

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83816 / August 9, 2018

INVESTMENT ADVISERS ACT OF 1940
Release No. 4981 / August 9, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33198 / August 9, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18634

In the Matter of

RAMNIK S. AULAKH,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 15(b)(6) OF THE SECURITIES EXCHANGE ACT OF 1934, SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, AND SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”), Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”), and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Ramnik S. Aulakh (“Respondent” or “Aulakh”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these

proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Section 9(b) of the Investment Company Act of 1940, and Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

1. From February 2009 through at least February 2013 (the “relevant period”), Jade Private Wealth Management, LLC (“Jade”) and its principal and majority owner (“Jade Principal”) failed to disclose conflicts of interest to their investment advisory clients. Aulakh, Jade’s chief operating officer, aided and abetted and caused their failure to disclose such conflicts. Specifically, Aulakh assisted Jade Principal in recommending that Jade’s advisory clients purchase approximately \$20 million in promissory notes (the “STI Notes”) issued by Success Trade, Inc. (“STI”).² In late 2012 and early 2013, Aulakh further assisted Jade Principal in recommending that Jade clients holding the STI Notes roll over, extend, or convert them into STI equity. During the four-year period in which Aulakh and Jade Principal advised Jade’s clients to invest in the STI Notes, Aulakh and Jade Principal omitted to disclose that Jade and Jade Principal were receiving payments from STI totaling more than \$1.2 million. By April 2013, STI ceased making any payments of principal or interest on the STI Notes, and Jade’s clients who had invested in the notes incurred losses of approximately \$12 million.

Facts

A. Respondent

2. Respondent Ramnik S. Aulakh (“Aulakh”), age 35, resides in Laurel, Maryland. Aulakh was associated with Jade from June 2008 to April 2013 and served as its chief operating officer. From March 2009 until at least April 2013, Aulakh was an associated person of registered broker-dealer Success Trade Securities, Inc., a subsidiary of STI, and the entity that sold the STI Notes. At various times, Aulakh held Series 7 and Series 66 securities licenses. On October 22,

¹ The findings herein are made pursuant to the Respondent’s Offer and are not binding on any other person or entity in this or any other proceeding.

² STI, its subsidiary Success Trade Securities, Inc. (“STS”), and Fuad Ahmed (“Ahmed”), president and chief executive officer of STI and STS, were the subjects of prior Commission proceedings: In the Matter of Success Trade Securities, Inc., et al., Sec. Act Rel. No. 9891, AP File No. 3-16755 (Aug. 14, 2015) (<https://www.sec.gov/litigation/admin/2015/33-9891.pdf>); Initial Decision Release No. 1005, AP File No. 3-16755 (Apr. 28, 2016) (<https://www.sec.gov/alj/aljdec/2016/id1005jsp.pdf>).

2013, FINRA permanently barred Aulakh from association with any FINRA member for failing to appear and testify pursuant to FINRA Rules 2010 and 8210.

B. Other Relevant Entities and Individuals

3. Jade Private Wealth Management, LLC (“Jade”), during the relevant period, was a Maryland corporation operating as an investment adviser. Its principal place of business was in McLean, Virginia. Now defunct, Jade at times was licensed in as many as 11 states and the District of Columbia. Jade provided concierge-style investment advisory and financial management services, and sold insurance products, primarily to professional athletes. From April 2009 until at least April 2013, Jade’s employees, including Aulakh and Jade Principal, were associated with STS as registered representatives, and operated out of STS’s McLean branch office. At no point in time was Jade registered with the Commission.

4. Jade Principal was Jade’s founder, chief executive officer, and majority owner. From April 2009 until at least April 2013, Jade Principal was a registered representative associated with STS. On November 15, 2013, FINRA permanently barred Jade Principal from association with any FINRA member for failing to appear and testify pursuant to FINRA Rules 2010 and 8210.

5. Success Trade, Inc. (“STI”), during the relevant period, was a corporation organized, and with its principal place of business, in Washington, DC. STI was the parent company of STS, a registered broker-dealer and FINRA member. STI, under the sole control of Ahmed, issued the securities that are the subject of this Order, and whose purchase Jade Principal and Aulakh recommended to Jade’s advisory clients.

6. Success Trade Securities, Inc. (“STS”), during the relevant period, was a corporation organized, and with its principal place of business, in Washington, DC. From 1999 until October 2015, STS was registered as a broker-dealer with the Commission. STS offered and sold the STI Notes, and provided brokerage services to all of Jade’s advisory clients.

7. Fuad Ahmed (“Ahmed”), age 51, during the relevant period, resided in Washington, DC. Ahmed founded STI and STS, and served as the president, chief executive officer, sole officer and director, and largest shareholder of both entities.

C. Jade’s Founding, Clientele, and Services

8. Jade Principal founded Jade in 2008 with the aim of providing investment advisory and financial management services to professional athletes. Jade’s clientele consisted primarily of young professional football and basketball players, who, in some cases, were just starting their careers, had little income history, were financially unsophisticated, and did not qualify as accredited investors.

9. Jade supplied its clients with a host of concierge-style services including investment advice, buying and selling securities through STS, budgeting, arranging for bill paying services, car services, travel arrangements, insurance policies, and real estate relocation. In its March 2013

Form ADV, Jade reported that, as of December 31, 2012, it had between 26 and 100 clients and slightly more than \$62 million in assets under management.

10. Jade Principal took the lead in soliciting, and making investment recommendations to, clients, and supervised Jade's personnel, including Aulakh. As chief operating officer, Aulakh assisted Jade Principal in providing investment advice to Jade's clients, supplied them with information concerning proposed investments, and helped certain clients fill out investment-related paperwork. Aulakh was also responsible for many of Jade's day-to-day operations and, in addition, monitored Jade's budget, payroll, revenues, and expenditures.

