7 Funds.

8 30. On April 25, 2008, the San Jose couple wired \$250,000 to the Naras Funds.
9 Because their investment had been obtained from refinancing their home, the couple depended on
10 the promised 12% returns to pay their increased monthly home mortgage payment.

11 31. The couple never received a PPM or subscription agreement for their investment in
12 the Naras Funds. Instead, they received only the signature page for the Naras Funds subscription
13 agreement, which they signed, and Hagener signed on behalf of the Naras Funds to finalize their
14 investment.

15 32. The couple received only three payments of 12% annualized (purported returns on
16 their investment) before payments ceased.

17 33. In another example, a Seattle, Washington woman invested almost \$150,000 in the
18 Naras Funds. She has not been repaid. In late February 2008, having attended a seminar and later
19 a workshop Loomis gave in Everett, Washington, the Seattle investor met privately with Loomis
20 and another LWS employee. At the meeting, Loomis said investments in the Naras Funds would
21 go into a savings or holdings account that would earn 12% interest. Loomis told her the account
22 was safe and liquid. He also told her she needed to invest at least \$100,000 in the Naras Funds
23 account before she could buy properties through Loomis' real estate arrangement.

24 34. Approximately two-thirds of the Seattle investor's approximately \$150,000
25 investment was from her retirement savings. She never received a PPM for the Naras Funds, and
26 only was provided the signature page for the subscription agreement. The investor had limited
27 experience investing in securities.

28

1 **The True Nature of the Naras Funds**

2 35. The Naras Funds were not liquid, savings-like accounts, as Loomis told investors.
3 In fact, they were speculative investments in limited liability company securities. Many investors
4 were never even shown the PPMs explaining the investment, receiving only the signature page
5 from the subscription agreements, which Hagener signed for the Naras Funds. Furthermore, the
6 PPMs did not disclose or authorize what Loomis and Hagener actually did with the money:
7 misappropriate it to pay the operating expenses for their failing real estate scheme.

8 36. Loomis and Hagener both knew, or were reckless in not knowing, that the PPMs
9 falsely described how the Naras Funds would be used. They also knew, or were reckless in not
10 knowing, that many investors never even received any PPM or subscription agreement for the
11 Naras Funds, and only received the signature page to the subscription agreement. Thus, many
12 investors had not received any written disclosures concerning how the Naras Funds intended to
13 operate and use their money. Defendants failed to tell investors that the money they invested in
14 the Naras Funds was not being used in accordance with the PPMs or their oral representations.
15 Nor did they tell investors in the Naras Funds that the money was actually being used to pay
16 operating expenses for other businesses Loomis and Hagener controlled.

17 37. Loomis and the PPMs claimed that investments in the Naras Funds were guaranteed
18 by a third party. Loomis controlled the Naras Funds' purported guarantor, Advantage Financial
19 Partners of California, LLC ("AFPC"), but did not disclose this fact to Naras Funds investors.
20 Moreover, AFPC, and its parent company, which Loomis also controlled, were borrowing from
21 the Naras Funds to pay their operating expenses and did not have the assets to guarantee \$10
22 million in investments. When the scheme collapsed, AFPC owed the Naras Funds approximately
23 \$2 million.

24 38. Because Loomis controlled AFPC and its parent company at the time he promised
25 investors their investments in the Naras Funds were guaranteed, Loomis knew, or was reckless in
26 not knowing, AFPC could not pay the guarantee. Because Hagener was responsible for causing,
27 and did cause, Naras Funds money to be transferred to AFPC and its parent company for operating
28

1 expenses, Hagener also knew, or was reckless in not knowing, AFPC could not pay the guarantee.
2 Loomis and Hagener failed to disclose to investors that AFPC could not pay the guarantee.

3 **After Luring Investors with Misrepresentations, Defendants Misappropriated Naras**
4 **Funds Investments**

5 39. Despite promises to potential investors, Loomis and Hagener used investor money
6 primarily to pay the operating expenses (such as payroll, utilities, and travel expenses) for Loomis'
7 other failing businesses and to prop up his real estate scheme. In particular, Defendants used
8 Naras Funds money to make mortgage payments on properties owned by participants in Loomis'
9 real estate scheme. Loomis had promised these individuals that LWS would pay mortgages on
10 properties they had purchased. At Loomis' request, Hagener transferred Naras Funds money to
11 accounts Loomis controlled where the money was commingled with funds used to pay these
12 expenses.

