

1 DOUGLAS M. MILLER (Cal. Bar No. 240398)  
Email: millerdou@sec.gov  
2 COLLEEN M. KEATING (Cal. Bar No. 261213)  
Email: keatingc@sec.gov

3 Attorneys for Plaintiff  
4 Securities and Exchange Commission  
Michele Wein Layne, Regional Director  
5 John W. Berry, Associate Regional Director  
Amy J. Longo, Regional Trial Counsel  
6 444 S. Flower Street, Suite 900  
Los Angeles, California 90071  
7 Telephone: (323) 965-3998  
Facsimile: (213) 443-1904

8  
9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**

11  
12  
13 **SECURITIES AND EXCHANGE**  
**COMMISSION,**

14 Plaintiff,

15 vs.

16  
17 **STRONG INVESTMENT**  
**MANAGEMENT, JOSEPH B.**  
18 **BRONSON (f/k/a JOSEPH B.**  
**ENGBRETSON), and JOHN B.**  
19 **ENGBRETSON,**

20 Defendants.

Case No. 8:18-CV-00293

**COMPLAINT**

**JURY TRIAL DEMANDED**

21  
22 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

23 **JURISDICTION AND VENUE**

24 1. The Court has jurisdiction over this action pursuant to Sections 20(b),  
25 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
26 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the  
27 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
28 78u(d)(3)(A), 78u(e) & 78aa(a), and Sections 209(d), 209(e)(1) and 214 of the

1 Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9(d), 80b-  
2 9(e)(1) & 90b-14.

3 2. Defendants have, directly or indirectly, made use of the means or  
4 instrumentalities of interstate commerce, of the mails, or of the facilities of a national  
5 securities exchange in connection with the transactions, acts, practices and courses of  
6 business alleged in this complaint.

7 3. Venue is proper in this district pursuant to Section 22(a) of the Securities  
8 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a).  
9 because certain of the transactions, acts, practices and courses of conduct constituting  
10 violations of the federal securities laws occurred within this district. In addition,  
11 venue is proper in this district because the principal office of Defendant Strong  
12 Investment Management is located in this district and Defendants Joseph B. Bronson  
13 and John B. Engebretson reside in this district.

14 **SUMMARY**

15 4. This case is about a “cherry-picking” scheme carried out by an  
16 investment adviser and its owner. Defendant Joseph Bronson (“Bronson”) is the  
17 owner, president, chief investment officer and chief executive officer of the  
18 investment adviser, defendant Strong Investment Management (“SIM”). From at  
19 least January 2012 until in or about October 2014, Bronson operated SIM with the  
20 help of his brother and co-defendant, John Engebretson (“Engebretson”), who served  
21 as SIM’s chief compliance officer.

22 5. SIM has about 65 clients, and has the discretion to make trades on behalf  
23 of all of them. Bronson was the sole person at the firm in charge of determining  
24 those trades. Like many investment advisory firms, SIM generally trades securities  
25 on behalf of its clients in an “omnibus account,” and then allocates each trade to  
26 individual client accounts. Because these allocations are submitted to the brokerage  
27 firm later, an adviser using an omnibus account to trade has the opportunity to  
28 “cherry-pick”—that is, to allocate the winning trades to some favored accounts, and

1 allocate the losing trades to other disfavored accounts.

2         6.         Allocating trades in a way that favored some accounts over other  
3 disfavored accounts is exactly what defendants SIM and Bronson did in this case.  
4 For more than four years, Bronson and his firm engaged in a “cherry-picking”  
5 scheme, disproportionately allocating profitable trades to Bronson’s own personal  
6 accounts while allocating unprofitable trades to client accounts. Bronson reaped  
7 substantial profits from this scheme at his clients’ expense. By engaging in this  
8 cherry-picking scheme, Bronson violated the fiduciary duties he owed to his clients in  
9 the disfavored accounts, and violated the antifraud provisions of the federal securities  
10 laws.

11         7.         As the chief compliance officer of the firm, Bronson’s brother and co-  
12 defendant Engebretson was responsible for ensuring that the firm complied with its  
13 trading policies and procedures that, in part, forbid any cherry-picking. Throughout  
14 his tenure, however, Engebretson carried out his compliance responsibilities in an  
15 extremely reckless manner. For example, although defendant Engebretson was  
16 required to review and monitor SIM’s trading practices to make sure they were fair  
17 and equitable, he never conducted any of those reviews. In other words, Engebretson  
18 essentially did nothing to ensure that SIM’s trading policies and procedures were  
19 followed other than occasionally “spot-checking” trade paperwork on Bronson’s  
20 desk, while repeatedly ignoring numerous “red flags” relating to SIM’s trade  
21 allocation practices.

22         8.         By engaging in this conduct, defendants SIM and Bronson violated the  
23 antifraud provisions of Sections 17(a)(1) and 17(a)(2) of the Securities Act of 1933  
24 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange  
25 Act”) and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment  
26 Advisers Act of 1940 (“Advisers Act”). In addition, defendants SIM and Bronson  
27 violated Section 207 of the Advisers Act by willfully making false statements in  
28 Forms ADV filed with the SEC. Defendant SIM also violated Section 206(4) of the

1 Advisers Act and Rule 206(4)-7 thereunder by failing to adopt and effectively  
2 implement policies and procedures reasonably designed to prevent violations of the  
3 Advisers Act and the rules promulgated thereunder, and defendants Bronson and  
4 Engebretson aided and abetted SIM in these violations.

5 9. With this action, the SEC seeks permanent injunctive relief against the  
6 defendants to prevent future violations of the federal securities laws, disgorgement of  
7 ill-gotten gains along with prejudgment interest on a joint-and-several basis, and civil  
8 penalties.

### 9 **THE DEFENDANTS**

10 10. Defendant Strong Investment Management (“SIM”) is a California  
11 corporation with its principal place of business in Yorba Linda, California. SIM was  
12 registered with the SEC as an investment adviser from at least January 2012 until on  
13 or about May 5, 2015, and is currently a California-registered investment adviser.

14 11. Defendant Joseph B. Bronson, formerly known as Joseph B.  
15 Engebretson, is a resident of Yorba Linda, California. Since in or about October  
16 2014, Bronson has been SIM’s sole owner, president, chief investment officer, chief  
17 executive officer, and chief compliance officer.

18 12. Defendant John B. Engebretson is Bronson’s brother and a resident of  
19 Anaheim Hills, California. Engebretson was previously SIM’s minority owner and  
20 chief compliance officer from at least January 2012 until in or about October 2014.

### 21 **THE ALLEGATIONS**

#### 22 **A. Background**

23 13. Bronson founded SIM in or around 2009 with Engebretson and their late  
24 father, Lester Engebretson, who died in or around 2011.

