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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

-against-

JOSEPH J. D’AMBROSIO,

Defendant.

COMPLAINT

25 Civ. 5884

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (the “Commission”), for its Complaint against Defendant Joseph J. D’Ambrosio (“D’Ambrosio”), alleges as follows:

SUMMARY

1. For many years, Defendant D’Ambrosio orchestrated an investment fraud through Hereford Holdings, L.L.C. (“Hereford”), an entity that he established to invest funds on behalf of family and friends, but which he used instead to misappropriate investor money for his personal use.

2. Starting in January 1998, D’Ambrosio raised millions of dollars for Hereford from approximately 19 investors. By at least 2010, D’Ambrosio was taking money from

Hereford to support his personal lifestyle. All told, D'Ambrosio transferred approximately \$5.5 million of Hereford's money to himself. He concealed his fraud by providing Hereford investors false statements about the performance and value of their investments.

3. By December 2024, D'Ambrosio had drained Hereford of virtually all its money. Consequently, D'Ambrosio could not meet investor redemption requests, and on or about December 23, 2024, he self-reported his violative conduct to the Commission staff and other law enforcement personnel.

VIOLATIONS

4. By virtue of the foregoing conduct and as alleged further herein, D'Ambrosio has violated Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

5. Unless D'Ambrosio is restrained and enjoined, he will engage in the acts, practices, transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

6. The Commission brings this action pursuant to the authority conferred upon it by Advisers Act Sections 209(d) and 209(e) [15 U.S.C. §§ 80b-9(d) and 80b-9(e)].

7. The Commission seeks a final judgment: (a) permanently enjoining D'Ambrosio from violating the federal securities laws and rules that this Complaint alleges that he has violated; (b) ordering D'Ambrosio to disgorge all ill-gotten gains he received as a result of the violations alleged here and to pay prejudgment interest thereon, pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") Sections 21(d)(3), 21(d)(5), and 21(d)(7) [15 U.S.C.

§§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)]; (c) ordering D'Ambrosio to pay civil money penalties pursuant to Advisers Act Section 209(e) [15 U.S.C. § 80b-9(e)]; and (d) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Advisers Act Section 214 [15 U.S.C. § 80b-14].

9. D'Ambrosio, directly and indirectly, has made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

10. Venue lies in this District under Advisers Act Section 214 [15 U.S.C. § 80b-14]. D'Ambrosio may be found in, is an inhabitant of, or transacts business in the Southern District of New York, and certain of the acts, practices, transactions, and courses of business constituting the violations of the federal securities law alleged in this Complaint occurred within this District, including that, at all relevant times, D'Ambrosio resided in this District, and at least one victim resided in this District.

DEFENDANT

11. **Joseph J. D'Ambrosio**, age 66, is a resident of Bronxville, New York. At all relevant times, D'Ambrosio was the managing member of Hereford, while simultaneously serving as the president and managing member of Investment Adviser A, defined below, the investment manager to several hedge funds in which Hereford was a limited partner.

D'Ambrosio is not registered with the Commission. D'Ambrosio became a Chartered Financial Analyst charter holder in 1994.

OTHER RELEVANT INDIVIDUALS AND ENTITIES

12. **Hereford** is a Delaware limited liability company established in November 1997, whose principal place of business was Bronxville, New York. D'Ambrosio established Hereford as a fund for pooling investor monies for investment in securities, and he served as Hereford's managing member at all relevant times. Hereford has never been registered with the Commission.

13. **Investment Adviser A** is a Delaware limited liability company whose principal place of business is New York, New York. In March 2000, D'Ambrosio, along with a partner, founded Investment Adviser A. D'Ambrosio owns the majority of Investment Adviser A. D'Ambrosio was the managing member and president of Investment Adviser A, which served as the investment adviser to the general partner of hedge funds managed by Investment Adviser A: Hedge Fund 1 from 2000-2010; Hedge Fund 2 from 2006-2010; and Hedge Fund 3 from 2011 to the present. Investment Adviser A was an SEC exempt reporting adviser from May 2022 until April 2024; since May 2022, Investment Adviser A has been an exempt reporting adviser with the State of New York.

14. **Hedge Fund 3** is a Delaware limited partnership formed in 2011, whose principal place of business is New York, New York. It is not registered with the Commission. D'Ambrosio was responsible for all investment decisions of Hedge Fund 3. At its peak in 2024, Hedge Fund 3 had about \$22 million in assets under management.

FACTS

I. BACKGROUND

15. D'Ambrosio formed Hereford in 1997 to pool and manage investments from his family and friends.

16. D'Ambrosio, his wife, and his children's trusts initially contributed to Hereford approximately \$750,000.

17. In addition to receiving his immediate family's personal money for Hereford, D'Ambrosio accepted money from friends and other family members, including his wife's parents, his childhood best friend, and his wife's aunt.

