

monthly returns ranging from 1-2% from his trading profits, and guaranteed the repayment of their principal.

5. However, Patel actually misappropriated at least \$572,000 raised from these investors in order to: pay his own living expenses; repay personal debts to family, friends, and third parties; and make the monthly payments promised to his other investors. Patel pooled the rest of his investors' money, approximately \$819,000, and placed it into personal accounts at OptionsHouse, LLC ("OptionsHouse"), an online brokerage firm located in Chicago, Illinois.

6. Second, Patel persuaded four investors to grant him "limited trading authority" over a total of \$1.1 million in additional funds they deposited in accounts at OptionsHouse. Patel exercised control over his investors' brokerage accounts, and promised to trade on their behalf using a safe and conservative strategy.

7. However, Patel actually invested all of his investors' pooled funds, and traded in their personal accounts, using a speculative and high risk options trading strategy known as Iron Condor.

8. In addition to the amounts he misappropriated, Patel's risky trading strategy has resulted in net trading losses of at least \$947,815 – which constitutes more than 83% of his investors' initial balances in their brokerage accounts. Patel also lost virtually all of the pooled funds.

9. Patel, an Indian-American and Hindu, took advantage of his cultural affinity and shared religious heritage with his victims, and exploited their trust in his standing in that community.

10. Patel remains a danger to the investing public, particularly to those with whom he shares a cultural and religious heritage. Between 2008 and 2010, Patel borrowed at least \$2 million from dozens of other individuals, and managed at least \$2 million in additional funds in numerous other OptionsHouse accounts opened by many of these same individuals.

11. By reason of the foregoing, Patel has, directly and indirectly, engaged in acts, practices, transactions, and courses of business that violate Section 17(a) of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. § 77q(a), Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, Section 206 of the Investment Advisers Act of 1940 (the “Advisers Act”), 15 U.S.C. § 80b-6, and Rule 206-4(8) thereunder, 17 C.F.R. § 275.206-4(8). Unless Patel is enjoined by this Court, he will continue to engage in acts transactions and courses of business that violate these provisions.

Jurisdiction and Venue

12. The Commission brings this action under Section 20(b) of the Securities Act, 15 U.S.C. §77t(b), Sections 21(d) and 21(e) of the Exchange Act, 15 U.S.C. §§78u(d) and 78u(e), and Section 209(d) of the Advisers Act, 15 U.S.C. § 80b-9(d).

13. This Court has jurisdiction over this action under Section 22 of the Securities Act, 15 U.S.C. § 77v, Section 27 of the Exchange Act, 15 U.S.C. § 78aa, Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, and 28 U.S.C. § 1331.

14. Venue is proper in this Court under Section 27 of the Exchange Act, 15 U.S.C. § 78aa, because the defendant and his investors reside in Minnesota, and because

certain of the acts, practices and courses of business constituting violations alleged herein have occurred within the District of Minnesota.

The Defendant

15. **Amit V. Patel** is a 49 year-old mechanical engineer. He has been unemployed since 2007 and resides in Shoreview, Minnesota. Patel is a dual citizen of the United States and India. Patel is not registered with the Commission as an investment adviser, or in any other capacity, and has never been associated with a brokerage firm or any other entity registered with the Commission.

PATEL RAISED \$2.5 MILLION FROM FOUR INVESTORS

16. Beginning in January 2008, Patel raised at \$2.5 million from four Indian-Americans, whom he met at Minneapolis area Hindu temples. Patel's scheme involved two components.

17. First, Patel raised \$1.4 million by offering an investment in promissory notes. More specifically:

- (a) One investor gave Patel a total of \$220,000 in August 2008 (\$111,000); December 2008 (\$39,000); and August 2009 (\$70,000). Her checks state that the money was for "investment" and "investment for 3 months."
- (b) In May 2008, Patel convinced a second investor to give him \$100,000. In or around May 2009, Patel also convinced this investor to close his online brokerage accounts which Patel then managed as part of a related account management scheme, described below, and persuaded this individual to give the remaining money – approximately \$393,000 – directly to Patel.

(c) In January and March 2008, a third investor gave Patel a total of \$389,000.