25 14. Before founding SIM, Bronson and Engebretson worked for their late  
26 father’s firm, Engebretson Capital Management, Inc. (“ECM”), which also was an  
27 investment adviser registered with the SEC. In or about September 1999, the SEC  
28 instituted settled cease-and-desist and administrative proceedings against ECM and

1 their father, Lester Engebretson, who was ECM's founder, president and sole owner,  
2 for violations of the Advisers Act. The SEC's order included findings that, among  
3 other things, ECM and Lester Engebretson distributed misleading advertising  
4 materials that overstated ECM's annual performance and violated certain books and  
5 records requirements. ECM and Lester Engebretson agreed to settle that case by  
6 consenting to a cease-and-desist order, a censure and a \$150,000 penalty.

7 15. According to Bronson, he changed his last name from "Engebretson" to  
8 "Bronson" at least in part because of that SEC enforcement proceeding against ECM  
9 and his father. In fact, Bronson and Engebretson formed SIM because ECM had "a  
10 bad reputation" as a result of that earlier SEC enforcement proceeding. SIM later  
11 hired the same outside compliance consultant that was used by ECM. The  
12 compliance consultant pointed out to Bronson that one of the deficiencies identified  
13 at ECM was its failure to utilize and maintain pre-allocation documentation for all  
14 block trades. The compliance consultant advised Bronson that SIM should maintain  
15 such pre-allocation documentation.

16 16. Currently, SIM has about 65 clients, who are primarily individuals.  
17 According to SIM's most recent Form ADV, the firm had more than \$58 million in  
18 assets under management as of December 31, 2017.

19 17. At all relevant times, SIM provided investment advice to clients in  
20 exchange for a percentage of assets under management.

21 18. Bronson has been the only person at SIM who provides investment  
22 advice to clients since his father's death in 2011.

23 19. Since at least January 2012, Bronson has controlled SIM as its CEO,  
24 president, majority owner (until in or about October 2014), and, since in or about  
25 October 2014 has been its sole owner.

26 20. As SIM's sole owner (and previously, its majority owner), Bronson  
27 directly benefitted and continues to directly benefit from the advisory fees paid by  
28 SIM's clients.

1           21. At all relevant times, SIM and Bronson had an adviser-client relationship  
2 with, and therefore owed a fiduciary duty to, each of SIM's clients.

3           22. One of the accounts SIM and Bronson managed was a family trust.  
4 Bronson and Engebretson were co-trustees of the family trust. Bronson, Engebretson,  
5 and their five siblings were the beneficiaries of the trust. In addition to the family  
6 trust, SIM and Bronson managed separate investment accounts for all of Bronson's  
7 siblings, including Engebretson, and thus had an adviser-investor relationship with all  
8 of them.

9           23. Bronson communicated with his clients, including his siblings, about  
10 their investments. Bronson typically communicated with his clients on at least a  
11 quarterly basis, including by sending out a newsletter or other updates regarding the  
12 market.

13           24. In connection with his late father's estate, Bronson, at times, made  
14 disbursements from the family trust account to his siblings' investment accounts.  
15 Bronson advised at least one of his siblings that his goal as their investment adviser  
16 was, in part, to maximize the value of her investment account.

17 **B. SIM's and Bronson's Cherry-Picking Scheme**

18 **1. Trading in SIM's Client Accounts**

19           25. SIM manages all of its clients' assets on a discretionary basis, meaning it  
20 has authorization to trade securities on behalf of its clients.

21           26. At all relevant times, Bronson was the only person at SIM with the  
22 authority to determine trades and allocations. Bronson either placed and allocated  
23 trades himself or directed his assistant or Engebretson to do so.

24           27. At all relevant times, SIM used a custodian for all of the accounts under  
25 its management, meaning that a third party held the securities on the client's behalf.

26           28. From at least January 2012 to September 2013, a registered broker-  
27 dealer ("Broker 1") was the custodian for the majority of the accounts under SIM's  
28 management.

1 29. Since September 2013, another registered broker-dealer (“Broker 2”) has  
2 been the custodian for nearly all of the accounts that SIM manages.

3 30. Broker 1 and Broker 2 also provided an online advisory platform that  
4 SIM used (and, in the case of Broker 2, continues to use) to buy and sell securities for  
5 its clients.

6 31. SIM generally executed and allocated trades through the online platform  
7 provided by Broker 1 or Broker 2.

8 32. SIM and Bronson often used an omnibus account to carry out trades for  
9 SIM’s clients.

10 33. As a general matter, an omnibus account enables an investment adviser  
11 to purchase and sell securities on behalf of multiple clients simultaneously without  
12 identifying to the broker in advance the specific accounts for which a trade is  
13 intended. When used properly, an omnibus account may allow an adviser to treat all  
14 of its clients fairly when executing trades on their behalf.

15 34. For example, if an adviser separately purchases the same security for  
16 several clients on the same day, the adviser might obtain different prices on each  
17 transaction as result of normal market fluctuation. Rather than placing individual  
18 orders in each client account, the adviser can place one aggregated order, or “block  
19 trade,” in the omnibus account and subsequently allocate the trade among multiple  
20 accounts using an average price. (If using an online platform, as SIM did, the adviser  
21 typically enters the trade online and, after it executes, effectuates the allocation by  
22 manually designating the accounts and number of shares each should receive or by  
23 uploading a file for the custodian specifying this information.)

24 35. Using an omnibus account properly helps ensure that all clients receive  
25 the same price and that none receives preferential treatment over the other.

## 26 **2. The Cherry-Picking**

27 36. From at least January 2012 through in or about July 2016, SIM and  
28 Bronson misused the omnibus account to engage in a fraudulent scheme to defraud



1 clients by cherry-picking and allocating favorable trades to Bronson's own accounts  
2 while allocating unfavorable trades to his clients' accounts.

3 37. Bronson carried out this scheme by trading in SIM's omnibus account  
4 and delaying allocation of those trades until he determined the security's intraday  
5 performance.

6 38. When the price of a stock rose on the purchase date, Bronson  
7 disproportionately allocated those profitable trades to one or more of his personal  
8 accounts. In many cases in which he allocated a favorable trade to his personal  
9 account, Bronson sold the security the same day, locking in a day-trading profit for  
10 himself.

11 39. By contrast, when the price of the stock went down on the purchase date,  
12 Bronson disproportionately allocated those unprofitable trades to his client accounts.

13 40. On some occasions, Bronson traded around earnings announcements.  
14 On these days, Bronson often waited until after the release of a post-close earnings  
15 report to allocate trades of that security, which allowed him to take into account after-  
16 hours price movements related to the announcement.

17 41. In addition, Bronson used the omnibus account to sell securities and  
18 waited to allocate the sale of those securities until he determined the security's  
19 intraday price movement. When the price of the security dropped following the sale,  
20 Bronson used the omnibus account to purchase the same security at a lower price and  
21 allocated both transactions to his personal account, pocketing the difference as profit.

22 42. Bronson's cherry-picking scheme led to a disproportionate number of  
23 unprofitable trades allocated to the clients, including the family trust, his siblings, and  
24 other clients.

25 43. Bronson's cherry-picking involved an overarching scheme to  
26 disproportionately allocate unfavorable trades to his clients and was not limited to a  
27 particular security, client, or form of trading (buying, selling, day trading, etc.).