D. Jade and Jade Principal Acquired Financing from Ahmed and STI, and Entered into a Brokerage Arrangement with STS

11. In spring 2009, Jade and Jade Principal were suffering from financial difficulties. Jade did not acquire its first client until early spring 2009, about a year after Jade Principal founded the firm. A start-up business with limited revenue, Jade could not afford to meet its payroll and pay its vendors without assistance.

12. Jade Principal's personal finances were similarly precarious. In spring 2009, he was personally liable for a loan from a former employer. Although Jade Principal eventually entered into a settlement agreement reducing the amount owed, he still lacked the funds to make his payments. Jade Principal also required additional capital to grow Jade's business.

13. In search of financing, Jade Principal entered into discussions with Ahmed, an acquaintance and former co-worker. In March 2009, after Jade Principal and Ahmed agreed to establish a brokerage relationship between Jade and STS, Ahmed, through STI, began making payments to Jade and Jade Principal. Jade Principal used the payments to cover Jade's business and some of his own personal expenses. On March 30, 2009, Aulakh became a registered representative of STS and, shortly thereafter other Jade personnel, including Jade Principal, followed suit.

14. As Jade's chief operating officer, Aulakh had actual knowledge of Jade's financial difficulties, the payments Jade and Jade Principal received from STI, and Jade Principal's use of those payments for Jade's business and some of Jade Principal's personal expenses.

E. Aulakh Assisted Jade and Jade Principal in Advising Jade's Clients to Invest in the STI Notes and, Subsequently, to Roll Over, Extend, or Convert the Notes into STI Equity

15. In February 2009, STI had significant debt and began issuing notes to raise much-needed capital. In early spring 2009, Jade Principal and Aulakh began recommending the STI Notes to Jade's advisory clients. Although Jade Principal advised Jade's clients to place approximately 15% to 30% of their investment portfolios in private placements, the STI Notes were one of only two such private placements that Jade Principal and Aulakh recommended.

16. The STI Notes, sold in unregistered, non-exempt offerings, carried purported annual interest rates ranging from 12% to at least 30%, paid on a monthly basis, typically over three years. Most of the notes were convertible to STI equity, typically at \$2 per share.

17. From March 2009 through at least February 2013, more than 60 Jade clients purchased at least 150 STI Notes, in amounts ranging from \$6,500 to \$1 million, for a total collective investment of approximately \$20 million.

18. By November 2012, STI was under severe financial pressure, and principal repayments on the three-year STI Notes issued in 2009 were beginning to come due. STI lacked the funds to repay the principal on mature notes and to cover monthly interest payments. As a result, STI began offering opportunities to existing noteholders to roll over, extend, or convert their notes into STI equity, typically at higher interest rates or lower conversion prices than were authorized by STI's offering memoranda.

19. From at least November 2012, through at least February 2013, Jade Principal and Aulakh advised certain Jade clients to extend or convert their STI Notes on the new terms offered by STI. In addition to assisting Jade Principal in making recommendations with respect to the STI Notes, Aulakh frequently followed up by sending information and documents about STI to Jade clients. Aulakh also helped certain Jade clients fill out the paperwork necessary to invest in the STI Notes.

F. Aulakh, Jade, and Jade Principal Failed to Disclose to Jade's Clients More than \$1.2 Million in STI Payments

20. From March 2009 through at least February 2013, Ahmed, through STI, made more than \$1.2 million in payments to Jade and Jade Principal. Although Ahmed characterized these payments to Jade as "loans," the transactions were largely undocumented, non-interest-bearing, and never repaid; nor did Ahmed seek repayment during the relevant period.

21. Aulakh did not collect any of the payments from Ahmed or STI but, instead, during the relevant period, received only salary and bonuses paid directly to him by Jade. As Jade's chief operating officer, Aulakh also performed duties unrelated to the STI Notes including with respect to the budgeting, bill paying, and other non-investment services that Jade provided to its clients.

22. Jade Principal used funds he received from STI for both business and personal expenses, including Jade's payroll, remissions to vendors, and payments due on his personal loan. Absent the payments from STI, Jade Principal would not have been able to pay Jade's payroll and operating expenses or his personal obligations.

23. During four years in which Jade's clients invested in the STI Notes, no one at Jade disclosed to those clients that Jade and Jade Principal were receiving payments from STI.

24. Aulakh provided substantial assistance to Jade and Jade Principal in advising Jade's clients concerning the STI Notes. Despite his knowledge of the STI payments, at no point in time

did Aulakh disclose to clients the payments. Aulakh participated in meetings and telephone calls with Jade clients about the STI Notes, supplied information about STI in follow-up telephone calls and emails, and helped certain Jade clients complete the paperwork necessary to invest in the notes. In doing so, Aulakh conformed to Jade's practice of omitting information about the STI payments.

25. Aulakh's, Jade's, and Jade Principal's omissions concerning the STI payments were material because they (i) concealed conflicts of interest in breach of Jade's and Jade Principal's fiduciary duties to Jade's advisory clients and (ii) misled Jade's clients into believing that they were receiving disinterested advice about the STI Notes.

26. Aulakh had actual knowledge that the STI payments to Jade and Jade Principal were never disclosed to Jade's clients through his communications with the clients, Jade Principal, and other Jade employees.

Violations

27. As a result of the conduct described above, Aulakh willfully aided and abetted and caused Jade's and Jade Principal's violations of Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Aulakh's Offer.

Accordingly, pursuant to Section 15(b)(6) of the Exchange Act, Section 9(b) of the Investment Company Act, and Sections 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act.

B. Respondent Aulakh be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

C. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Ramnik S. Aulakh as a Respondent in these proceedings and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Anthony S. Kelly, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5012.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary