

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	Civil Action No. 17-cv-1328
	:	
v.	:	Jury Trial Demanded
	:	
WILLIAM P. CARLSON, Jr.,	:	
	:	
Defendant.	:	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”), alleges the following against defendant William P. Carlson, Jr. (“Carlson”), and hereby demands a jury trial:

**NATURE OF THE ACTION**

1. From at least November 2012 through December 2016, Defendant Carlson, while associated with an SEC-registered investment adviser (“Advisory Firm A”), misappropriated more than \$900,000 from one of his clients by fabricating client account withdrawal requests and forging his client’s signature on authorization forms and checks.

2. In the first few years, Carlson carried out his misappropriation scheme by directing that checks made payable to the client be issued from the client’s brokerage account; arranging for overnight delivery of the checks to the client’s residence; intercepting the checks upon delivery based on package tracking information; and then forging the client’s endorsement of the checks to Carlson. There were at least 16 such unauthorized transactions totaling at least \$437,000.

3. In subsequent years, Carlson misappropriated funds from the client's brokerage account by forging the client's signature on authorization forms that allowed Carlson to cause a series of checks to be issued to a third-party—a friend of Carlson's—who deposited the checks into one of his own accounts and then gave the proceeds to Carlson. There were at least 25 such unauthorized transactions totaling at least \$474,000.

4. In submitting these fraudulent check requests, Carlson repeatedly caused securities held by the client to be sold and the cash diverted for Carlson's own personal use and benefit.

5. In order to conceal and continue his scheme, Carlson sent false account statements to the client on several occasions.

6. After the five-year span of misappropriation, Carlson had depleted most of the assets entrusted to him by this client.

7. Through the activities alleged in this Complaint, Carlson engaged in fraudulent or deceptive conduct in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Through the activities alleged in this Complaint, Carlson also engaged in fraudulent or deceptive conduct with respect to one or more investment advisory clients, in violation of Sections 206(1) and (2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and 80b-6(2)]. In the alternative, Carlson aided and abetted violations of Sections 206(1) and (2) of the Advisers Act by Advisory Firm A.

9. Accordingly, the Commission seeks the following relief: (a) entry of a permanent injunction prohibiting Carlson from further violations of the relevant provisions of the federal

securities laws; (b) disgorgement of Carlson's ill-gotten gains, plus prejudgment interest thereon; and (c) the imposition of a civil monetary penalty due to the egregious nature of Carlson's violations.

### **JURISDICTION AND VENUE**

10. The Commission seeks a permanent injunction, disgorgement and other equitable relief pursuant to Section 21(d)(1) and 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(1),(5)] and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

11. The Commission seeks the imposition of a civil monetary penalty pursuant to 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)].

12. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27(a) of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 77aa(a)] and Sections 209(d), 209(e), and 214(a) of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), 80b-14(a)].

13. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b), as well as Section 27(a) of the Exchange Act [15 U.S.C. § 77aa(a)] and Section 214(a) of the Advisers Act [15 U.S.C. § 80b-14(a)].

14. A substantial part of the acts and transactions giving rise to the claims alleged herein occurred in this district and, as set forth below, defendant Carlson resides in this district.

15. In connection with the conduct alleged in this Complaint, Carlson directly or indirectly made use of the means or instrumentalities of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

16. Defendant Carlson's conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial, to other persons.

17. Unless enjoined, Carlson is likely to continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

### **DEFENDANT**

18. Carlson, age 53, is a resident of Deerfield, Illinois. He was an investment adviser representative associated with Advisory Firm A (headquartered in this district) from 2010 until he was terminated on February 6, 2017, for the conduct described herein. At the time of his termination, Carlson served as an investment adviser representative to over 70 clients. Carlson had previously been associated with other investment advisers and broker-dealers registered with the Commission.

### **FACTS**

19. One of Carlson's clients at Advisory Firm A was a 63-year old individual who resides in this district and has known Carlson for years. As the investment adviser representative, Carlson was the direct provider of investment advisory services to this client and was compensated in the form of a percentage of the fees Advisory Firm A collected from this client. Carlson managed two investment accounts for the client, an individual account and a rollover IRA, which were custodied at Broker-Dealer A. These accounts, opened in October 2010, were primarily invested in mutual funds.

20. Advisory Firm A had discretionary authority to place trades in the above-mentioned accounts. Such trades, involving the purchase and sale of mutual fund shares, were supposed to be made pursuant to a model asset allocation portfolio selected by the client based

on advice from Carlson. When requested by the client, Advisory Firm A could direct Broker-Dealer A to disburse funds held in the accounts to the client. In order to disburse funds held in the accounts for the benefit of a third party, Broker-Dealer A required a written request signed by the client.

**A. Carlson Misappropriated the Client's Funds.**

21. Advisory Firm A and Carlson owed this client an affirmative fiduciary duty of utmost good faith. In egregious violation of this duty, instead of acting for the client's benefit, Carlson misappropriated more than \$900,000 from the client's individual account from at least November 2012 to December 2016.

22. Carlson carried out his scheme by falsely representing to client service personnel at Advisory Firm A that the client had requested multiple withdrawals from the client's individual account.

23. On at least sixteen different occasions from November 2012 to April 2014, Carlson directed that a check made payable to the client be issued from the client's account, purportedly based on instructions Carlson had received from the client. The check amounts ranged from \$6,500 to as much as \$97,000, and collectively totaled \$437,000.

24. At Carlson's direction, Advisory Firm A staff arranged for Broker-Dealer A to send these checks by overnight delivery to the client's residence and to provide Advisory Firm A with tracking numbers for the shipments. Carlson selected delivery dates and times when he understood the client would not be home. Carlson monitored the progress of the shipments, based on the tracking numbers provided by Broker-Dealer A, and then retrieved the packages from the client's residence. Carlson then forged the client's endorsement on these checks and deposited the checks into his own account.