28 44. In fact, of all the trades executed at Broker 1 while SIM's accounts were



1 in the custody of Broker 1, just six of the 50 trades with the worst first-day returns  
2 were allocated solely to Bronson's accounts, while 39 of the 50 worst first-day  
3 returns were allocated solely to Bronson's clients (the remaining five were allocated  
4 to both client accounts and Bronson's personal accounts). In other words,  
5 approximately 80% of these 50 trades with the worst first-day returns were allocated  
6 solely to Bronson's clients.

7 45. Likewise, of all the trades executed at Broker 2 while SIM's accounts  
8 were in the custody of Broker 2, just four of the 50 worst first-day returns were  
9 allocated solely to Bronson's personal accounts, while 35 of the 50 worst first-day  
10 returns were allocated solely to clients (the remaining 11 were allocated to both client  
11 accounts and Bronson's personal accounts). In other words, approximately 70% of  
12 these 50 trades with the worst first-day returns were allocated solely to Bronson's  
13 clients.

14 46. Many of SIM's clients suffered significant first-day losses as a result of  
15 Bronson's cherry-picking. In other words, Bronson disproportionately enjoyed  
16 positive first-day returns from the trades he cherry-picked for himself, while many of  
17 his clients suffered negative first-day returns.

18 47. For example, on or about August 9, 2013, Broker 1 conducted an  
19 analysis of one of Bronson's personal accounts (account #XXXXXX7801) and  
20 compared it to the family trust account (account #XXXXXX4520), examining a  
21 twelve-month period.

22 48. Broker 1 observed for that twelve-month period that Bronson's personal  
23 account ending in #7801 and the family trust account ending in #4520 traded many of  
24 the same securities, yet Bronson's personal account ending in #7801 had a  
25 \$205,788.25 gain during that period (representing a 14.54% return), while the family  
26 trust account ending in #4520 had a \$638,421.48 loss during that same period (a  
27 negative 13.58% return).

28 49. For example, Bronson's personal account ending in #7801 purchased

1 and sold 2,800 shares of a security trading under the symbol “LULU” and had a gain  
2 of \$7,948.02. The family trust account ending in #4520 purchased and sold 3,200  
3 shares of the same security, but suffered a loss of -\$41,526.42.

4 50. Similarly, during that same twelve-month period, Bronson’s personal  
5 account ending in #7801 purchased and sold 8,800 shares of a security trading under  
6 the symbol “SBUX” and had a gain of \$10,087.42. The family trust account ending  
7 in #4520 purchased and sold 6,725 shares of the security but suffered a loss of -  
8 \$48,858.95.

9 51. Broker 1 prepared a chart to reflect its examination of Bronson’s  
10 personal account ending in #7801 and family trust account ending in #4520 during  
11 this twelve-month period and it showed the following with respect to their respective  
12 gains and losses:

Acct #	Proceeds	Cost	Gain/Loss	% Gain/Loss	Account Value
#7801	\$22,835,827.52	\$22,630,039.27	\$205,788.25	14.54%	\$1,620,687.70
#4520	\$33,675,849.64	\$34,314,271.12	-\$638,421.48	-13.58%	\$4,062,132.41

18 52. Broker 1 prepared a chart to reflect its examination of Bronson’s  
19 personal account ending in #7801 and family trust account ending in #4520 during  
20 this twelve-month period and it showed the following with respect to several trades in  
21 the same securities:

Acct #	Purchase & Shares Sold	Proceeds	Cost	Gain/Loss	Symbol
#4520	15930	\$8,368,781.75	\$8,757,802.74	-\$389,020.99	AAPL
#7801	3195	\$1,879,791.00	\$1,879,650.09	\$140.91	AAPL
#4520	9000	\$352,289.79	\$411,755.49	-\$59,465.70	CRM
#7801	1250	\$161,622.68	\$159,057.47	\$2,605.21	CRM

1	#4520	3200	\$195,894.50	\$237,420.92	-\$41,526.42	LULU
2	#7801	2800	\$169,848.35	\$177,796.37	\$7,948.02	LULU
3	#4520	6725	\$326,913.06	\$375,772.01	-\$48,858.95	SBUX
4	#7801	8800	\$445,913.93	\$435,825.51	\$10,087.42	SBUX
5	#4520	16300	\$591,518.63	\$616,837.77	-\$25,319.14	SQQQ
6	#7801	20500	\$775,936.81	\$785,359.79	\$9,422.98	SQQQ
7	#4520	9000	\$85,039.00	\$113,589.09	-\$28,550.09	DELL
8	#7801	5000	\$64,562.36	\$61,159.49	\$3,402.87	DELL

### 3. Broker 1 Notified Bronson that His Trading in the Omnibus Account Was Improper

53. Broker 1 terminated SIM from its advisory platform in August 2013 because it suspected that Bronson was cherry-picking.

54. In June 2013, SIM attracted the attention of Broker 1's risk department because Bronson had repeatedly placed day trades in SIM's omnibus account and allocated them entirely to his own accounts.

55. Representatives of the broker-dealer spoke with Bronson at least three times in June 2013. They advised Bronson that day-trading in the omnibus account and "single account allocations"—that is, the allocation of an entire block trade to a single account—were unacceptable.

56. During at least some of these conversations, Bronson told Broker 1 representatives that he would stop day-trading in the omnibus account.

57. Despite this promise, on or about July 17, 2013, Bronson, or an employee acting at his direction, placed a day trade in SIM's omnibus account and allocated the trade to Bronson's personal accounts.

58. In response to that day-trading allocation, a Broker 1 representative called Bronson in July 2013, and instructed him, again, that day trading in the

1 omnibus account was impermissible.

2 59. As explained above, Bronson's improper use of the omnibus account  
3 prompted Broker 1's risk department to conduct a review of SIM's trading activity  
4 over the previous 12 months. As part of that review, Broker 1 determined that  
5 Bronson was trading in many of the same securities for his personal accounts and a  
6 client account and that Bronson's gains were disproportionate. Broker 1 also found  
7 "what appear[ed] to be a pattern of allocating based on the performance of a stock"  
8 and "apparent cherry-picking."

9 60. Broker 1 decided to terminate SIM based on Bronson's "behavior of  
10 allocating favorable trades to his accounts" and his failure to heed the risk  
11 department's multiple "warnings regarding the block account usage."

12 61. In a phone call on or about August 19, 2013, Broker 1 informed Bronson  
13 that it was ending its business relationship with SIM because of the concerns that  
14 Broker 1 had repeatedly raised with Bronson.

15 62. Following the termination, in summer 2013, Bronson prepared and  
16 signed a letter that was sent to all SIM clients whose accounts were in the custody of  
17 Broker 1. In that letter, Bronson falsely claimed that "[w]e have been told that our  
18 \$100 million or so under management is 'small' from [Broker 1]'s perspective, and  
19 [Broker 1] has informed us that we need to have our clients move to another  
20 custodian."

21 63. This statement was false and misleading because Broker 1 had informed  
22 Bronson that the termination was due to his repeated day trading in the omnibus  
23 account and single account allocations—not because SIM was too "small" to  
24 continue using the broker's platform. Bronson and SIM did not disclose to any of its  
25 clients that Broker 1 had repeatedly raised concerns regarding Bronson's use of the  
26 omnibus account.