13 40. Naras Funds money was misused to fund payroll for Defendants' companies.
14 Hagener transferred Naras Funds money to accounts Loomis controlled that were used to pay,
15 among others, Loomis' wife (approximately \$40,000 per year) and her brother (approximately
16 \$140,000 per year). Loomis also withdrew hundreds of thousands of dollars from his companies,
17 in addition to his salary. None of the payments were authorized uses of the Naras Funds money
18 under the PPMs.

19 41. In addition, the Naras Funds paid Lismar over \$190,000 in fees, which went to
20 Hagener to manage the Naras Funds.

21 42. Starting in March 2007, to create the appearance of legitimate investments by the
22 Naras Funds, Loomis and Hagener caused several entities Loomis controlled to execute sham
23 "loan" agreements with the Naras Funds to "borrow" the Naras Funds money at 14% interest. The
24 Naras Funds did not obtain deeds of trust on real estate in connection with the notes, despite that
25 Loomis and the PPMs had claimed the loans would be secured by deeds of trust. Hagener
26 executed the notes on behalf of the Naras Funds. In late January 2008, Loomis and Hagener
27 executed a "master" loan agreement pursuant to which entities Loomis or Hagener controlled
28 borrowed additional funds without signing new notes.

1 43. During 2007 and 2008, NLG, the mortgage bank Hagener controlled along with
2 Loomis, purportedly “borrowed,” but failed to repay, approximately \$950,000 from the Naras
3 Funds. On July 1, 2007, Hagener executed a promissory note documenting one such loan on
4 behalf of both NLG and the Naras Funds.

5 44. During 2007 and 2008, pursuant to sham promissory notes, Loomis and Hagener
6 caused the Naras Funds to transfer investor money to Loomis and at least eight entities controlled
7 by Loomis (or controlled by Loomis and Hagener together), including LWS and AFPC (the Naras
8 Funds’ purported guarantor).

9 45. By July 2007, the entities that had received Naras Funds money had already failed
10 to pay interest due, yet Loomis kept demanding that Hagener transfer more money to the
11 companies for operating expenses, and Hagener continued to transfer the investor money. To
12 make it appear that the entities were current in their payments, Hagener converted some of the
13 debt they owed to the Naras Funds to equity in Loomis’ holding company. Hagener created this
14 transaction both so the borrowing entities would not have to pay the Naras Funds back and to
15 make it appear to Naras Funds investors that the borrowing entities made their minimum interest
16 payments when, in fact, they had not.

17 46. In June and July 2008, Hagener caused Naras-2 to invest \$350,000 of investors’
18 money in a securities private placement. The money has not been repaid to Naras-2.

19 47. During 2007 and 2008, Loomis and Hagener both knew, or were reckless in not
20 knowing, the following: a) the PPMs stated that Naras Funds money was to be used primarily to
21 invest in promissory notes at 14% interest secured by second deeds of trust on residential real
22 property whose purchase the loans were used to finance; b) the Naras Funds money was primarily
23 being used to pay operating expenses for entities Loomis or Hagener controlled, which would do
24 nothing to generate the 14% interest payment; c) the loans the Naras Funds made to entities
25 Loomis or Hagener controlled were not secured by deeds of trust; d) from the outset, the
26 borrowing entities failed to repay interest due on most of the loans; e) the Naras Funds were highly
27 illiquid, contrary to Loomis’ representations to investors; and f) entities Loomis or Hagener
28 controlled received and failed to repay approximately \$10 million from the Naras Funds.

1 **Defendants Misrepresented the Naras Funds' Returns to Investors**

2 48. From early 2007 to at least November 2008, with Loomis' knowledge, Hagener
3 prepared and sent through the mail monthly Naras Funds account statements to investors falsely
4 informing them that they had earned 12% returns. The statements showed "account" balances that
5 made it appear that investors' principal was intact and they were earning 12% returns on their
6 investments.

7 49. In truth, the Naras Funds were depleted regularly to fund the operations of other
8 companies as new investor money came in. When the scheme collapsed in August 2008, Naras
9 Funds records showed that investors had account balances exceeding \$11 million. Yet, at the time,
10 the Naras Funds bank accounts held only approximately \$5,000, and the Naras Funds held no
11 assets of any real value. Contrary to the account statements, as Defendants knew, or were reckless
12 in not knowing, the Naras Funds money had been misappropriated, as described above.

