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17 **UNITED STATES DISTRICT COURT**
18 **CENTRAL DISTRICT OF CALIFORNIA**

19 SECURITIES AND EXCHANGE
20 COMMISSION,

21 Plaintiff,

22 vs.

23 KEVIN N. RICHARDS,

24 Defendant.

Case No. 8:25-cv-02057

COMPLAINT

JURY TRIAL DEMAND

1 Plaintiff Securities and Exchange Commission (“Commission” or “SEC”),
2 for its Complaint against Kevin N. Richards (“Richards” or “Defendant”) alleges
3 as follows:

4 **JURISDICTION AND VENUE**

5 1. The Commission brings this action pursuant to the authority conferred
6 upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d)
7 of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209(d) of the Advisers Act
8 [15 U.S.C. § 80b-9(d)].

9 2. This Court has jurisdiction over this action pursuant to Sections 20(d)
10 and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)], Sections 21(d)
11 and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa], and Sections 209(d),
12 209(e), and 214(a) of the Advisers Act [15 U.S.C. §§ 80b-9(d), 80b-9(e), and 80b-
13 14(a)].

14 3. Defendant, directly or indirectly, has made use of the means or
15 instruments of transportation or communication in interstate commerce, or of a
16 means or instrumentality of interstate commerce, or of the mails, in connection
17 with the transactions, acts, practices, and courses of business alleged in this
18 Complaint. Among other things, Defendant engaged in interstate emails and
19 telephone calls with clients and Resolute personnel.

20 4. Venue lies in this District pursuant to Section 22(a) of the Securities
21 Act [15 U.S.C. § 77v (a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa
22 (a)] because Defendant transacted business here, including certain of the acts
23 complained of in this Complaint, and because Defendant resided and maintained a
24 principal place of business in Laguna Niguel, California during the Relevant
25 Period.

26 5. Defendant and the Commission executed tolling agreements that
27 tolled the running of any applicable statute of limitation from September 23, 2024
28 to June 21, 2025. The Defendant’s securities law violations during the Relevant

1 Period are within the five-year statute of limitations for certain relief as set forth in
2 28 U.S.C. § 2462.

3 SUMMARY

4 6. From at least 2020 through 2021 (the “Relevant Period”), Richards, a
5 California-based insurance agent, working through his entities KNR Wealth
6 Management, Inc. (“KNR Wealth Management”) and KNR Consulting Group,
7 Inc. (“KNR Consulting”), marketed and sold approximately \$12 million of
8 investments in risky, oil and gas securities (the “Oil and Gas Securities”) to
9 approximately 25 retail investors. The Oil and Gas Securities were sold in a series
10 of unregistered securities offerings sponsored by Resolute Capital Partners, LLC
11 (“Resolute”) and Homebound Resources, LLC (“Homebound”). Resolute paid
12 transaction-based compensation to Richards through an intermediary company,
13 Beacon Global Group, Inc. (“Beacon Global”).

14 7. Richards targeted his existing base of insurance clients to purchase
15 Oil and Gas Securities. Richards also used email solicitations, print
16 advertisements, networking events, seminars, local news interviews, and a talk
17 radio show to promote oil and gas investing. When contacted by prospective
18 investors, Richards often recommended that they invest in the Oil and Gas
19 Securities.

20 8. Many of the individuals to whom Richards sold the Oil and Gas
21 Securities lost their money. The sponsoring entities failed to make interest
22 payments and return principal to debt investors when notes came due and made
23 only *de minimis* distributions to equity investors.

24 9. Richards received \$618,794 in transaction-based compensation from
25 Resolute for sales of Oil and Gas Securities during the Relevant Period.

26 10. During the Relevant Period, Richards acted as an investment adviser
27 and would advise clients to invest in the Oil and Gas Securities. He advised clients
28 to invest in the Oil and Gas Securities. Richards received advisory fees based on

1 assets under management in exchange for providing investment advice via his
2 entity KNR Wealth Management. Richards did not disclose to his advisory clients
3 the additional transaction-based compensation he received for selling the Oil and
4 Gas securities, which breached his fiduciary duty to his advisory clients.

