

exchange for selling GT Media stock to investors, Conwell received \$221,900 in commissions from the company. Throughout the offering, Conwell made numerous misrepresentations to investors about GT Media. Among other things, Conwell told investors that two Fortune 500 companies were seeking to acquire GT Media, that GT Media would soon conduct an initial public offering, and that he was not being compensated by GT Media but was merely a co-investor. All of these statements were false. In addition, between 2016 and 2017, Conwell misappropriated \$161,500 from approximately 16 investors who he solicited to invest in GT Media stock and used the investors' money to pay his personal expenses.

4. From August 2015 through January 2018, Hoffman offered and sold \$500,000 of GT Media stock and \$350,000 of GT Media convertible promissory notes to approximately five of his advisory clients. Without informing his employer, Adviser A, Hoffman sold the GT Media securities to his advisory clients outside of their accounts at Adviser A. In exchange for selling GT Media stock, Hoffman received \$50,000 in commissions from the company. During the same time period, Hoffman made several short-term loans to GT Media totaling \$77,600. The bulk of the loans were repaid to Hoffman using investor funds that GT Media received through either Hoffman's or Conwell's sales efforts.

5. In soliciting his advisory clients to invest in GT Media, Hoffman failed to inform them of his significant conflicts of interest, including his receipt of warrants and commissions from GT Media and his loans to GT Media which were repaid with investor money. Hoffman also deceived his largest advisory client into investing in a GT Media

convertible promissory note by failing to tell her, among other things, that GT Media would use her investment money to repay one of the loans he had made to GT Media.

6. By engaging in the conduct alleged in this Complaint, Defendants Conwell and Hoffman violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b) and 78o(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder. Defendant Hoffman also violated Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. 80b-6(1) and 80b-6(2)]. Defendant Conwell also violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

7. The SEC seeks permanent injunctions against Defendants Conwell and Hoffman to prohibit them from future violations of the federal securities laws, disgorgement of their ill-gotten gains, prejudgment interest, and civil penalties.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v], Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa], and Sections 209 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14]. Defendants Conwell and Hoffman, directly or indirectly, have made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange in connection with the acts, practices and courses of business alleged in this Complaint.

9. Venue is proper in this Court pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214

of the Advisers Act [15 U.S.C. § 80b-14] because certain of the acts, transactions, practices, and courses of business constituting the violations alleged in this Complaint occurred within this district. In addition, Defendant Hoffman resided and transacted business within this district.

DEFENDANTS

10. Thomas V. Conwell, age 59, resides in Fort Meyers, Florida. Conwell and Hoffman have been friends since childhood. Since 2010, Conwell has worked with Hoffman at Hoffman's unregistered insurance business in its Fort Myers, Florida satellite office. Since 2012, Conwell also has hosted a weekly radio program in southern Florida focused on providing advice on business and financial decisions. Between approximately 2012 and 2014, Conwell owned and operated a company named Florida Professionals Association, LLC. The state of Florida administratively dissolved Florida Professionals Association in September 2014 for failing to file an annual report. On January 31, 2000, Conwell was permanently enjoined by this Court, by consent, for violating the antifraud provisions of the Securities Act and the Exchange Act, and was ordered to pay disgorgement of more than \$780,000 and an \$80,000 penalty for misappropriating funds from certain of his brokerage customers. SEC v. Conwell, et al., Case No. 00C-0619 (N.D. Ill.). On July 3, 2000, the SEC entered an order barring Conwell from further association with any broker or dealer. In the Matter of Thomas V. Conwell, Exchange Act Rel. No. 43006, 72 SEC Docket 2011 (July 3, 2000). In January 2006, Conwell pleaded guilty to charges of wire fraud, bank fraud and obstructing an SEC investigation and was sentenced by this Court to 48 months in prison. U.S. v Conwell, Case No. 03-Cr-334-1 (N.D. Ill.).