18. According to Hereford Holdings' Limited Liability Company Agreement ("Hereford LLC Agreement"), Hereford's mission was "to serve as a fund through which the assets of [Hereford's] Members [would] be utilized to invest, hold and trade in securities and other financial instruments and rights relating thereto, either directly or indirectly."

19. The Hereford LLC Agreement designated D'Ambrosio as Hereford's "managing member" and, thus, authorized D'Ambrosio, on behalf of Hereford, to, among other things, "purchase, hold, sell, sell short and otherwise deal in securities;" "to open, maintain and close bank accounts, borrow money against a pledge of assets and draw checks or other orders for the payment of moneys;" "to open, maintain and close brokerage accounts;" and to "act for [Hereford] in all other matters."

20. At all relevant times, as Hereford's managing member, D'Ambrosio made all investment decisions on behalf of Hereford.

21. None of the powers enumerated in the Hereford LLC Agreement authorized D'Ambrosio to spend Hereford investor money for his personal use.

22. As president and managing member of Investment Adviser A, D'Ambrosio also had sole responsibility for the investment decisions of Investment Adviser A.

II. D'AMBROSIO'S FRAUDULENT SCHEME

A. Hereford Managed Money of D'Ambrosio's Family and Friends

23. Starting in 1998, Hereford raised millions of dollars from approximately 19 investors – all of whom were D'Ambrosio's family members or friends.

24. Hereford did not charge its investors any fees to manage their money.

25. At the time they invested, D'Ambrosio represented to Hereford's investors, both orally and in writing, that he would invest their money in equities.

26. After the formation of Investment Adviser A, Hereford's primary investment was in Investment Adviser A's hedge funds: Hedge Fund 1 (from 2000 to its wind-down in 2010), Hedge Fund 2 (from 2006 to its wind-down in 2010), and Hedge Fund 3 (from 2011 to Hereford's exit in 2023) (collectively, the "Hedge Funds").

27. Investors, or limited partners, in the Hedge Funds included Hereford and other, non-Hereford investors.¹

28. D'Ambrosio sent Hereford investors individualized, semiannual investor letters ("Investor Letters"), which purported to report the value of the individual Hereford investments.

29. By 2011, when D'Ambrosio invested Hereford funds in Hedge Fund 3, Hedge Funds 1 and 2 had been wound down, and their remaining assets had been distributed to their limited partners (including Hereford).

30. Hereford made only one capital contribution to Hedge Fund 3 (in 2011), and it made no additional capital contributions to Hedge Fund 3.

¹ The Commission does not allege in this Complaint that the non-Hereford investors in the Hedge Funds were victims of D'Ambrosio's fraud.

B. D'Ambrosio Used Hereford Investor Money for His Personal Expenses

31. By at least 2010, D'Ambrosio was withdrawing investor money from Hereford to pay his personal expenses, including his mortgage, real estate taxes, and travel. D'Ambrosio generally did so by writing checks from Hereford's bank account to himself and depositing the checks into his personal bank accounts.

32. When Hereford's bank accounts lacked sufficient cash to cover D'Ambrosio's personal expenses, D'Ambrosio liquidated Hereford's equities holdings, including by causing Hereford to request redemptions from the Hedge Funds. After the Hedge Funds wired Hereford its redemption money, D'Ambrosio withdrew it from Hereford's bank account and deposited it into his personal bank accounts.

33. Although Hereford's investors included D'Ambrosio, his wife, and his children, D'Ambrosio did not attribute his cash withdrawals from Hereford to any particular investor and, over time, he withdrew far more cash from Hereford than he and his immediate family had invested in Hereford.

C. D'Ambrosio Made Misrepresentations to Investors about the Values of their Investments in Hereford

34. D'Ambrosio falsely represented to the Hereford investors the value of their holdings, calculating it as if he had not withdrawn their money from the Hedge Funds.

35. For example, in February 2010, D'Ambrosio represented to an investor ("Investor A") that, due to the alleged positive performance of Hedge Funds 1 and 2 in 2009, the value of her interest in Hereford had increased by 21.8%, to \$1,990,286. As D'Ambrosio knew or recklessly disregarded, however, these NAV numbers were false because they included money that D'Ambrosio had misappropriated from Hereford.

36. In May 2016, D'Ambrosio wrote to another investor ("Investor B"), who had just made an additional contribution to her Hereford capital account, "I received your check in yesterday's mail and will put the funds to work. I feel very good about the way it's been going so far this year. My research pipeline is full of good ideas. I will give you the usual mid-year update in a couple of months."

37. Contrary to his May 2016 statement to Investor B, D'Ambrosio did not put Investor B's "funds to work." To the contrary, by May 2016, D'Ambrosio had already withdrawn the vast majority of Hereford's money, and no record exists of Hereford making any investments with Investor B's money.

38. By June 2016, D'Ambrosio had largely dissipated Hereford's assets: Hereford had approximately \$150 in its bank account, approximately \$43,000 invested in Hedge Fund 3, and no other equity investments.

39. After June 2016, D'Ambrosio nonetheless continued to make false representations to investors regarding the value and performance of their investments.

40. For example, on August 2, 2016, D'Ambrosio sent an Investor Letter to Investor A regarding "Hereford Holdings, LLC Mid-Year 2016 Update," which stated that "the value of your interest in Hereford Holdings, LLC was \$2,688,202, representing a -0.9% return for the first six months of the year." That letter further stated, "We had a fairly strong first quarter, followed by weakness in a few positions in May and June, as the market was roiled by worries over the Brexit vote among other concerns. Currently, investment sentiment is generally positive, with the S&P 500 Index rising to all-time highs in July." D'Ambrosio knew or recklessly disregarded that the NAV figure that he reported to Investor A was false because it far exceeded the sum total of Hereford's assets at the time, which amounted to less than \$50,000.

41. After August 2016, D'Ambrosio continued to report fraudulently overstated NAV figures to Hereford's investors by calculating them as if he had fully invested their money in Hedge Fund 3. In fact, D'Ambrosio had not invested Hereford funds in Hedge Fund 3 since 2011 and continued to request from Hedge Fund 3 redemptions on behalf of Hereford.

42. By 2023, D'Ambrosio knew that he could not repay the amount of money that he had misappropriated from Hereford but nonetheless continued to report to Hereford investors NAVs and performance based on the false premise that he had fully invested his investors' funds in the Hedge Funds. Thus, as D'Ambrosio knew or recklessly disregarded, the NAVs he reported to Hereford investors far exceeded Hereford's actual assets.

43. For example, in a July 2023 Investor Letter to Investor A purporting to provide mid-year 2023 results, D'Ambrosio falsely wrote: "As of June 30, 2023, the value of your interest in Hereford Holdings, LLC was \$9,878,208, representing a 9.2% increase since the end of 2022." In fact, the actual value of Hereford's total assets was approximately \$50,000.

44. By December 31, 2023, Hereford's capital account balance at Hedge Fund 3 was zero, Hereford held only \$675 in its bank account, and it held no other investments.

45. On January 25, 2024, D'Ambrosio reported 2023 end-of-year results to Investor A, stating that, "the value of your interest in Hereford Holdings, LLC was \$8,229,202, representing a 9.0% decrease for the full year of 2023." In fact, the actual value of Hereford's total assets was less than \$1,000.

46. In 2023, D'Ambrosio successfully convinced at least one investor ("Investor C") to refrain from redeeming his investment in Hereford.

47. In July 2023, D'Ambrosio sent Investor C a letter stating that the value of his Hereford investment was \$928,907. As D'Ambrosio knew or recklessly disregarded, that \$928,907 figure was false because it far exceeded all of Hereford's money.

48. At the same time, D'Ambrosio falsely advised Investor C that Hedge Fund 3 would perform better in 2024, thus convincing Investor C to refrain from redeeming his Hereford investment in 2023.

49. In fact, at the time he was communicating with Investor C, D'Ambrosio knew or recklessly disregarded that Hereford lacked the money to meet Investor C's redemption request.

50. In 2024, D'Ambrosio continued to misstate to Hereford's investors the value of their holdings.

51. For example, in July 2024, D'Ambrosio sent a mid-year report to Investor C, which claimed that the NAV of Investor C's investment had increased by 7.5% since year-end 2023. In fact, no such increase had occurred because D'Ambrosio had depleted all of Hereford's money.

52. In November 2024, D'Ambrosio sent Investor C a text message stating that the NAV of Investor C's investment was "up about 25% YTD," which was likewise false.

53. Contrary to D'Ambrosio's false statements to Investor C, in November 2024, Hereford's bank account held about \$350, its capital account at Hedge Fund 3 reflected a zero balance, and it held no other investments.

III. D'AMBROSIO'S MISAPPROPRIATION

54. D'Ambrosio transferred a total of approximately \$5.5 million of Hereford money to himself.

55. Beginning in 2011, D'Ambrosio recorded the amounts he had withdrawn from Hereford as a "loan receivable," updating the running tally at the end of each year through 2021, as follows:

Year	Loan Receivable
2011	\$3,480,725
2012	\$4,004,725
2013	\$4,559,943
2014	\$4,883,443
2015	\$5,175,943
2016	\$5,260,943
2017	\$5,294,943
2018	\$5,328,943
2019	\$5,362,943
2020	\$5,396,943
2021 ²	\$5,430,943

56. D'Ambrosio spent the money that he withdrew from Hereford in various unauthorized ways, including to pay his personal expenses.