5 11. Richards violated the federal securities laws by: (i) actively
6 participating in the offer and sale of the Oil and Gas Securities in securities
7 offerings that were not registered with the Commission or exempt from
8 registration; (ii) acting as a broker in the offer and sale of the Oil and Gas
9 Securities while failing to be registered with the Commission as, or associate with,
10 a registered broker-dealer; and (iii) failing to disclose to advisory clients his
11 financial conflict of interest in connection with the sale of the Oil and Gas
12 securities.

13 12. Richards participated in unregistered offerings at key points in the
14 chain of distribution of the Oil and Gas Securities, including by actively soliciting
15 purchases from investors in this District and elsewhere in the United States. The
16 Oil and Gas Securities offerings were not registered with the Commission or
17 exempt from registration.

18 13. Richards acted as an unregistered broker and engaged in the business
19 of effecting transactions in securities for others. Defendant actively solicited his
20 clients to purchase the Oil and Gas Securities and received transaction-based
21 compensation in return.

22 14. Richards also failed to disclose financial conflicts of interest while
23 acting as an investment adviser. He recommended the Oil and Gas Securities to
24 advisory clients, while failing to disclose to those clients the financial
25 compensation he received from the sale of the securities.

26 **VIOLATIONS AND RELIEF SOUGHT**

27 15. As a result of conduct alleged in this Complaint, Defendant violated
28 Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C.

1 §§ 77e(a) and (c)], Section 15(a) of the Securities Exchange Act of 1934
2 (“Exchange Act”) [15 U.S.C. § 78o(a)], and Section 206(2) of the Investment
3 Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. § 80b-6(2)].

4 16. The Commission seeks a judgment from this Court:

- 5 (a) permanently restraining and enjoining Defendant from future
6 violations of Sections 5 of the Securities Act [15 U.S.C. §§
7 77e] and Section 15(a) of the Exchange Act [15 U.S.C. §
8 78o(a)];
- 9 (b) permanently restraining and enjoining Defendant from
10 violating, while acting as an investment adviser, Section 206(2)
11 of the Advisers Act [15 U.S.C. § 80b-6(2)] by using the mails
12 or any means or instrumentality of interstate commerce,
13 directly or indirectly, to engage in any transaction, practice, or
14 course of business which operates as a fraud or deceit upon any
15 client or prospective client by, directly or indirectly, (i) creating
16 a false appearance or otherwise deceiving any client or
17 prospective client, or (ii) disseminating false or misleading
18 documents, materials, or information or making, either orally
19 or in writing, any false or misleading statement in any
20 communication with any client or prospective client, about the
21 use of client funds or compensation to any person, including
22 any associated conflicts of interest;
- 23 (c) permanently restraining and enjoining Defendant from, directly
24 or indirectly, including but not limited to through any entity he
25 owns or controls, participating in the issuance, purchase, offer,
26 or sale of any security; provided, however, that such injunction
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1 shall not prevent Defendant Richards from purchasing or
2 selling securities for his own personal account;

3 (d) restraining and enjoining Defendant for five years from,
4 directly or indirectly, acting as or being associated with any
5 broker, dealer, or investment adviser; for purposes of this
6 paragraph: (a) a person is associated with a broker or dealer if
7 such person is a partner, officer, director, or branch manager of
8 such broker or dealer (or occupies a similar status or performs
9 similar functions), directly or indirectly controls, is controlled
10 by, or is under common control with such broker or dealer, or
11 is an employee of such broker or dealer; and (b) a person is
12 associated with an investment adviser if such person is a
13 partner, officer, or director of such investment adviser (or
14 performs similar functions), or directly or indirectly controls or
15 is controlled by such investment adviser, including any
16 employee of such investment adviser;

17 (e) ordering Defendant to disgorge his ill-gotten gains, together
18 with prejudgment interest thereon pursuant to Section 21(d)(3),
19 (d)(5), (d)(7) of the Exchange Act [15 U.S.C. § 78u(d)(3), (5),
20 and (7)]; and

21 (f) ordering Defendant to pay civil money penalties pursuant to
22 Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)],
23 Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and
24 Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

25 **DEFENDANT**

26 17. **Kevin Neal Richards, age 53**, resides in Clearwater, Florida.