11. Kerry L. Hoffman, age 60, resides in Chicago, Illinois. Between February 2010 and October 2018, Hoffman worked as a registered representative and an investment advisory representative in the Chicago, Illinois office of Adviser A, a large, nationwide broker-dealer and investment adviser dually registered with the SEC. Hoffman has worked for registered broker-dealers and investment advisers since 1982 and holds the following licenses issued by the Financial Industry Regulatory Authority (“FINRA”): Series 3, Series 7, Series 8, Series 9, Series 10, Series 63 and Series 65. Hoffman also owns an Illinois business through which he provides financial management services to his clients, and an Illinois business that sells insurance products.

RELATED ENTITY

12. GT Media, Inc. is an Illinois corporation with headquarters located in Deerfield, Illinois. Since 2010, GT Media has operated under the name “Joy of Mom” and has been in the business of obtaining, creating, and delivering media content relevant to mothers’ lifestyles on its social media platforms and website. From its inception through at least July 2018, GT Media has earned little or no annual income.

FACTS

Unregistered Securities Offering

13. In March 2015, GT Media hired Hoffman to provide it with business and financial advice through a written “Advisor Agreement.” According to the agreement, the only compensation Hoffman was to receive for providing services as an advisor to GT Media were 865,000 warrants that were convertible to GT Media stock at a price of \$1 per share. The agreement did not provide for any other compensation to Hoffman. Hoffman’s new position with GT Media was separate and apart from Hoffman’s full-time

job as a registered representative and investment adviser representative at Adviser A, and Hoffman did not notify Adviser A of his position with GT Media.

14. Around the time he was hired as an advisor to GT Media, Hoffman told GT Media's President and Chief Operating Officer that he could not raise capital for the company or receive any commissions because he was associated with a registered broker-dealer.

15. Hoffman recommended that GT Media hire his friend and business associate, Conwell, to assist the company in raising capital by selling its stock. Hoffman knew that Conwell had previously been sued by the SEC and convicted of fraud charges. He did not disclose Conwell's history to GT Media.

16. GT Media entered into a consulting agreement with Conwell through which it agreed to pay Conwell 10% of the capital it received from investors introduced by Conwell as well as warrants for GT Media stock at a strike price of \$1 per share equal to 10% of the capital received from the investors introduced by Conwell for the first \$500,000 he raised, 15% of the total capital for the next \$500,000 he raised, and 20% of the total capital he raised over \$1 million.

17. Starting in approximately July 2015, Conwell began selling GT Media stock to certain of Hoffman's advisory clients at Adviser A and to other investors that Conwell cultivated through a variety of sources. Conwell solicited investors through telephone calls and in-person meetings at the Fort Myers, Florida satellite office of Hoffman's financial planning and insurance businesses, as well as at parties, and in other locations. Conwell also generated interest in GT Media by hosting its President and

others on his radio program. Conwell used email, U.S. mail, and facsimiles to communicate with investors about GT Media.

18. Hoffman was aware that Conwell was selling GT Media stock to certain of his advisory clients out of the Fort Myers, Florida office of Hoffman's insurance business and joined Conwell in at least one of the investor meetings.

19. Between July 2015 and July 2018, Conwell offered and sold approximately \$2.5 million of GT Media stock to approximately 41 investors, including approximately 16 investors from whom he misappropriated funds. Of this amount, Conwell raised \$647,500 (approximately 26%) from Hoffman's advisory clients. In exchange for selling GT Media stock, the company paid Conwell \$221,900 in commissions.

20. In August 2015, Hoffman also began offering and selling GT Media stock and promissory notes that were convertible to GT Media stock at a price of \$1 per share ("convertible promissory notes") to certain of his advisory clients at Adviser A. Hoffman solicited his advisory clients to invest in GT Media securities through in-person meetings and telephone calls. Hoffman also used email, U.S. mail and facsimiles to communicate with his advisory clients about GT Media. Between August 2015 and January 2018, Hoffman offered and sold \$500,000 of GT Media stock and \$350,000 of GT Media convertible promissory notes to approximately five of his advisory clients.

21. In exchange for selling GT Media stock, Hoffman received \$50,000 in commissions from GT Media, which was equivalent to 10% of the money he raised from the stock sales.