27 64. After being terminated from Broker 1, SIM moved to Broker 2's  
28 advisory platform, where it remains to this day.

1           **4. Bronson's Other Deceptive Acts and Role in the Scheme**

2           65. As the only person at SIM with the authority to determine trades and  
3 allocations, Bronson was the one who carried out the cherry-picking scheme.

4           66. In allocating a disproportionate number of profitable trades to Bronson's  
5 personal accounts and unprofitable trades to client accounts (*i.e.*, cherry-picking),  
6 SIM and Bronson defrauded and breached the fiduciary duty they owed to their  
7 clients.

8           67. By its very nature, cherry-picking is virtually impossible for clients to  
9 detect because they are unable to see how the adviser allocates trades.

10          68. By secretly allocating profitable trades to his personal accounts and  
11 unprofitable trades to clients, Bronson created the false appearance that his clients'  
12 first-day losses were attributable to market forces rather than his fraudulent trade  
13 allocation practices. Each allocation of a trade based on the security's performance  
14 was an inherently deceptive act in furtherance of the scheme.

15          69. In addition, Bronson committed other deceptive acts in furtherance of  
16 the fraudulent scheme. For example, Bronson prepared documents that were meant  
17 to give the impression that he made certain allocation decisions before the trades  
18 were executed.

19          70. As alleged below, Bronson also told SIM's outside compliance  
20 consultant that he prepared pre-trade allocation statements for all block trades when,  
21 in fact, that statement was not true.

22          71. As alleged above, Bronson sent a letter in summer 2013 to clients that  
23 misrepresented SIM's reason for changing custodians. Bronson falsely claimed, in  
24 substance, that SIM changed from Broker 1 to Broker 2 as its custodian because  
25 Broker 1 considered SIM's account too "small." Bronson concealed from the clients  
26 the fact that Broker 1 had terminated its relationship with SIM because of his misuse  
27 of the omnibus account.

28          72. At all relevant times, Bronson knowingly or recklessly engaged in the



1 cherry-picking scheme. As the only person at the firm with the authority to  
2 determine trades and allocations, Bronson was the one who carried out the scheme.

3 73. Bronson did not exercise reasonable care in allocating trades to his  
4 clients' accounts by engaging in the cherry-picking.

5 74. A reasonable client of Bronson and SIM would have considered  
6 Bronson's allocation practices and cherry-picking to have been important to know  
7 when deciding whether to place or keep his or her assets under SIM's management.

### 8 **C. SIM's and Bronson's Misrepresentations**

9 75. As an investment adviser registered with the SEC until May 2015, SIM  
10 was required to file a "Form ADV" with the agency. The form consists of two parts.  
11 Part 1 requires information about the investment adviser's business, ownership,  
12 clients, employees, business practices, affiliations, and any disciplinary events of the  
13 adviser or its employees. Part 2 requires investment advisers to prepare narrative  
14 brochures written in plain English that contain information such as the types of  
15 advisory services offered, the adviser's fee schedule, disciplinary information,  
16 conflicts of interest, and the educational and business background of management and  
17 key advisory personnel of the adviser. The brochure is the primary disclosure  
18 document that investment advisers provide to their clients. When filed, the brochures  
19 are available to the public.

20 76. SIM's Forms ADV were filed with the SEC on at least an annual basis  
21 from at least January 2012 through May 2015. After SIM switched to state  
22 registration in May 2015, its Forms ADV were filed at least annually with the  
23 Investment Adviser Registration Depository. At least in some cases, SIM provided  
24 its Forms ADV to clients. In addition, SIM's Forms ADV were publicly available to  
25 clients and prospective clients through the SEC's Investment Adviser Public  
26 Disclosure website.

27 77. At all relevant times, Bronson was responsible for reviewing drafts of  
28 SIM's Forms ADV prepared by the firm's outside compliance consultant, suggesting

1 changes, and authorizing their filing. Further, since at least October 2014, Bronson  
2 has been SIM's only employee and therefore the only person who has had  
3 responsibility for its disclosures. Bronson had ultimate authority over the statements  
4 contained in SIM's Forms ADV, including their content and whether or how to  
5 communicate them to clients and prospective clients.

6 78. Bronson's signature on each of SIM's Forms ADV Part 1 certified that  
7 the statements in the entire Form ADV were true and correct.

8 79. SIM's Forms ADV Part 2A contained materially false and misleading  
9 statements concerning its allocation of trades and its management of conflicts of  
10 interest relating to personal trading by SIM personnel.

11 80. For example, SIM's Form ADV Part 2A dated February 4, 2013  
12 acknowledged SIM's fiduciary duty to clients, including its duty to place clients'  
13 interests ahead of its own.

14 81. This Form ADV also stated: "We do not favor any account over any  
15 other account. This includes accounts of SIM or any of our personnel."

16 82. This statement was false because SIM's allocations favored Bronson's  
17 personal accounts and disfavored SIM's clients.

18 83. SIM's Form ADV Part 2A also stated: "Each account in the aggregated  
19 order will participate at the average share price for all of our transactions in a given  
20 security on a given business day (per custodian)...."

21 84. This statement was false because when Bronson placed multiple orders  
22 in SIM's omnibus account for the same security on the same day, he did not always  
23 aggregate all of those transactions and allocate them as an average price. Instead, on  
24 a number of occasions, Bronson allocated the best-priced shares to his personal  
25 accounts and the worse-priced shares to clients.

26 85. Additionally, SIM's Form ADV Part 2A promised: "When an employee  
27 account trades in the same security as clients, we review that the client receives an  
28 equal or better price than the employee within the same account objective."



1           86. This statement was false and misleading because SIM did not  
2 consistently conduct reviews to ensure that clients received the same or a better price  
3 than its personnel when trading the same security on the same day. Further, this  
4 statement implied that clients would receive the same or better price than SIM's  
5 employees when trading in the same security on the same day. In fact, there were  
6 several instances where Bronson placed multiple orders for the same security in the  
7 omnibus account and allocated the better-priced shares to his personal accounts and  
8 the worse-priced shares to client accounts.

9           87. SIM's Form ADV Part 2A also represented that aggregated orders would  
10 be allocated "among clients according to a computer-generated pre-allocation."

11           88. This statement was false and misleading because SIM and Bronson  
12 generally allocated trades based on securities' intraday performance rather than in  
13 accordance with a predetermined allocation statement.

14           89. All of SIM's Forms ADV Part 2A filed between January 2012 and July  
15 2016 contained the same or substantially identical false and misleading language as  
16 alleged above.

17           90. In addition to the misrepresentations in SIM's Forms ADV, SIM and  
18 Bronson misled clients about the reason for moving away from Broker 1's advisory  
19 platform. As described above, Bronson sent a letter to clients stating that "[w]e have  
20 been told that our \$100 million or so under management is 'small' from [Broker 1]'s  
21 perspective, [Broker 1] has informed us that we need to have our clients move to  
22 another custodian." This statement was false and misleading because SIM's size was  
23 not the reason for its termination from Broker 1. Rather, as Bronson knew from his  
24 communications with representatives of Broker 1, the real reason for the termination  
25 was his misuse of the omnibus account.