27 Richards is a licensed insurance agent in California. During the Relevant Period,
28 Richards lived and conducted business in Laguna Niguel, California. Richards is

1 not registered with the Commission as a securities broker, but was previously
2 associated with various registered brokers prior to the Relevant Period. During the
3 Relevant Period, Richards was an investment adviser representative, and was
4 associated with KNR Wealth Management, Inc., an investment adviser registered
5 in Florida, California, and Texas.

6 **OTHER RELEVANT PERSONS AND ENTITIES**

7 18. **KNR Consulting Group, Inc.** was a California company located in
8 Laguna Niguel, California. Richards was the sole owner and operator. The
9 company is defunct.

10 19. **KNR Wealth Management, Inc.** was a California company located
11 in Laguna Niguel, California. The company was registered in California, Florida
12 and Texas as an investment adviser until the status was terminated in 2024. The
13 company is defunct.

14 20. **Beacon Global Group, Inc.** is a Georgia company located in
15 Marietta, Georgia. Beacon Global purports to offer consultancy services to
16 businesses.

17 21. **Resolute Capital Partners LTD, LLC** is a Nevada company with
18 offices in Texas, California and Minnesota. Resolute created numerous oil and gas
19 debt and equity investment vehicles using oil and gas wells identified by
20 Homebound and its affiliates.

21 22. **Homebound Resources, LLC** is a Texas company located in Irving,
22 Texas. Homebound acted as a project sponsor for Resolute's offerings and was
23 responsible for identifying and purchasing the oil and gas wells in which the
24 Resolute investment vehicles owned working interests.

25 23. **Thomas Joseph Powell ("Powell")**, age 53, is a resident of Reno,
26 Nevada. Powell was the owner of Resolute and other related entities, and served as
27 the Senior Managing Partner of Resolute during the Relevant Period.
28

1 24. **Stefan Tiberiu Toth (“Toth”)**, age 48, is a resident of Frisco, Texas.
2 Toth is the founder, co-owner, Chairman and Chief Executive Officer of
3 Homebound Financial Group, LP, and also operated and controlled its
4 subsidiaries, including Homebound, during the Relevant Period.

5 25. A 2021 Commission Order found that Homebound, Resolute, Powell,
6 and Toth violated registration and anti-fraud provisions of the federal securities
7 laws. *See In the Matter of Resolute Capital Partners, Ltd, LLC, et al.*, AP File No.
8 3-20597 (Sept. 24, 2021) (the “Commission Order”). In particular, the
9 Commission Order found that Homebound, Resolute, Powell, and Toth sold the
10 Oil and Gas Securities in unregistered offerings that were not exempt from
11 registration. It also found that their offering disclosures were inadequate and that
12 they made materially misleading statements in marketing the Oil and Gas
13 Securities. The misleading statements included insufficiently supported oil
14 production projections, assertions about potential tax benefits that were
15 unavailable to certain investors, and incomplete disclosures about potential uses of
16 investor funds, including the amount of funds that would be used for payments to
17 prior debt and equity investors.

18 26. Each of Homebound, Resolute, Powell, and Toth reached a settlement
19 with the Commission, neither admitting nor denying the Commission’s findings.
20 The Commission Order found that Homebound, Resolute, Powell, and Toth
21 violated Sections 5(a) and (c) and 17(a)(2) and (3) of the Securities Act, and found
22 that Powell and Toth additionally violated Section 15(a) of the Exchange Act.

23 **FACTS**

24 **I. The Unregistered Offerings of the Oil and Gas Securities**

25 27. The Oil and Gas Securities offered and sold by Resolute and
26 Homebound included both equity securities and debt securities. The securities
27 were offered and sold throughout the Relevant Period.
28

1 28. The equity securities were membership interests in pooled investment
2 vehicles that purchased a percentage interest in a set of oil and gas wells identified
3 and purchased by Homebound including, for example, an offering titled Strategic
4 Energy Assets VIII. The offering materials for these equity securities stated that
5 investors could expect monetary distributions from revenue earned by the wells'
6 oil or gas production and revenue from any subsequent sale of the wells.

