



UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISORS ACT OF 1940  
Release No. 4564/November 3, 2016

ADMINISTRATIVE PROCEEDING  
File No. 3-17661

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In the Matter of

HARVEY ALTHOLTZ,  
Respondent.

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Answer and Defenses of Harvey Altholtz

Harvey Altholtz (“Altholtz”), appearing in this matter *pro se*, and in accordance with SEC Rules of Procedure, files this Answer and Defenses to the administrative proceeding instituted by the Securities and Exchange Commission pursuant to Section 203(f) of the Investment Advisors Act of 1940 (“Advisors Act”) and states as follows:

A. RESPONDENT

Altholtz admits that he was a principal of Wealth Strategy Partners LLP (“Wealth Strategy”), which served as the general partner and fund manager of The Adamas Fund, LLLP and The Stealth Fund, LLLP (collectively the “Funds”). Beginning in January of 2010 the second investment advisor to the Funds—Mr. George Stephens—resigned, and Altholtz was unable to engage any other person to act in the capacity of investment advisor to the Funds because the Funds essentially had no liquidity. This lack of liquidity

in January of 2010 was caused by the actions taken, and the investments made on behalf of the Funds, by the original investment advisors, The Nutmeg Group, LLC (advisor to The Stealth Fund) and Philly Financial, LLC (advisor to The Adamas Fund) between April of 2007 and September 30, 2008. The Nutmeg Group, LLC was managed by Randall S. Goulding, and Philly Financial, LLC was managed by Brandon S. Goulding—Randall S. Goulding’s son. Although as of January of 2010 nominally Altholtz was the only person left with the authority to function as a nonregistered investment advisor for the Funds, essentially he was not in a position to do much of anything other than seek access to money to pay the bills incurred in operating the funds and pay distributions to fund participants. Altholtz attempted to obtain loans from third parties, but by that time there were no sources willing to loan money because the recession had driven the lenders out of the market. Altholtz either had to close down the funds, or attempt to struggle through the recession by borrowing money, first from Wealth Strategy Partners with no interest owed on that loan, and later from two trusts established by his daughters, with the trustee of both being Altholtz’ son, Adam Altholtz. The Trustee of the two trusts was unwilling to loan money to the funds without receiving the interest rate that could be demanded by a “lender of last resort.” The second loan to The Adamas Fund in the amount of \$250,000 was not able to be repaid on its due date, and it incurred penalty interest tied to the appreciation in the S&P 500 between the maturity date ( March 31, 2009) and the date of repayment (which occurred on May 3, 2010).

B. ENTRY OF THE INJUNCTION

1. Altholtz admits that a consent judgment was entered against him on October 18, 2016 permanently enjoining him from, among other things, future violations of Section 206(4) of the Advisors Act and Rule 206(4)-8(a) thereunder, in the civil action in the Middle District of Florida. There was no criminal proceeding against Altholtz, and therefore no criminal conviction.

2. Altholtz admits that the Commission's Second Amended Complaint in the civil action alleged that Altholtz assisted in raising money from investors through private sales of limited partnership interests in the Funds. It was further alleged that between October of 2008 and April of 2010 that Altholtz unknowingly allowed the then current Investment Advisor, Mr. George Stevens, to make materially misleading statements to current investors and omitted to state certain material facts necessary to make statements made not misleading concerning the following:

(a) loans Wealth Strategy and its affiliates made to the Funds, which were expressly prohibited by the offering materials;

(b) guarantees by the Funds of certain loans made by Altholtz's family trusts, which potentially represented a conflict of interest for Altholtz;

(c) the Funds' use of investor proceeds, including:

(1) Altholtz's disbursement of one seemingly exorbitant interest and penalty payment to one of the family trusts not under his control; and

(2) Altholtz's alleged preferential redemption of one of the Adam Altholtz controlled family Trust's investments in the Funds at the same time as some other investors, but ahead of many others;

(d) the financial strength of the portfolio companies in which the Funds invested.

Altholtz neither admitted nor denied the allegations made by the Commission in the Second Amended Complaint.

### III. DEFENSES TO THE ALLEGATIONS

1. Dr. Harvey Altholtz took it upon himself to manage the Adamas and later Stealth Funds as a representative of Wealth Strategy Partners, LLP, a partnership owned and controlled by his son, Adam Altholtz, at the time of such decision. This decision was made only at the recommendation of Mr. Randall Golding, Esq., a named defendant in another SEC matter (referred to as the Nutmeg Group of Fund), who had many years of experience in such matters, as well as legal expertise as to how such an entity was to be managed. However, at the time of the formation of the Adamas and Stealth Funds, Mr. Goulding claimed that he was prohibited from being the General Partner and Investment Advisor of any new Funds that would be in addition to the 12 he already had under management without obtaining a license as a "Registered Investment Advisor", for which he had to take certain courses and pass an SEC administered examination. Since Altholtz knew and had brought to Nutmeg all of the investors (including numerous Altholtz family trusts) which had already invested in many of those 12 Nutmeg Funds and, at least on paper, the funds showed significant profits, and owing to the fact that Mr. Goulding said there would be at least a year or