13 50. From the start, Loomis' companies failed to pay interest to the Naras Funds, let
14 alone principal. Yet, until August 2008, after Defendants had been misappropriating Naras Funds
15 money for almost a year and a half, Loomis continued to solicit investments in the Naras Funds,
16 all the while continuing to misrepresent the safety of the investments and how the money was
17 being used. Throughout, Hagener and Loomis continued to funnel more of the Naras Funds
18 money to companies they controlled.

19 51. Moreover, as in other Ponzi schemes, some Naras Funds money was paid back to
20 investors even though the Naras Funds had earned virtually no profits. Thus, from December
21 2007 through June 2008, Hagener caused the Naras Funds to make payments totaling more than
22 \$850,000 to investors who withdrew money from the Naras Funds. The Naras Funds typically
23 made these payments using money invested by others in the Naras Funds.

24 **FIRST CLAIM FOR RELIEF**

25 **(Violations of Section 10(b) of the Exchange Act
26 and Rule 10b-5 Thereunder by all Defendants)**

27 52. The Commission incorporates and realleges here paragraphs 1 through 51, above.
28

1 53. Defendants have, by engaging in the conduct set forth above, directly or indirectly,
2 by use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a
3 national security exchange, with scienter: (a) employed devices, schemes, or artifices to defraud;
4 (b) made untrue statements of material fact or omitted to state material facts necessary in order to
5 make the statements made, in light of the circumstances under which they were made, not
6 misleading; and (c) engaged in acts, practices, or courses of business which operated or would
7 operate as a fraud or deceit upon other persons, in connection with the purchase or sale of
8 securities.

9 54. By reason of the foregoing, defendants have directly or indirectly violated, and
10 unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
11 and Rule 10b-5 [17 C.F.R. § 240.10b-5].

12 55. In the alternative, Hagener knowingly provided substantial assistance to Loomis,
13 LWS, Lismar and/or other persons' violations of Section 10(b) of the Exchange Act [15 U.S.C. §
14 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5], and therefore is liable as an aider and abettor
15 pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

16 **SECOND CLAIM FOR RELIEF**

17 **(Violations of Securities Act**
18 **Section 17(a)(1) by all Defendants)**

19 56. The Commission incorporates and realleges here paragraphs 1 through 51, above.

20 57. By engaging in the conduct described above, Defendants, directly or indirectly, in
21 the offer or sale of securities, by use of the means or instruments of transportation or
22 communication in interstate commerce or by use of the mails, with scienter, employed devices,
23 schemes or artifices to defraud.

24 58. By reason of the foregoing, Defendants violated, and unless restrained and
25 enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)].
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27
28

1 **THIRD CLAIM FOR RELIEF**

2 **(Violations of Securities Act**
3 **Sections 17(a)(2) and (3) by all Defendants)**

4 59. The Commission incorporates and realleges here paragraphs 1 through 51, above.

5 60. By engaging in the conduct described above, Defendants, directly or indirectly, in
6 the offer or sale of securities, by use of the means or instruments of transportation or
7 communication in interstate commerce or by use of the mails: (a) obtained money or property by
8 means of untrue statements of material fact or by omitting to state a material fact necessary in
9 order to make the statements made, in light of the circumstances under which they were made, not
10 misleading; and (b) engaged in transactions, practices, or courses of business which operated or
11 would operate as a fraud or deceit upon the purchasers.

12 61. By reason of the foregoing, Defendants violated, and unless restrained and
13 enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §
14 77q(a)(2) and (3)].

15 **FOURTH CLAIM FOR RELIEF**

16 **(Violations of Section 206(1) and 206(2)**
17 **of the Advisers Act by Hagener and Lismar)**

18 62. The Commission incorporates and realleges here paragraphs 1 through 51, above.

19 63. Defendants Hagener and Lismar, by engaging in the conduct set forth above,
20 directly or indirectly, through use of the mails or the means or instrumentalities of interstate
21 commerce, and while engaged in the business of advising others for compensation as to the
22 advisability of investing in, purchasing, or selling securities, with scienter, employed devices,
23 schemes, or artifices to defraud.

24 64. By reason of the foregoing, defendants violated, and unless restrained and enjoined
25 will continue to violate, Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

26 65. Defendants Hagener and Lismar, by engaging in the conduct set forth above,
27 directly or indirectly, through use of the mails or the means or instrumentalities of interstate
28 commerce, and while engaged in the business of advising others for compensation as to the
advisability of investing in, purchasing, or selling securities, engaged in acts, practices, or courses

1 of business which operated or would operate as a fraud or deceit upon clients or prospective
2 clients.