7 29. The debt securities were promissory notes issued by subsidiaries of
8 Homebound including, for example, offerings titled Choice Energy Holdings III
9 and PRMH Lenders Fund IV. The offering materials for these debt securities stated
10 that the proceeds would be used by a subsidiary of Homebound to acquire oil and
11 gas leases, among other things. The offering materials promised fixed interest
12 payments ranging between 8% to 12% and the return of capital upon expiration of
13 the notes.

14 30. The Oil and Gas Securities were "Securities" within the meaning of
15 Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act.
16 The equity securities involved investors paying money to purchase membership
17 interests, a common enterprise, and a reasonable expectation of profits based on
18 the efforts of third parties who identified, acquired and drilled the wells. The
19 promissory notes were "notes" as included in the definition of "security" set forth
20 in Section 2(a)(1) of the Securities Act.

21 31. The offerings of Oil and Gas Securities were required to be registered
22 with the Commission under Sections 5(a) and (c) of the Securities Act or
23 otherwise qualify for an exemption from registration. During the Relevant Period,
24 no registration statement was filed or in effect for any offering of Oil and Gas
25 Securities and no exemption from registration applied to these securities offerings.
26
27
28

1 **II. Richards Contracted with Beacon Global to be a “Referral Agent” for**
2 **Resolute**

3 32. On October 12, 2018, Beacon Global entered into a “Master Services
4 Agreement” with Resolute. The agreement obligated Beacon Global to provide
5 “support and compliance services” to Resolute. This included Beacon Global
6 contracting with “Referral Agents” who would “refer” investors to Resolute for
7 potential investment in the Oil and Gas Securities. Beacon Global was also
8 required to provide “payment services” to Resolute by receiving a monthly ACH
9 transfer from Resolute and using the funds to compensate the “Referral Agents.”
10 The agreement stated that Beacon Global was to receive compensation, on a
11 monthly basis, of the greater of (a) \$20,000 or (b) 0.4% of monies brought in by
12 the “Referral Agents.” The agreement also provided for reimbursement of Beacon
13 Global’s expenses.

14 33. On October 24, 2018, Richards entered into an agreement with
15 Beacon Global to act as a “Referral Agent” (or “Referral Contractor,” as the
16 agreement states) for Resolute. The “Referral Contractor Agreement” provided
17 Beacon Global would compensate Richards for “referring” investors to Resolute
18 for investment in the Oil and Gas Securities. It specified that Richards would be
19 paid both a monthly fee and additional transaction-based compensation for his
20 efforts. On October 21, 2020, Richards entered into a new “Referral Contractor
21 Agreement,” which updated the terms of Richards’s compensation, but similarly
22 provided that Beacon Global would compensate Richards for his “referral” of
23 investors to Resolute.

24 34. The agreements prohibited Richards, as a “Referral Contractor,” from
25 engaging in certain activities. Among other things, Richards was not permitted to:

- 26 a. “Provide to prospective investors or lenders (‘Prospects’) any
27 offering documents related to investment opportunities”;
28 b. “Sell any securities or engage in any sales efforts”;

- c. “‘Pre-sell’ securities offered by [Resolute] in order to gauge a Prospect’s interest in an investment”;
- d. “Solicit any Prospect for investment”;
- e. “Make any recommendation with respect to a potential investment”;
- f. “Give any advice or express any opinion with respect to a potential investment, or its advantages or disadvantages”;
- g. “Conduct any suitability analysis, conduct any due diligence, provide any valuation services, or provide any analysis of a potential investment”;
- h. “Do any advertising or mass marketing”;
- i. “Modify existing or create new educational materials”; and
- j. “Compensate another person, entity, or other third party based on a referral’s investment into any product.”