25. In approximately June 2014, Carlson changed his method of making unauthorized withdrawals from the client's account. At or about this time, Carlson began forging the client's signature on "Check and Journal Request" forms that directed Broker-Dealer A to make disbursements of funds held in the client's account to a third party who was a friend of Carlson's.

26. In March 2015, Carlson forged the client's signature on a standing letter of authorization and a notarized signature sample letter permitting Broker-Dealer A to issue checks from the client's account to Carlson's same friend, without the need for further check and journal requests that required additional client signatures.

27. Between approximately June 2014 and December 2016, through the use of these forged authorizations, Carlson caused at least 25 checks—ranging in amount from \$10,000 to \$35,000 and collectively totaling \$474,000—to be issued from the client's account to Carlson's friend, who in turn gave the proceeds to Carlson.

28. By January 31, 2017, the client's individual account held less than \$50 in assets. The vast majority of assets in the account had been liquidated during the course of Carlson's fraudulent scheme. In most cases, upon receiving a fraudulent check request from Carlson, for a check made payable to the client or to Carlson's friend, Advisory Firm A sold securities held in the client's account in order to generate cash to fund the unauthorized withdrawal.

**B. Carlson Made False Representations to the Client.**

29. Carlson concealed the misappropriation of funds described above from the client and intentionally misled the client regarding the value of the client's individual account.

30. On or about November 17, 2014, Carlson emailed the client a false account statement reflecting a total account value of \$1,332,239.97 as of that day. The client's actual

account statement for that month reflected a total account value of \$791,587.72 as of November 30, 2014, down \$28,573.90 from the prior month.

31. On or about December 19, 2014, Carlson emailed the client a false account statement reflecting a total account value of \$1,327,028.19 as of that day. The client's actual account statement for that month reflected a total account value of \$723,871.19 as of December 31, 2014, down \$67,716.53 from the prior month.

32. On or about January 16, 2017, Carlson emailed the client a false account statement reflecting a total value of \$890,905.45 as of that day. The false account statement reflected that the client held securities with a market value of \$884,928.36 and an additional \$5,977.09 in cash. The client's actual account statement for that month reflected a total account value of \$48.89 as of January 31, 2017, down \$3,696.39 from the prior month. As of January 31, 2017, the minimal assets in the account consisted of money market funds.

33. Around this same time, the client sought to withdraw money from the account and Carlson made additional misrepresentations to conceal his misappropriation of the client's funds. Carlson told the client that Advisory Firm A was having issues with Broker-Dealer A and that to expedite payment he would personally write a check to the client and then seek reimbursement. On January 31, 2017, Carlson wrote the client a check for \$31,500.

34. On or about February 3, 2017, Carlson again emailed the client the same false account statement described in paragraph 32.

**FIRST CLAIM FOR RELIEF**

***Violations of Exchange Act Section 10(b) and Rule 10b-5***

35. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 34 above.

36. By engaging in the conduct described above, defendant Carlson, directly or indirectly, acting knowingly or recklessly, in connection with the purchase or sale of securities, by the use of means and instrumentalities of interstate commerce, or of the mails, or a facility of a national securities exchange: (a) has employed or is employing devices, schemes or artifices to defraud; (b) has made or is making untrue statements of material fact or has omitted or is omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) has engaged or is engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

37. As a result, Carlson violated and, unless enjoined, will continue to violate 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].

**SECOND CLAIM FOR RELIEF**

***Violations of Sections 206(1) and 206(2) of the Advisers Act***

38. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 34 above.

39. At all relevant times, Carlson was an “investment adviser” within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

40. By engaging in the conduct described above, Carlson, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) has employed or is employing devices, schemes, or artifices to defraud; or (b) has engaged or is engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

41. As a result, Carlson has violated and, unless enjoined, will continue to violate Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].



**THIRD CLAIM FOR RELIEF**

**(In the Alternative to the Second Claim for Relief)**

***Aiding and Abetting Violations of  
Sections 206(1) and 206(2) of the Advisers Act***

42. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 34 above.

43. Advisory Firm A, through Carlson's conduct described above, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) has employed or is employing devices, schemes, or artifices to defraud; or (b) has engaged or is engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

44. Carlson provided knowing and substantial assistance and acted knowingly in misappropriating the funds of Advisory Firm A's client.

45. By reason of Carlson's conduct described above, Carlson aided and abetted Advisory Firm A's violations of Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court:

**I.**

**Permanent Injunctive Relief**

Issue an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Carlson, his agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, 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 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1), (2)].

**II.**

**Disgorgement with Prejudgment Interest**

Issue an Order requiring Carlson to pay disgorgement of ill-gotten gains that he received, directly or indirectly, as a result of his wrongful conduct set forth in the Complaint, including prejudgment interest.

**III.**

**Civil Penalty**

Issue an Order imposing upon Carlson an appropriate civil penalty pursuant to 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)].

**IV.**

**Retention of Equitable Jurisdiction**

Retain jurisdiction of this action in accordance with the principals 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.

**V.**

**Other Relief**

Grant such Orders for further relief the Court deems appropriate.

Respectfully submitted,

**SECURITIES AND EXCHANGE  
COMMISSION**

By its attorneys,

/s/ Arsen R. Ablaev  
Arsen R. Ablaev (Ill. Bar No. 6302267)  
Michael D. Foster (Ill. Bar No. 6257063)  
John Birkenheier (Ill. Bar No. 6270993)  
175 W. Jackson Blvd., Suite 900  
Chicago, IL 60604  
Telephone: (312) 353-7390  
Facsimile: (312) 353-7398

Dated: February 21, 2017