22. Hoffman did not inform Adviser A that he was soliciting his advisory clients to invest in GT Media securities outside of Adviser A. Hoffman also misrepresented in annual certifications to Adviser A that he had no other outside business activities and that he had not offered or participated in any private securities transactions outside of Adviser A.

23. GT Media raised a total of approximately \$4 million by offering and selling its common stock at \$1 per share to approximately 55 investors in twelve states between February 2013 and July 2018, including \$3 million through Conwell's and Hoffman's sales between July 2015 and July 2018. GT Media sold its stock continuously to investors throughout this time period through a general solicitation and Conwell led the company's capital raising efforts.

24. At least four of the investors to whom Conwell sold GT Media stock were unaccredited. While offering and selling GT Media's securities, Conwell did not take reasonable steps to verify whether investors were accredited or unaccredited and did not provide any of the investors with documents similar to those used in registered offerings, such as an offering memorandum and audited financial statements. GT Media did not have audited financial statements during the relevant period.

25. No registration statement was in effect or filed with the SEC in connection with GT Media's securities.

Conwell Misled Investors and Misappropriated Investor Funds

26. While offering and selling shares of GT Media stock, Conwell made numerous misrepresentations to investors. Among other things, Conwell told investors that two Fortune 500 companies were seeking to acquire GT Media, that the two

companies were fighting over which company would acquire GT Media, and that GT Media had turned down an offer of \$9 per share from one of the companies. Conwell also told investors that GT Media was negotiating an agreement to be acquired in the range of \$15 to \$25 per share and led investors to believe that they needed to act quickly to buy GT Media stock before such an acquisition or initial public offering occurred. Contrary to Conwell's representations, during the relevant time period, no other company or individual had expressed any interest in acquiring GT Media and GT Media had not taken any steps toward conducting an initial public offering.

27. Conwell also told investors that he was not compensated by GT Media and was merely an investor in the company. This statement was false because Conwell was being paid a 10% commission by GT Media to sell its stock.

28. Between 2016 and 2017, Conwell also solicited approximately 16 investors to send him \$161,500 for investments in GT Media stock at \$1 per share. Conwell told these investors to make their checks payable to his defunct company, Florida Professionals Association, so that he could pool their money with money from other investors and buy all of the stock from GT Media at one time. Instead of sending the money to GT Media for the stock purchases, however, Conwell deposited the investors' money in the bank account for Florida Professionals Association, which he controlled, and used the investors' money to pay his personal expenses. Conwell did not tell anyone at GT Media about these investments because the company would have wanted the money.

29. To date, Conwell has not purchased or provided these 16 investors with these shares of GT Media stock.

Hoffman Misled and Failed to Disclose Conflicts to His Advisory Clients

30. At the same time that he was offering and selling GT Media stock and convertible promissory notes to his advisory clients, Hoffman also was loaning money to GT Media to help pay for its ongoing business operations. Throughout his relationship with the company, Hoffman loaned a total of \$77,600 to GT Media. As GT Media received investor funds from Conwell's or Hoffman's sales of GT Media stock and convertible promissory notes, it repaid Hoffman for \$73,100 of his loans. Hoffman knew that GT Media had little or no income or cash flow other than the money he and Conwell raised from investors. Hoffman also knew that GT Media was using investor funds to pay his commissions and to repay his loans.

31. Of the \$850,000 in investments Hoffman solicited on behalf of GT Media, \$700,000 came from three of his advisory clients at Adviser A, including a widow who was Hoffman's largest client.

32. Hoffman failed to inform at least these three advisory clients of his conflicts of interest in selling GT Media stock and convertible promissory notes. Among other things, Hoffman failed to tell these three advisory clients that he was being compensated as an advisor to GT Media, that he had loaned money to GT Media, or that he was receiving commissions from GT Media based on the amount of their investments in GT Media stock.

33. In January 2018, Hoffman was aware that GT Media had depleted all of its cash. To assist the company in continuing to operate, Hoffman loaned \$43,000 to GT Media. At the same time, he sold a \$200,000 GT Media convertible promissory note with a maturity date of February 1, 2020 to his largest advisory client. The company

immediately used the money to fund its operating expenses and to repay Hoffman's loan. Although Hoffman was aware that the company was repaying his loan with his advisory client's money, he failed to tell this advisory client about the loan or that her money would be used to repay him.

34. Hoffman previously had sold another GT Media convertible promissory note for \$150,000 with a maturity date of May 1, 2018 to his largest advisory client. On or around May 1, 2018, when the convertible promissory note came due, Hoffman discussed the note with GT Media's Chief Operating Officer and told him that GT Media should not convert the note to stock and should instead pay his client interest and extend the maturity of the note until May 1, 2019. Because GT Media did not have enough money to either repay the note in its entirety or pay the interest on the note, Hoffman loaned the company \$9,000 to pay the interest. Hoffman did not tell his advisory client any of this information.

COUNT I

Violations of Section 17(a)(1), (2), and (3) of the Securities Act (Against Defendants Conwell and Hoffman)

35. The SEC realleges and incorporates by reference paragraphs 1 through 34.

36. Conwell and Hoffman, in the offer or sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: (a) employed devices, schemes and artifices to defraud; (b) obtained money and property by means of untrue statements of material fact and by omitting to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in

transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

37. Conwell and Hoffman acted knowingly, with a reckless disregard for the truth, and/or negligently in engaging in the fraudulent conduct described above.

38. By engaging in the conduct described above, Conwell and Hoffman violated Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2) and 77q(a)(3)].

COUNT II

Violations of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder (Against Defendants Conwell and Hoffman)

39. The SEC realleges and incorporates by reference paragraphs 1 through 34.

40. Conwell and Hoffman, in connection with the purchase and sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly: (a) used and employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated or would operate as a fraud or deceit upon other persons.

41. Conwell and Hoffman knowingly or recklessly engaged in the fraudulent conduct described above.

42. By engaging in the conduct described above, Conwell and Hoffman 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 III

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

43. The SEC realleges and incorporates by reference paragraphs 1 through 34.

44. Hoffman, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes, and artifices to defraud a client or prospective client; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon a client or prospective client.

45. By engaging in the conduct described above, Hoffman violated Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

COUNT IV

**Violations of Section 15(a) of the Exchange Act
(Against Defendants Conwell and Hoffman)**

46. The SEC realleges and incorporates by reference paragraphs 1 through 34.

47. Conwell and Hoffman acted as brokers, and as part of their regular business of effecting transactions in securities for the accounts of others, made use of the mails or means or instrumentalities of interstate commerce, to effect transactions in, or induce or attempt to induce the purchase or sale of a security, without being registered with the SEC.

48. By engaging in the conduct described above, Conwell and Hoffman violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

COUNT V

**Violations of Sections 5(a) and 5(c) of the Securities Act
(Against Defendant Conwell)**

49. The SEC realleges and incorporates by reference paragraphs 1 through 34.

50. By engaging in the conduct described above, Conwell directly or indirectly: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of any prospectus or otherwise, securities as to which no registration statement was in effect; (b) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; and (c) made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement has been filed.

51. By engaging in the conduct described above, Conwell violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

I.

Find that the Defendants committed the violations alleged herein.

II.

Permanently restrain and enjoin Defendant Conwell from, directly or indirectly, violating Sections 5(a), 5(c), 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)(1), 77q(a)(2), and 77q(a)(3)], and Sections 10(b) and

15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder.

III.

Permanently restrain and enjoin Defendant Hoffman from, directly or indirectly, violating Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), 77q(a)(2), and 77q(a)(3)], Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder, and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

IV.

Order Defendants Conwell and Hoffman each to disgorge their ill-gotten gains directly or indirectly received as a result of the violations alleged in this Complaint, with prejudgment interest thereon.

V.

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

VI.

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 Court's jurisdiction.

VII.

Grant orders for such other relief as the Court deems appropriate.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the SEC hereby requests a trial by jury.

Dated: July 1, 2019

Respectfully submitted,

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