As described below, Richards engaged in sales activities despite the foregoing prohibitions in the agreements.

III. Richards’s Sales Activity Relating to the Oil and Gas Securities

35. Although the “Referral Contractor Agreements” purported to limit his services to finding and referring potential investors to Resolute, Defendant in fact participated in the offer and sale of the Oil and Gas Securities to investors.

36. Defendant sought prospective investors through general solicitation in a variety of ways. Richards promoted oil and gas investing at networking events, seminars, local news interviews, and on a radio show; used advertising spots in Forbes and other media, and email solicitations to reach a large audience and solicit additional investors. Richards told prospective investors that if they were interested in oil and gas investing, they should contact him directly for additional information.

1 37. When prospective investors reached out to Richards, they were
2 invited to meet with him. There, prospective investors were given questionnaires
3 to assess their wealth and risk tolerance.

4 38. Richards described the Oil and Gas Securities in detail to his clients.
5 He provided investors with marketing and offering documents for the securities,
6 which he then reviewed with them, and discussed with clients the features and
7 risks of the investments.

8 39. Richards filled out investment documents on behalf of investors and
9 would have them sign.

10 40. Richards made presentations to prospective investors using charts
11 with projections, and told investors that the Oil and Gas Securities were low risk,
12 high return investments. Richards told investors that there were many layers of
13 professionals overseeing the investments which ensured that the investments were
14 sound. Richards advised investors on the purported tax benefits of investing in the
15 Oil and Gas Securities.

16 41. Richards told investors that Thomas Powell was the largest investor
17 in the Oil and Gas Securities, reiterating a false statement made by Powell at
18 investment seminars.

19 42. As to certain investors, Richards also was an investment adviser
20 through his defunct entity, KNR Wealth Management, and advised investors to
21 invest in the Oil and Gas Securities. Richards, through KNR Wealth Management,
22 received fees from these advisory clients for providing investment advice and
23 managing the clients' investments. Richards did not disclose to these clients who
24 purchased the Oil and Gas Securities the financial compensation he received from
25 Resolute/Beacon, which was a breach of fiduciary duty to his advisory clients. The
26 failure to disclose this compensation was material. Following his recommendation,
27 certain of Richards's clients purchased the Oil and Gas Securities.
28

1 43. Richards affirmatively made misrepresentations about his
2 compensation. For example, in or around March 2020, an advisory client, Investor
3 A, repeatedly questioned Richards regarding how he was compensated for selling
4 the Oil and Gas Securities. Richards told Investor A that he (Richards) received a
5 discount when buying Oil and Gas Securities for himself. Richards did not tell
6 Investor A that he received transaction-based compensation for his clients'
7 investments in the Oil and Gas Securities. Richards also incorrectly told this same
8 investor that the Oil and Gas securities was insured and that there was no risk. In
9 this and the example described directly below, Richards relayed information to
10 investors that he received from Resolute which turned out to be false or
11 misleading. Investor A ultimately lost \$250,000 from his investments in Resolute.

12 44. In or around April 2020, Richards incorrectly told other advisory
13 clients, Investors B and C, a married couple, that their principal was "guaranteed"
14 because it was secured by Resolute's real estate assets. In fact, Resolute's
15 liabilities vastly exceeded its assets.

16 45. Investor D, another advisory client of Richards, received investment
17 advice and, based on Richards's recommendation, invested \$250,000 in the Oil
18 and Gas Securities in February 2020. Again, Richards did not disclose his
19 transaction-based compensation to Investor D. Investor D received three months
20 of interest payments before payments stopped, and lost the vast majority of her
21 principal.

22 46. Through Richards, investors purchased investments in multiple of the
23 Oil and Gas Securities offerings, including offerings titled Strategic Energy Assets
24 VIII, Choice Energy Holdings III, and PRMH Lenders Fund IV.