(d) A fourth investor gave Patel a total of \$289,000 in April 2008 (\$75,000), June 2009 (\$184,478.25), and October 2009 (\$30,000). His checks state that the money was for “investment 2%” and “investment total = 180k” (which understated the amount invested). The largest check stated that it was a “60 day early IRA dist.”

18. Patel signed promissory notes for each of these amounts, and made false representations, during in-person meetings with each of his investors. Patel expressly promised to invest their money through a “safe” and “conservative” stock option trading strategy, to pay his investors a fixed monthly return, ranging from 1-2% per month, from the profits generated from his option trading, and Patel also guaranteed the repayment of the investors’ principal.

19. Patel’s investors agreed that he could keep any profits that he generated in excess of the promised, fixed returns.

20. Second, Patel engaged in a fraudulent account management scheme by persuading three of the same four investors, plus at least one additional investors, to give Patel “limited trading authority” over at least \$1.1 million contained in brokerage accounts in their own names (or the names of their family members). More specifically:

(a) In June 2008 and January 2009, an investor gave Patel trading authority over \$635,000 (some of which he later withdrew) contained in multiple accounts in the investor’s name.

(b) In March 2008 and April 2009, Patel convinced another investor to give

him trading authority over more than \$290,000 contained in three accounts in the investor's (and his wife's) names.

(c) In March and May 2009, another investor gave Patel trading authority over more than \$343,659 in accounts in the investor's and his wife's names.

(d) In April 2009, Patel convinced a fourth investor to give him trading authority over \$160,000 contained in an account in the investor's name.

21. Patel subsequently exercised virtually complete control over the trading in these accounts. None of the four investors traded in their brokerage accounts after giving Patel trading authority.

22. To induce these investors to grant him trading authority over their accounts, Patel falsely stated that he would trade in their accounts using a "safe," "conservative," and "low risk" stock option trading strategy. Patel made these representations in written promissory notes concerning the managed accounts, as well as during in-person meetings with each of his investors.

23. Patel's investors trusted him and relied on his representations in transferring funds to him as part of an investment in promissory notes, as well as when granting him trading authority over their own brokerage accounts. Patel made these same statements, promises and assurances to his investors repeatedly during the entire scheme.

**Patel Misappropriated Investor Funds
and Misrepresented the Risks of Investment**

24. Although Patel assured his investors that he would invest the money they provided to him in exchange for promissory notes is a safe and conservative stock option

trading strategy, Patel spent at least \$572,000 of the \$1.4 million he raised to pay his own personal, living expenses; to repay debts to family members and third-parties; and to make the monthly payments he had promised to his other investors. Patel never told investors that their money would not be invested, and might be used in this way.

25. Patel did invest the rest of the promissory note investors' money, approximately \$819,000, in stock options. Patel pooled these funds into personal brokerage accounts held in his and others' names at OptionsHouse.

26. Patel never sent his investors periodic statements regarding their investments, or provide them with any details about his stock option trading on their behalf. The investors trusted that Patel actually had invested their money in stock options, and relied on his general descriptions of his trading results.

27. Although Patel had assured his investors that he would invest their money using a "safe," and "conservative," and "low risk" stock option trading strategy, Patel traded primarily using a speculative and high risk trading strategy known as Iron Condor.

28. Patel used the same speculative and high risk trading strategy in both his personal brokerage accounts – where he traded the promissory note investors' funds – and in the accounts he managed for several of the same investors, as well as at least one other investor.

29. Patel's options trading was unsuccessful, and he actually lost most of the funds obtained through the promissory note and managed account schemes.

30. Although Patel had assured investors that he would pay their fixed monthly returns from his trading profits, Patel did not always do so.

31. Between February 2008 and July 2010, Patel made semi-regular payments of approximately one million dollars to his four investors. However, Patel used money received from other investors to make some of these payments.

32. Patel has ceased making any payments to his investors.

33. Patel's investors have lost a total of at least \$1.2 million between the promissory note and account management schemes, including at least \$947,814 of their initial investment balances in their managed accounts.

Patel Poses a Danger to the Investing Public

34. In addition to the four investors described in this complaint, between 2008 and 2010, Patel received more than \$2 million more from dozens of other individuals.