3 66. By reason of the foregoing, defendants violated, and unless restrained and enjoined
4 will continue to violate, Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

5 67. In the alternative, Hagerer knowingly provided substantial assistance to Lismar
6 and/or other persons' violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§
7 80b-6(1) & (2)] and therefore is liable as an aider and abettor pursuant to Section 209(d) of the
8 Advisers Act [15 U.S.C. § 80b-9(d)].

9 **FIFTH CLAIM FOR RELIEF**

10 **(Violations of Section 206(4) of the Advisers Act**
11 **and Rule 206(4)-8 thereunder by Hagerer and Lismar)**

12 68. The Commission incorporates and realleges here paragraphs 1 through 51, above.

13 69. At all relevant times, Hagerer and Lismar each acted as investment advisers, as
14 defined by Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)], to the Naras Funds
15 and investors in the Naras Funds.

16 70. At all relevant times, the Naras Funds operated as pooled investment vehicles, as
17 defined by Rule 206(4)-8(b) promulgated under the Advisers Act [17 C.F.R. § 275.206(4)-8(b)].

18 71. Hagerer and Lismar, by engaging in the acts and conduct alleged above, while
19 acting as investment advisers to pooled investment vehicles, by the use of the means and
20 instrumentalities of interstate commerce and of the mails, directly and indirectly, engaged in
21 transactions, practices, and courses of business which operate as a fraud or deceit upon investors in
22 the Naras Funds. Hagerer and Lismar made untrue statements of a material fact or omitted to state
23 a material fact necessary to make the statements made, in the light of the circumstances under
24 which they were made, not misleading, to any investor or prospective investor in the Naras Funds,
25 and otherwise engaged in acts, practices or courses of business that were fraudulent, deceptive, or
26 manipulative with respect to any investor or prospective investor in the Naras Funds.

1 72. By reason of the foregoing, Defendants violated, and unless enjoined will continue
2 to violate, Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8
3 thereunder [17 C.F.R. §275.206(4)-8].

4 73. In the alternative, Hagener knowingly provided substantial assistance to Lismar
5 and/or other persons' violations of Sections 206(4) of the Advisers Act [15 U.S.C. § § 80b-6(4)]
6 and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8(b)] and therefore is liable as an aider and
7 abettor pursuant to Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

8 **SIXTH CLAIM FOR RELIEF**

9 **(Violations of Securities Act**
10 **Sections 5(a) and 5(c) by all Defendants)**

11 74. The Commission incorporates and realleges here paragraphs 1 through 51, above.

12 75. During the relevant period, Defendants, directly or indirectly, made use of the
13 means or instruments of transportation or communication in interstate commerce or of the mails to
14 offer and to sell securities through the use or medium of a prospectus or otherwise when no valid
15 registration statement had been filed or was in effect as to such offers and sales of such securities
16 and no exemption from registration was available.

17 76. Defendants engaged in or participated in the unlawful distribution of Naras Funds
18 securities as described above.

19 77. By reason of the foregoing, Defendants, directly or indirectly, violated, and unless
20 enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a)
21 and 77e(c)].

22 **PRAYER FOR RELIEF**

23 WHEREFORE, the Commission respectfully requests that the Court:

24 I.

25 Permanently enjoin and restrain Defendants from, directly or indirectly, engaging in
26 conduct in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a),
27 77e(c), and 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5
28

1 thereunder [17 C.F.R. § 240.10b-5] and Sections 206(1), 206(2), and 206(4) of the Advisers Act
2 [15 U.S.C. §§ 80b-6(1), (2) and (4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

3 II.

4 Order Defendants to provide an accounting and to disgorge their ill-gotten gains in an
5 amount according to proof, plus prejudgment interest thereon.

6 III.

7 Order Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities
8 Act [15 U.S.C. § 77t(d)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section
9 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

10 IV.

11 Retain jurisdiction of this action in accordance with the principles of equity and the Federal
12 Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees
13 that may be entered, or to entertain any suitable application or motion for additional relief within
14 the jurisdiction of this Court.

15 V.

16 Grant such other and further relief as this Court may deem just, equitable, and necessary.

17
18 Dated: February 23, 2010

Respectfully submitted,

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20
21 /s/ Jeremy E. Pendrey
22 Jeremy E. Pendrey
23 Attorney for Plaintiff
24 SECURITIES AND EXCHANGE COMMISSION
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