25 47. Richards's contribution to the distribution of the Oil and Gas
26 Securities was not *de minimis*. To the contrary, he generated approximately \$12
27 million of sales for Resolute during the Relevant Period.
28

1 **IV. Richards's Compensation**

2 48. During the Relevant Period, Richards sold approximately \$12 million
3 of the Oil and Gas Securities to retail investors, and received from Resolute,
4 through Beacon Global, \$618,794 in transaction-based compensation. This
5 compensation was purportedly calculated based on the two "Referral Contractor
6 Agreements" between Richards and Beacon Global.

7 49. The first agreement, the October 2018 "Referral Contractor
8 Agreement" between Richards and Beacon Global, provided that Richards would
9 receive a monthly contractor fee of \$29,151.57, as well as a referral fee of \$2,309
10 for every investor Richards placed with Resolute. The agreement also provided
11 that Richards's compensation could increase pursuant to bi-weekly "quality
12 assessments" of Richards's "referrals" and certain "referral fee multipliers." The
13 "quality assessments" allowed Beacon Global and Resolute to adjust Richards's
14 compensation based on how much investment money he was bringing into
15 Resolute. The "referral fee multipliers" provided for additional compensation to
16 Richards for longer term debt securities that he sold. For example, Richards was
17 compensated more for selling a two-year note than a one-year note.

18 50. The second agreement, the July 2020 "Referral Contractor
19 Agreement," provided for tier-based "referral" fees, with "Directors Club" being
20 the highest paid tier. The agreement also had "quality assessment" provisions and
21 provided that "[a]dditional Marketing Fees may be provided at the sole discretion
22 of the parties." Under both agreements, Resolute, through Beacon Global, paid to
23 Richards transaction-based compensation based on the dollar amount of
24 investments and type of securities Richards sold. The tier designations provided
25 for higher compensation to Richards based on the aggregate amount of money
26 Richard's clients invested in the Oil and Gas Securities.

27 51. Richards was paid for performance and monies invested—
28 transaction-based compensation—through the use of salesperson "tiers," "referral

1 fee multipliers” and “quality assessments.” Richards received \$368,293.69 in
2 transaction-based compensation in 2020, and \$250,500 in 2021.

3 4 **CLAIMS FOR RELIEF**

5 **Count I**

6 **(Violations of Sections 5(a) and 5(c) of the Securities Act)**

7 52. The Commission re-alleges and incorporates by reference the
8 allegations in paragraphs 1 through 52, inclusive, as if they were fully set forth
9 herein.

10 53. As detailed above, Richards, by engaging in the securities offerings
11 alleged in this Complaint directly or indirectly:

- 12 (a) made use of the means or instruments of transportation or
13 communications in interstate commerce or of the mails to sell
14 securities through the use or medium of any prospectus or
15 otherwise, without a registration statement in effect as to such
16 securities;
- 17 (b) carried or caused to be carried through the mails or in interstate
18 commerce, by any means or instruments of transportation,
19 securities for the purpose of sale or for delivery after sale,
20 without a registration statement in effect as to such securities;
21 and
- 22 (c) made use of the means or instruments of transportation or
23 communication in interstate commerce or of the mails to offer
24 to sell through the use or medium of a prospectus or otherwise,
25 securities as to which no registration statement had been filed.

26 54. There were no applicable exemptions from registration for the
27 offerings Richards engaged in as described herein.
28

55. By reason of the foregoing, Defendant violated, and, unless enjoined, is reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and 77e(c).

Count II

(Violations of Section 15(a) of the Exchange Act)

56. The Commission re-alleges and incorporates by reference the allegations in paragraphs 1 through 52 inclusive, as if they were fully set forth herein.

57. As detailed above, Defendant, directly or indirectly, by the use of the mails or the means or instrumentalities of interstate commerce, while acting as a broker or dealer, effected transactions in the purchase or sale of securities, while Richards was not registered with the Commission as a broker or dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

58. By engaging in the conduct described above, Defendant violated, and unless restrained and enjoined, is reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

Count III

(Violations of Section 206(2) of the Advisers Act)

59. The Commission re-alleges and incorporates by reference the allegations in paragraphs 1 through 52 inclusive, as if they were fully set forth herein.

60. By engaging in the acts and conduct alleged in this Complaint, Defendant acted as an investment adviser to his clients within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11), because, for compensation, he engaged in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.

1 61. As detailed above, defendant, directly or indirectly, by use of the
2 mails or means or instrumentalities of interstate commerce, while acting as
3 investment advisers, engaged in transactions, practices, or courses of business
4 which operated as a fraud or deceit upon any client or prospective client, with at
5 least negligence.

6 62. As an investment adviser, Defendant owed his clients a fiduciary duty
7 of utmost good faith, undivided loyalty, and care to make full disclosure to them of
8 all material facts, as well as the duty to act in their best interests, and not to act in
9 his own interests to the detriment of his clients.

10 63. Defendant breached his fiduciary duty to clients and engaged in
11 fraudulent conduct by not disclosing conflicts of interest to his clients.

12 64. By reason of the foregoing, Defendant violated, and unless enjoined
13 is reasonably likely to continue to violate, Section 206(2) of the Advisers Act, 15
14 U.S.C. § 80b-6(2).

15 **PRAYER FOR RELIEF**

16 WHEREFORE, the Commission respectfully requests that the Court enter
17 a judgment:

18 (A) Permanently restraining and enjoining Defendant from, directly or
19 indirectly, violating Section 5 of the Securities Act [15 U.S.C. § 77e]; and Section
20 15(a) of the Exchange Act [15 U.S.C. § 78(o)];

21 (B) Permanently restraining and enjoining Defendant from violating,
22 while acting as an investment adviser, Section 206(2) of the Advisers Act [15
23 U.S.C. § 80b-6(2)] by using the mails or any means or instrumentality of interstate
24 commerce, directly or indirectly, to engage in any transaction, practice, or course
25 of business which operates as a fraud or deceit upon any client or prospective
26 client by, directly or indirectly, (i) creating a false appearance or otherwise
27 deceiving any client or prospective client, or (ii) disseminating false or misleading
28 documents, materials, or information or making, either orally or in writing, any

1 false or misleading statement in any communication with any client or prospective
2 client, about the use of client funds or compensation to any person, including any
3 associated conflicts of interest;

4 (C) Permanently restraining and enjoining Defendant from, directly or
5 indirectly, including but not limited to through any entity he owns or controls:

6 participating in the issuance, purchase, offer, or sale of any security;
7 provided, however, that such injunction shall not prevent him from
8 purchasing or selling securities for his own personal account;

9 (D) Restraining and enjoining Defendant for five years from, directly or
10 indirectly, acting as or being associated with any broker, dealer, or investment
11 adviser; for purposes of this paragraph: (a) a person is associated with a broker or
12 dealer if such person is a partner, officer, director, or branch manager of such
13 broker or dealer (or occupies a similar status or performs similar functions),
14 directly or indirectly controls, is controlled by, or is under common control with
15 such broker or dealer, or is an employee of such broker or dealer; and (b) a person
16 is associated with an investment adviser if such person is a partner, officer, or
17 director of such investment adviser (or performs similar functions), or directly or
18 indirectly controls or is controlled by such investment adviser, including any
19 employee of such investment adviser;

20 (E) Ordering Defendant to disgorge all funds received from his illegal
21 conduct, together with prejudgment interest thereon, pursuant to Section 21(d)(3),
22 (d)(5), (d)(7) of the Exchange Act [15 U.S.C. § 78u(d)(3), (5), and (7)];

23 (F) Ordering Defendant to pay a civil penalty pursuant to Section 20(d) of
24 the Securities Act [15 U.S.C. § 77t(d)], Section 21(d) of the Exchange Act
25 [15 U.S.C. § 78u(d)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-
26 9(e)]; and
27
28

1 (G) Granting such other and further relief as this Court may deem just,
2 equitable, or necessary in connection with the enforcement of the federal
3 securities laws and for the protection of investors.

4
5 Date: September 11, 2025

6 Respectfully submitted,
7 /s/ Ruth C. Pinkel
8 Local Counsel
9 Securities and Exchange Commission
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11 Los Angeles, CA 90071
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