26           91. A reasonable client would have considered it important that, in contrast  
27 to what was represented in SIM's Forms ADV, Bronson was allocating a  
28 disproportionate number of winning trades to himself and losing trades to clients'

1 accounts, and that on several occasions, Bronson allocated better-priced shares to  
2 himself when he traded the same security for his personal accounts and clients on the  
3 same day.

4 92. Likewise, a reasonable client would have considered it important that, in  
5 contrast to what was represented in SIM's Forms ADV, Bronson allocated securities  
6 based on their performance rather than allocating trades in accordance with a pre-  
7 determined allocation statement.

8 93. In addition, a reasonable client would have considered it important that,  
9 in contrast to what was represented in Bronson's letter to clients in summer 2013,  
10 Broker 1 terminated its relationship with SIM because of Bronson's improper use of  
11 the omnibus account.

12 94. At all relevant times, Bronson knew, or was reckless or negligent in not  
13 knowing, that the representations in the Forms ADV and summer 2013 client letter  
14 alleged above were false and misleading when made.

15 95. At all relevant times, Bronson did not exercise reasonable care when  
16 describing SIM and Bronson's trading and allocation practices in SIM's Forms ADV,  
17 or in drafting and disseminating the false summer 2013 client letter.

18 96. Because Bronson was the firm's CEO, president and sole owner at all  
19 relevant times, Bronson's scienter or negligence is imputed to SIM.

20 97. Bronson was the only person at SIM who had authority to determine  
21 how to allocate trades, and all trades placed in SIM's omnibus account were allocated  
22 by him or someone acting at his direction. Bronson was the one who was told by  
23 Broker 1's representatives that the brokerage firm was terminating its relationship  
24 with SIM because of his continued misuse of the omnibus account. Bronson also  
25 authorized and controlled the content of SIM's Forms ADV. Thus, he knew, or was  
26 reckless or negligent in not knowing, that his cherry-picking rendered the disclosures  
27 in the Form ADVs and the summer 2013 client letter false and misleading.

28 98. Bronson's knowing, reckless and negligent role in the fraud is further

1 demonstrated by the fact that he continued to disproportionately allocate profitable  
2 trades to his own accounts to the detriment of his clients for nearly three years after  
3 Broker 1 terminated SIM.

4 99. SIM and Bronson obtained money by means of their misrepresentations  
5 in the Forms ADV and the summer 2013 client letter.

6 100. Bronson unfairly and substantially profited from his cherry-picking at  
7 the expense of SIM's clients.

8 101. In addition, the misrepresentations enabled SIM (and Bronson, by virtue  
9 of his ownership of SIM) to continue receiving advisory fees from defrauded clients,  
10 who would not have placed their assets under SIM's management had they known the  
11 truth.

12 **D. SIM's Failure to Implement Policies and Procedures Reasonably Designed**  
13 **to Prevent Unfair Trade Allocations**

14 **1. The Policies and Procedures**

15 102. SIM had written policies and procedures concerning trading and  
16 allocations, but failed to effectively implement them.

17 103. SIM's policies and procedures manual stated that the firm's policies  
18 regarding trade allocations were set forth in its Forms ADV.

19 104. According to SIM's Forms ADV, one of the firm's policies and  
20 procedures stated that aggregated trades would be allocated "according to a  
21 computer-generated pre-allocation." In addition, SIM's policies and procedures  
22 prohibited the allocation of trades in a manner that was not fair and equitable to all  
23 clients or that favored one account over another.

24 105. Another one of SIM's policies and procedures addressed the situation  
25 where an employee, on the same day, traded in the same security as was being traded  
26 by a client "within the same account objective." Under this policy and procedure, the  
27 trading had to be reviewed in order to ensure that the client received the same or  
28 better price than the employee trading in the same security.

1 106. In or around 2013, the time that SIM was terminated by Broker 1, SIM  
2 engaged its outside compliance consultant to review SIM's compliance policies and  
3 procedures.

4 107. Upon completing its review in early 2014, the compliance consultant  
5 issued a report in March 2014, which made certain suggestions and  
6 recommendations.

7 108. Bronson and Engebretson each received and reviewed that report  
8 prepared by the compliance consultant.

9 109. Among other things, the compliance consultant advised that "SIM  
10 should review whether short-term trading activity of employees may interfere with or  
11 produce conflicts of interest with trading activity conducted for clients."

12 110. The compliance consultant also advised Bronson, in an email copying  
13 Engebretson, "please be sure that you utilize and maintain the pre-allocation  
14 documentation associated with all block trades. This is especially important for your  
15 firm as it has [sic] been identified as a deficiency with ECM [Bronson's father's  
16 firm]." (emphasis in original.)

17 111. Bronson replied to the consultant's email. In that reply, he falsely  
18 claimed that SIM had created pre-trade allocation statements for all block trades  
19 when, in fact, it had not done so.

## 20 **2. SIM's Compliance Failures**

21 112. SIM failed to effectively implement and comply with the firm's written  
22 policies and procedures relating to trading and allocations.

23 113. In contravention of these policies and procedures, Bronson, as alleged  
24 above, generally allocated trades based on the security's performance, rather than in  
25 accordance with allocation statements generated in advance. Further, Bronson's  
26 cherry-picking favored his personal accounts, resulting in allocations that were  
27 neither fair nor equitable among all clients.

28 114. As a result, SIM failed to effectively implement its trading and

1 allocation policies and procedures, as evidenced by the fact that the firm and its  
2 principal, Bronson, carried out a cherry-picking scheme for more than four years.

3 115. Even when SIM's compliance consultant suggested that SIM review  
4 whether short-term trading by employees interfered with or created any conflicts of  
5 interest with trading activity conducted for the firm's clients, SIM took no steps to  
6 implement that suggestion. SIM also did not make sure that Bronson used and  
7 maintained pre-allocation records to document all trade allocations, as the compliance  
8 consultant recommended it do.

9 **3. Bronson and Engebretson Aided and Abetted SIM's Compliance**  
10 **Failures**

11 116. From at least January 2012 until June 2014, SIM's written policies and  
12 procedures assigned responsibility for monitoring the firm's trading policies and  
13 practices to both Bronson and Engebretson.

14 117. Indeed, as the firm's chief compliance officer from at least January 2012  
15 through in or about October 2014, Engebretson was responsible for ensuring that  
16 SIM's trading policies and procedures were followed.

17 118. Bronson assumed more compliance responsibilities in 2014.  
18 Specifically, in June 2014, SIM's policies and procedures manual was revised to state  
19 that Bronson was responsible for ensuring that allocations were consistent with SIM's  
20 policies.

21 119. When Engebretson retired in or about October 2014, Bronson assumed  
22 the role of chief compliance officer and was the sole owner and employee of SIM,  
23 which meant he was the only person with any authority over its policies and  
24 procedures.