57. D'Ambrosio thus used Hereford money to pay for, among other things, his mortgage, real estate taxes, food, cars, and travel.

58. Between March 2015 and December 2024, D'Ambrosio misappropriated approximately \$390,000 from the Hereford investors, not including those who were members of his immediate family.

² After 2021, D'Ambrosio stopped recording on a spreadsheet the amounts that he misappropriated from Hereford.

59. In late 2024, Hereford received approximately \$2 million in redemption requests from various of its investors.

60. Hereford lacked sufficient funds to fulfill the late 2024 investor redemption requests because, by that time, D'Ambrosio had misappropriated all Hereford investor money for his personal use.

61. On or about December 23, 2024, D'Ambrosio self-reported his fraudulent scheme to law enforcement personnel, including the Commission staff, and he has since cooperated with the Commission staff in its investigation of his misconduct.

62. On or about December 26, 2024, D'Ambrosio informed Hereford's investors by email that Hereford was unable to "process any redemption or withdrawal request" and was "working collaboratively with relevant authorities."

63. As of December 31, 2024, the only remaining Hereford asset was \$325 in a bank account (which charges a \$25 monthly maintenance fee).

V. TOLLING AGREEMENTS

64. On March 13, 2025, D'Ambrosio entered into a tolling agreement, which tolled the statute of limitations from March 13, 2025 through September 13, 2025. The tolling agreement specified a period of time in which "the running of any statute of limitations application to any action or proceeding against D'Ambrosio authorized, instituted, or brought by or on behalf of the Commission or to which the Commission is a party arising out of the [Commission's investigation of D'Ambrosio's conduct], including any sanctions or relief that may be imposed therein, is tolled and suspended." The tolling agreement further provides that D'Ambrosio and any of his agents or attorneys "shall not include the tolling period in the calculation of the running of any statute of limitations or for any other time-related defense

applicable to any proceeding, including any sanctions or relief that may be imposed therein, in asserting or relying upon any such time-related defense.”

FIRST CLAIM FOR RELIEF
Violations of Advisers Act Sections 206(1) and (2)

65. The Commission re-alleges and incorporates by reference here the allegations in paragraphs 1 through 64.

66. At all relevant times, D’Ambrosio was an investment adviser under Advisers Act Section 202(11) [15 U.S.C. § 80b-2(11)].

67. D’Ambrosio, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, has: (i) knowingly or recklessly employed one or more devices, schemes, or artifices to defraud any client or prospective client, and/or (ii) knowingly, recklessly, or negligently engaged in one or more transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon any client or prospective client.

68. By reason of the foregoing, D’Ambrosio, directly or indirectly, singly or in concert, has violated and, unless enjoined, will again violate Advisers Act Sections 206(1) and (2) [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

SECOND CLAIM FOR RELIEF
Violations of Advisers Act Section 206(4) and Rule 206(4)-8(a) Thereunder

69. The Commission re-alleges and incorporates by reference here the allegations in paragraphs 1 through 64.

70. At all relevant times, D’Ambrosio was an investment adviser, under Advisers Act Section 202(11) [15 U.S.C. § 80b-2(11)], to a pooled investment vehicle, as defined in Rule 206(4)-8(b) [17 C.F.R. § 275.206(4)-8(b)].

71. D'Ambrosio knowingly, recklessly, or negligently (i) made one or more untrue statements of a material fact or omitted to state one or more material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle, and/or (ii) engaged in one or more acts, practices, or courses of business that were fraudulent, deceptive, or manipulative, with respect to any investor or prospective investor in the pooled investment vehicle.

72. By reason of the foregoing, D'Ambrosio, directly or indirectly, singly or in concert, has violated and, unless enjoined, will again violate Advisers Act Section 206(4) [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8(a)(2) thereunder [17 C.F.R. § 275.206(4)-8(a)(2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining D'Ambrosio and his agents, servants, employees, and attorneys and all persons in active concert or participation with any of them from violating, directly or indirectly, Advisers Act Sections 206(1), 206(2), and 206(4) [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8];

II.

Ordering D'Ambrosio to disgorge all ill-gotten gains that he received directly or indirectly, with pre-judgment interest thereon, as a result of the alleged violations, pursuant to Exchange Act Sections 21(d)(3), 21(d)(5), and 21(d)(7) [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)];

III.

Ordering D'Ambrosio to pay civil monetary penalties under Advisers Act Section 209(e) [15 U.S.C. §§ 80b-9(e) [15 U.S.C. § 77t(e)]; and

IV.

Granting any other and further relief this Court may deem just and proper.

JURY DEMAND

The Commission demands a trial by jury.

Dated: New York, New York
July 17, 2025

/s/ Ben Kuruvilla
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