35. Patel also managed more than \$2 million dollars contained in online brokerage accounts at OptionsHouse for many of these same individuals.

36. Patel has stated that he maintains an extensive network of people who know and trust him through Hindu temples and in Indian-American communities all around the United States.

37. Patel has taken steps to establish an investment management business, and intends to continue managing brokerage accounts on behalf of others.

38. During the Commission's investigation into this matter, Patel has provided his investors with misleading and incomplete information about his trading results and his few remaining liquid assets.

COUNT I
Violations of Securities Act Section 17(a)(1)

39. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

40. By engaging in the conduct described above, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, Patel, directly or indirectly, has employed devices, schemes and artifices to defraud.

41. Patel acted with scienter.

42. By reason of the foregoing, Patel violated Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II
Violations of Securities Act Sections 17(a)(2) and (3)

43. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

44. By engaging in the conduct described above, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, Patel, directly or indirectly, has:

- a. obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

- b. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

45. By reason of the foregoing, Patel violated Sections 17(a)(2) and (3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and (3).

COUNT III
Violations of Exchange Act Section 10(b), and Rule 10b-5 thereunder

46. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

47. By engaging in the conduct described above, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, Patel, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact 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; and engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and sellers and prospective purchasers and sellers of securities.

48. Patel acted with scienter.

49. By reason of the foregoing, Patel 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.

COUNT IV
Violations of Advisers Act Section 206(1)

50. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

51. At all times relevant to this Complaint, Patel acted as an investment adviser to certain investors. Patel managed those individuals' investments in exchange for compensation in the form of shared profits and misappropriated principal.

52. By engaging in the conduct described above, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, Patel, directly or indirectly: (i) employed devices, schemes or artifices to defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon their clients or prospective clients.

53. Patel acted with scienter.

54. By reason of the foregoing, Patel violated Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

COUNT V
Violations of Advisers Act Section 206(2)

55. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

56. At all times relevant to this Complaint, Patel acted as an investment adviser to the investors. Patel managed those individuals' investments in exchange for compensation in the form of shared profits and misappropriated principal.

57. By engaging in the conduct described above, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, Patel, directly or indirectly: (i) employed devices, schemes or artifices to

defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon their clients or prospective clients.

58. By reason of the foregoing, Patel violated Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

COUNT VI
Violations of Advisers Act Section 206(4), and Rule 206(4)-8 thereunder

59. Paragraphs 1 through 38 are realleged and incorporated by reference as though fully set forth herein.

60. At all times relevant to this Complaint, Patel acted as an investment adviser to brokerage accounts held solely or jointly by Patel and/or others. Patel managed the investments of those accounts in exchange for compensation in the form of shared profits and misappropriated principal.

61. By engaging in the conduct described above, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, Patel, directly or indirectly engaged in acts, practices or courses of business which are fraudulent, deceptive, or manipulative. Patel made untrue statements 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 any investor or prospective investor in the pooled investment vehicle, and otherwise engaged in acts, practices or courses of business that was fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

62. By reason of the foregoing, Patel violated Section 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4), and Rule 206(4)-8 thereunder, 17 C.F.R. 275.206(4)-8.

Relief Requested

WHEREFORE, the Commission respectfully requests that this Court:

I.

Find Defendant Amit V. Patel liable for the violations charged herein.

II.

Issue a Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Defendant Amit V. Patel, his agents, servants, employees, attorneys and those persons in active concert or participation with him who receive actual notice of the Orders, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act, 15 U.S.C. §§ 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j, and Rule 10b-5 thereunder, 17 CFR § 240.10b-5, Sections 206(1), 206(2), and 206(4) of the Advisers Act, 15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4), and Rule 206-4(8) thereunder, 17 C.F.R. § 275.206(4)-8.

III.

Issue an Order requiring Defendant Amit V. Patel to disgorge the ill-gotten gains he received as a result of the violations alleged in this Complaint, including prejudgment interest.

IV.

Issue an Order imposing on Defendant Amit V. Patel an appropriate civil penalty under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

V.

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

VI.

Grant an Order for any other relief this Court deems appropriate.

December 20, 2010

/s/Robert M. Moye

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