25 120. At all relevant times, SIM failed to implement compliance policies and  
26 procedures with respect to its trading and allocations practices. Bronson and  
27 Engebretson knew, or were extremely reckless in not knowing, that SIM failed to  
28 implement these policies and their actions and inactions substantially assisted SIM in

1 this conduct.

2 **a. Bronson**

3 121. Bronson aided and abetted SIM's failure to implement compliance  
4 policies and procedures in several ways.

5 122. Bronson secretly allocated profitable trades to his personal accounts and  
6 losing trades to his clients' accounts, and concealed these actions from his clients and  
7 his brother, Engebretson, the chief compliance officer.

8 123. Bronson falsely reported to SIM's compliance consultant that he  
9 prepared pre-trade allocation statements for all block trades.

10 124. Even when the compliance consultant suggested that SIM "should  
11 review whether short-term trading activity" of SIM's employees created conflicts of  
12 interest with clients, Bronson took no steps to implement that suggestion. Similarly,  
13 even after the compliance consultant advised Engebretson and Bronson to ensure that  
14 Strong used and maintained pre-trade allocation statements for all trades in the  
15 omnibus account, Bronson did nothing to ensure that Strong complied with this  
16 policy.

17 125. When Broker 1 terminated SIM from its trading platform over its abuse  
18 of improper use of the omnibus account, Bronson prepared and signed a letter that  
19 was sent to all SIM clients falsely claiming that the termination was due to SIM's  
20 assets under management being too "small."

21 126. Between at least January 2012 and July 2016, Bronson reviewed and  
22 signed several Forms ADV on behalf of SIM, which falsely and misleadingly  
23 claimed, among other things, that SIM did not favor any accounts over other  
24 accounts, each account in an aggregated order would participate at the average share  
25 price for all transactions in a given security on a given business day, and aggregated  
26 orders would be allocated among clients according to a computer-generated pre-  
27 allocation.

1                   **b.     Engebretson**

2           127. Engebretson also aided and abetted SIM’s failure to implement  
3 compliance policies and procedures in several ways.

4           128. Engebretson failed to review or monitor whether Strong’s trading and  
5 allocation practices resulted in “fair and equitable allocation of transactions” and did  
6 not favor any account over another, as required by Strong’s policies and procedures.  
7 Engebretson likewise failed to ensure that all trades were allocated in accordance  
8 with pre-trade allocation statements. Instead, all Engebretson did was superficially  
9 “spot-checking” whatever “papers” Bronson had “on his desk” and the “trades  
10 folder” to see if “something was out of the ordinary” a few times a quarter. In other  
11 words, Engebretson took essentially no steps to ensure that trades placed in the  
12 omnibus account were consistently allocated in accordance with the firm’s policies  
13 and procedures.

14           129. Even when the compliance consultant suggested that SIM “should  
15 review whether short-term trading activity” of SIM’s employees created conflicts of  
16 interest with clients, Engebretson took no steps to implement that suggestion.  
17 Similarly, even after the compliance consultant advised Engebretson and Bronson to  
18 ensure that Strong used and maintained pre-trade allocation statements for all trades  
19 in the omnibus account, Engebretson did nothing to ensure that Strong complied with  
20 this policy.

21           130. Engebretson ignored numerous “red flags” relating to SIM’s allocation  
22 practices. For example, Engebretson learned during a phone call with Broker 1 in  
23 July 2012, and again in or about June or July 2013, that SIM had allocated trades  
24 from its omnibus account to a single account. Engebretson knew that the 2013 single  
25 account allocation was a red flag, yet took no steps to investigate the circumstances  
26 of the single account allocations, and without any factual basis just assumed these  
27 were isolated “mistakes.”

28           131. Another red flag Engebretson ignored was when Broker 1 terminated



1 SIM from its trading platform. Although Engebretson was on notice that Broker 1  
2 had complained about SIM improperly allocating trades from its omnibus account to  
3 a single account, Engebretson failed to contact Broker 1 or take sufficient steps to  
4 investigate the circumstances surrounding Broker 1's decision to terminate SIM and,  
5 instead, unquestioningly accepted Bronson's false explanation that SIM—which had  
6 more than \$88 million under management at the time—was essentially too “small” to  
7 continue using Broker 1's platform.

8 132. In short, Engebretson wholly abdicated his responsibilities relating to  
9 ensuring that SIM's trading and allocations were fair and equitable as set forth in the  
10 firm's policies and procedures.

### 11 **TOLLING OF THE STATUTE OF LIMITATIONS**

12 133. Pursuant to a tolling agreement between SIM and Bronson and the SEC,  
13 the statute of limitations applicable to the SEC's claims against SIM and Bronson  
14 was tolled and suspended for the period beginning on August 23, 2017 through  
15 February 23, 2018.

16 134. Pursuant to a tolling agreement between Engebretson and the SEC, the  
17 statute of limitations applicable to the SEC's claims against Engebretson was tolled  
18 and suspended for the period beginning on August 29, 2017 through February 28,  
19 2018.

### 20 **FIRST CLAIM FOR RELIEF**

#### 21 **Fraud in the Connection with the Purchase and Sale of Securities** 22 **Violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c)** 23 **(against Defendants SIM and Bronson)**

24 135. The SEC realleges and incorporates by reference paragraphs 1 through  
25 133 above.

26 136. As alleged above, defendants SIM and Bronson engaged in a scheme to  
27 defraud clients, and engaged in acts, practices or courses of business that operated as  
28 a fraud upon clients, by cherry-picking favorable trades for Bronson's personal

1 accounts at the expense of their clients. In carrying out this fraud, defendants SIM  
2 and Bronson engaged in a number of deceptive acts in addition to the cherry-picking,  
3 including sending a misleading letter to clients, misleading the firm's outside  
4 consultant in its review of the firm's compliance policies, and creating trade  
5 allocation statements to make it appear as if the allocations were determined before  
6 trade execution. At all relevant times, defendant Bronson acted knowingly or  
7 recklessly in carrying out this fraud, and his state of mind is imputed to SIM, which  
8 he controlled.

9 137. By engaging in the conduct described above, defendants SIM and  
10 Bronson, and each of them, directly or indirectly, in connection with the purchase or  
11 sale of a security, by the use of means or instrumentalities of interstate commerce, of  
12 the mails, or of the facilities of a national securities exchange: (a) employed devices,  
13 schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of  
14 business which operated or would operate as a fraud or deceit upon other persons.

15 138. Defendants SIM and Bronson, and each of them, knew, or was reckless  
16 in not knowing, that he or it employed devices, schemes or artifices to defraud and  
17 engaged in acts, practices, or courses of business that operated as a fraud upon other  
18 persons by the conduct described in detail above.

19 139. By engaging in the conduct described above, Defendants SIM and  
20 Bronson, and each of them, violated, and unless restrained and enjoined will continue  
21 to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a)  
22 and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

## 23 **SECOND CLAIM FOR RELIEF**

### 24 **Fraud in Connection with the Purchase or Sale of Securities**

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

### 26 **(against Defendants SIM and Bronson)**

27 140. The SEC realleges and incorporates by reference paragraphs 1 through  
28 133 above.

1 141. As alleged above, defendants SIM and Bronson made untrue statements  
2 of material fact in SIM's Forms ADV concerning their trading and allocations and  
3 SIM's management of conflicts of interest relating to trading by its personnel.  
4 Defendants SIM and Bronson also made false or misleading statements of material  
5 fact in a letter to SIM's clients regarding the firm's reason for changing custodians in  
6 2013. At all relevant times, defendant Bronson acted knowingly or recklessly in  
7 carrying out this fraud, and his state of mind is imputed to SIM, which he controlled.

8 142. By engaging in the conduct described above, defendants SIM and  
9 Bronson, and each of them, directly or indirectly, in connection with the purchase or  
10 sale of a security, and by the use of means or instrumentalities of interstate  
11 commerce, of the mails, or of the facilities of a national securities exchange, made  
12 untrue statements of material fact or omitted to state a material fact necessary in order  
13 to make the statements made, in light of the circumstances under which they were  
14 made, not misleading.

15 143. Defendants SIM and Bronson, and each of them, knew, or was reckless  
16 in not knowing, that he or it made untrue statements of material fact or omitted to  
17 state a material fact necessary in order to make the statements made, in light of the  
18 circumstances under which they were made, not misleading.

19 144. By engaging in the conduct described above, Defendants SIM and  
20 Bronson, and each of them, violated, and unless restrained and enjoined will continue  
21 to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b)  
22 thereunder, 17 C.F.R. §§ 240.10b-5(b)..

23 **THIRD CLAIM FOR RELIEF**

24 **Fraud in the Offer or Sale of Securities**

25 **Violations of Section 17(a)(1) of the Securities Act**

26 **(against Defendants SIM and Bronson)**

27 145. The SEC realleges and incorporates by reference paragraphs 1 through  
28 133 above.

1 146. As alleged above, Defendants SIM and Bronson engaged in a scheme to  
2 defraud by secretly allocating profitable trades to Bronson's personal accounts while  
3 allocating unprofitable trades to clients. In carrying out this fraud, SIM and Bronson  
4 engaged in a number of deceptive acts in addition to the cherry-picking, including  
5 sending a misleading letter to clients, misleading the firm's outside consultant in its  
6 review of the firm's compliance policies, and creating trade allocation statements to  
7 make it appear as if the allocations were determined before trade execution. At all  
8 relevant times, defendant Bronson acted knowingly or recklessly in carrying out this  
9 fraud, and his state of mind is imputed to SIM, which he controlled.

10 147. By engaging in the conduct described above, Defendants SIM and  
11 Bronson, and each of them, directly or indirectly, in the offer or sale of securities, and  
12 by the use of means or instruments of transportation or communication in interstate  
13 commerce or by use of the mails, employed devices, schemes, or artifices to defraud.

14 148. Defendants SIM and Bronson, and each of them, knew, or was reckless  
15 in not knowing, that he or it employed devices, schemes and artifices to defraud.

16 149. By engaging in the conduct described above, Defendants SIM and  
17 Bronson, and each of them, violated, and unless restrained and enjoined will continue  
18 to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

19 **FOURTH CLAIM FOR RELIEF**

20 **Fraud in the Offer or Sale of Securities**

21 **Violations of Section 17(a)(2) of the Securities Act**

22 **(against Defendants SIM and Bronson)**

23 150. The SEC realleges and incorporates by reference paragraphs 1 through  
24 133 above.

25 151. As alleged above, defendants SIM and Bronson obtained money by  
26 means of untrue statements of material fact in the Forms ADV filed with the SEC and  
27 in the letter sent to clients in the summer of 2013 regarding (1) their trading and  
28 allocations and SIM's management of conflicts of interest relating to trading by its

1 personnel, and (2) the reason that SIM left Broker 1's advisory platform in 2013.

2 152. By engaging in the conduct described above, Defendants SIM and  
3 Bronson, and each of them, directly or indirectly, in the offer or sale of securities, and  
4 by the use of means or instruments of transportation or communication in interstate  
5 commerce or by use of the mails, obtained money or property by means of untrue  
6 statements of a material fact or by omitting to state a material fact necessary in order  
7 to make the statements made, in light of the circumstances under which they were  
8 made, not misleading.

9 153. Defendants SIM and Bronson, and each of them, knew, or was reckless  
10 or negligent in not knowing, that he or it obtained money or property by means of  
11 untrue statements of a material fact or by omitting to state a material fact necessary in  
12 order to make the statements made, in light of the circumstances under which they  
13 were made, not misleading.

14 154. By engaging in the conduct described above, Defendants SIM and  
15 Bronson, and each of them, violated, and unless restrained and enjoined will continue  
16 to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

17 **FIFTH CLAIM FOR RELIEF**

18 **Fraud by an Investment Adviser**

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

20 **(against Defendants SIM and Bronson)**

21 155. The SEC realleges and incorporates by reference paragraphs 1 through  
22 133 above.

23 156. As alleged above, defendants SIM and Bronson each had an adviser-  
24 client relationship with, and therefore owed a fiduciary duty to, each of SIM's clients.  
25 Each breached their fiduciary duty to the clients by carrying out the cherry-picking  
26 scheme and by making materially false and misleading statements to clients in the  
27 Form ADVs filed with the SEC and in the letter sent to clients in the summer of 2013  
28 regarding (1) their trading and allocations and SIM's management of conflicts of

1 interest relating to trading by its personnel, and (2) the reason that SIM left Broker  
2 1's advisory platform in 2013. At all relevant times, defendant Bronson acted  
3 knowingly or recklessly in carrying out this fraud, and his state of mind is imputed to  
4 SIM, which he controlled.

5 157. By engaging in the conduct described above, defendants SIM and  
6 Bronson, and each of them, directly or indirectly, by use of the mails or means or  
7 instrumentalities of interstate commerce: (a) employed devices, schemes or artifices  
8 to defraud clients or prospective clients; and (b) engaged in transactions, practices, or  
9 courses of business which operated as a fraud or deceit upon clients or prospective  
10 clients.

11 158. Defendants SIM and Bronson, and each of them, knew, or was reckless  
12 or negligent in not knowing, that he or it employed devices, schemes and artifices to  
13 defraud clients or prospective clients, or engaged in transactions, practices, or courses  
14 of business which operated as a fraud or deceit upon clients or prospective clients.

15 159. By engaging in the conduct described above, defendants SIM and  
16 Bronson, and each of them, violated, and unless restrained and enjoined will continue  
17 to violate, Sections 206(1) and (2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-  
18 6(2).

19 **SIXTH CLAIM FOR RELIEF**

20 **False Statements in Reports Filed with the SEC**

21 **Violations of Section 207 of the Advisers Act**

22 **(against Defendants SIM and Bronson)**

23 160. The SEC realleges and incorporates by reference paragraphs 1 through  
24 133 above.

25 161. As alleged above, defendants SIM and Bronson made untrue statements  
26 of material fact in SIM's Forms ADV concerning their trading and allocations and  
27 SIM's management of conflicts of interest relating to trading by its personnel. At all  
28 relevant times, defendant Bronson acted willfully in carrying out this fraud, and his

1 state of mind is imputed to SIM, which he controlled.

2 162. By engaging in the conduct described above, defendants SIM and  
3 Bronson, and each of them, willfully made untrue statements of a material fact in  
4 reports filed with the SEC or willfully omitted to state in such reports material facts  
5 required to be stated therein.

6 163. Defendants SIM and Bronson, and each of them, willfully made untrue  
7 statements of a material fact in reports filed with the SEC or willfully omitted to state  
8 in such reports material facts required to be stated therein.

9 164. By engaging in the conduct described above, Defendants SIM and  
10 Bronson violated, and unless restrained and enjoined will continue to violate, Section  
11 207 of the Advisers Act, 15 U.S.C. § 80b-7.

12 **SEVENTH CLAIM FOR RELIEF**

13 **Failure to Adopt and Implement Compliance Policies and Procedures**

14 **Violations of Section 206(4) of the Advisers Act and Rule 206(4)-7**

15 **(against Defendant SIM)**

16 165. The SEC realleges and incorporates by reference paragraphs 1 through  
17 133 above.

18 166. By engaging in the conduct described above, defendant SIM, directly or  
19 indirectly, by use of the mails or means or instrumentalities of interstate commerce,  
20 engaged in acts, practices, or courses of business which were fraudulent, deceptive, or  
21 manipulative by providing investment advice to clients and failing to adopt and  
22 implement written policies and procedures reasonably designed to prevent violations,  
23 by it or its supervised persons, of the Advisers Act and the rules that the SEC has  
24 adopted under the Advisers Act.

25 167. By engaging in the conduct described above, Defendant SIM has  
26 violated, and unless restrained and enjoined will continue to violate, Section 206(4)  
27 of the Advisers Act, 15 U.S.C. § 80b-6(4), and Rule 206(4)-7 thereunder, 17 C.F.R. §  
28 275.206(4)-7.



1 **EIGHTH CLAIM FOR RELIEF**

2 **Aiding and Abetting Violations of**

3 **Section 206(4) of the Advisers Act and Rule 206(4)-7**

4 **(against Defendants Bronson and Engebretson)**

5 168. The SEC realleges and incorporates by reference paragraphs 1 through  
6 133 above.

7 169. The SEC realleges and incorporates by reference paragraphs 1 through  
8 127 and 158 through 160 above.

9 170. As alleged above, by engaging in the conduct described above,  
10 defendant SIM has violated Section 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4),  
11 and Rule 206(4)-7 thereunder, 17 C.F.R. § 275.206(4)-7.

12 171. By engaging in the conduct described above, defendants Bronson and  
13 Engebretson knowingly or recklessly provided substantial assistance to, and thereby  
14 aided and abetted SIM in its violations of Section 206(4) of the Advisers Act and  
15 Rule 206(4)-7 thereunder, in violation of Section 209(f) of the Advisers Act, 15  
16 U.S.C. § 80b-9(f). At all relevant times, defendants Bronson and Engebretson acted  
17 knowingly or recklessly in aiding and abetting SIM in this violation.

18 172. By engaging in the conduct described above, Defendants Bronson and  
19 Engebretson aided and abetted, and unless restrained and enjoined will continue to  
20 aid and abet violations of Section 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4),  
21 and Rule 206(4)-7 thereunder, 17 C.F.R. § 275.206(4)-7.

22 **PRAYER FOR RELIEF**

23 WHEREFORE, the SEC respectfully requests that the Court:

24 **I.**

25 Issue findings of fact and conclusions of law that Defendants committed the  
26 alleged violations.

27 **II.**

28 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of

1 Civil Procedure, permanently enjoining Defendants SIM and Bronson, and their  
2 officers, agents, servants, employees and attorneys, and those persons in active  
3 concert or participation with any of them, who receive actual notice of the judgment  
4 by personal service or otherwise, and each of them, from violating 17(a) of the  
5 Securities Act, 15 U.S.C. §77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. §§  
6 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and Sections 206(1) and  
7 (2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

8 **III.**

9 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
10 Civil Procedure, permanently enjoining Defendants SIM and Bronson and their  
11 officers, agents, servants, employees and attorneys, and those persons in active  
12 concert or participation with any of them, who receive actual notice of the judgment  
13 by personal service or otherwise, and each of them, from violating Section 207 of the  
14 Advisers Act, 15 U.S.C. § 80b-7.

15 **IV.**

16 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of  
17 Civil Procedure, permanently enjoining Defendants SIM, Bronson, and Engebretson,  
18 and their officers, agents, servants, employees and attorneys, and those persons in  
19 active concert or participation with any of them, who receive actual notice of the  
20 judgment by personal service or otherwise, and each of them, from violating Section  
21 206(4) of the Advisers Act, 15 U.S.C. § 80b-6(4), and Rule 206(4)-7 thereunder, 17  
22 C.F.R. § 275.206(4)-7.

23 **V.**

24 Order Defendants SIM and Bronson, on a joint-and-several basis, to disgorge  
25 all funds received from their illegal conduct, together with prejudgment interest  
26 thereon.

27 **VI.**

28 Order Defendants to pay civil penalties under Section 20(d) of the Securities

1 Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3),  
2 and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

3 **VII.**

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

8 **VIII.**

9 Grant such other and further relief as this Court may determine to be just and  
10 necessary.

11 Dated: February 20, 2018

12 */s/ Douglas M. Miller*

13 DOUGLAS M. MILLER

14 Attorney for Plaintiff

15 Securities and Exchange Commission  
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# Complaints and Other Initiating Documents

[8:18-cv-00293 Securities and Exchange Commission v. Strong Investment Management et al](#)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

## Notice of Electronic Filing

The following transaction was entered by Miller, Douglas on 2/20/2018 at 11:38 AM PST and filed on 2/20/2018

**Case Name:** Securities and Exchange Commission v. Strong Investment Management et al

**Case Number:** [8:18-cv-00293](#)

**Filer:** Securities and Exchange Commission

**Document Number:** [1](#)

### Docket Text:

**COMPLAINT No Fee Required - US Government, filed by Plaintiff Securities and Exchange Commission. (Attorney Douglas M Miller added to party Securities and Exchange Commission(pty:pla))(Miller, Douglas)**

### 8:18-cv-00293 Notice has been electronically mailed to:

Douglas M Miller millerdou@sec.gov, caseview.ECF@usdoj.gov, irwinma@sec.gov, keatingc@sec.gov, longoa@sec.gov, mitchells@sec.gov, usacac.criminal@usdoj.gov

### 8:18-cv-00293 Notice has been delivered by First Class U. S. Mail or by other means **BY THE FILER** to :

The following document(s) are associated with this transaction:

**Document description:**Main Document

**Original filename:**C:\Users\Mitchells\Desktop\Strong Complaint Final.pdf

**Electronic document Stamp:**

[STAMP cacdStamp\_ID=1020290914 [Date=2/20/2018] [FileNumber=25045138-0] [2f95b73a3442accedde9104ba4f607bf8037f746edf9dd78d753978f78128241eec577db2550f36d6268f229be51b7edc1e1c595ad191d84464c5aa5138904fb]]