so delay in his being able to legally begin a 13<sup>th</sup> Fund, he assured Altholtz that at least for the Adamas Fund, his son, Brandon Goulding, would be able to handle the Investment Advisor role through his company, Philly Financial. Later on, when Randall Goulding became qualified to be the Investment Advisor for a 13<sup>th</sup> Fund, he would then take on that role for the Stealth Fund with Altholtz still acting in the capacity of an employee of Wealth Strategy Partners, LLP—the General Partner. Such were the reasons why Altholtz “agreed” to take on the role of managing both the Adamas and Stealth Funds even though this was not his area of expertise, nor did he have any experience or legal expertise in doing so. The investment advisors (Nutmeg and Philly Financial) made the decisions about how the money made available to the funds was invested, and did so without any input or advice from Altholtz, as it was specifically prohibited by the two Investment Advisor Agreements. In fact, Altholtz was told that he had nothing to say about the investment decisions, and was told to “mind his own business” by both Randall Goulding and Brandon Goulding when he attempted to inquire. All appeared to be going well until the Great Recession materialized and it became apparent that both of the Gouldings had picked some very poor investments and also violated many of the rules of the Operating Agreements of the Funds, i.e., making loans to companies instead of purchasing stock, purchasing stock in NON-PUBLIC companies (which was strictly disallowed) as well and various other transgressions which caused the parties to enter into a very heated battle as to who should resign—the Gouldings or Altholtz. Because Altholtz had brought all of the investors into the Funds he felt responsible for them and needed to stand beside

them while trying to correct as many wrongs as possible. It was under those circumstances that the Gouldings resigned as October 1, 2008. Shortly thereafter, the SEC announced that they were seizing the 12 Nutmeg Funds under Goulding's management, and a Receiver was appointed to attempt to liquidate them, which is another story unto itself and not relevant to the matter at hand. However, this left the Funds without an Investment Advisor which Altholtz quickly resolved by hiring Mr. George Stevens of Stevens Resource Group because he had known and worked with the Gouldings much longer than Altholtz had, and also was well aware of how and what they did while managing other people's money. Yet, with that being said, it took Mr. Stevens many months of examination and interpretation to determine all of the improper and illegal actions perpetrated upon the Adamas and Stealth Funds by the Gouldings until one day he finally called Altholtz and said, "Congratulations, you have inherited one big pile of 'dog shit' and heaven only knows what may be able to be salvaged going forward." Little did either party know at the time of the magnitude of the Recession that had befallen the U.S. economy and how badly many of the remaining companies were permanently damaged. It was at this time that Altholtz made a conscious decision to convince his son, Adam—who was not only the majority owner of Wealth Strategy Partners, but also the Trustee of various family Trusts which had accumulated money before the Recession from an insurance business operated by both—to ignore the fact that the Operating Agreements of both Funds forbade the General Partner or associated parties from loaning monies to the Funds or their Portfolio Companies from said Trusts, so that such loans could be

made in the hope of saving certain of those Portfolio Companies from having to declare insolvency and thus create great losses to either the Adamas or Stealth Funds and their various investors. In most cases, Adam would only agree to do so if the Funds were to offer a 50% guarantee against any losses of such loaned amounts. Both George Stevens and Altholtz consulted an attorney in this regard and received his blessing to do so (since it was in the best interest of the Funds' Investors to save such companies and eventually the Funds themselves from financial disasters). Both were advised to notify the investors of such loans, which Altholtz did, with only one out of approximately 150 such investors offering any objection at all; in fact, most replies were praises and encouragement for doing so.

2. As the books and records of the Funds reveal, the aforementioned loans did not stem the tide of financial disaster for the Portfolio Companies which had been chosen as having a significant chance of survival if provided such financial help, and despite receiving that help they became total failures as time went on. A few of the loans from Altholtz family trusts were repaid, most without any interest, one with substantial interest (the very one that the SEC has targeted as being "ill-gotten gains"), as there was no guarantee tied to that particular loan, but instead Adam insisted that the interest rate be tied to the fate of the S&P 500 which happened to make a very significant recovery just during that period of time. However, most of the loans were never repaid to the Altholtz Trusts, resulting in a very substantial six figure loss to said Trusts as a whole, for which Adam has never forgiven his father,

despite the fact that this was all done with the good will of attempting to save the investors from a formidable loss.

3. However, now that Altholtz has attempted to put his own life back together as he winds down the Funds, and having made the aforementioned settlement with the SEC only to find that now they are making claims that he should receive a penalty for having made such loans, contrary to the Operating Agreement, despite the fact that they were for the benefit of investors and not himself or any members of the Altholtz family, and to make matters worse, they are claiming "Disgorgement of Ill-Gotten gains" which is what they are calling the interest money received by that one particular loan tied to the S&P, as well as the redemption received by one Altholtz Trust's investment in the Stealth Fund, although it was redeemed at the same time as at least 5 other redemptions to other investors.

4. Furthermore, Altholtz disputes that he as an individual received any majority of the monies claimed by the SEC as a beneficiary of the two Trusts involved and regardless, the interests of a beneficiary of any discretionary Trust are not generally susceptible to the claims of creditors, nor includible in the estate of the beneficiary, and of course the beneficiary is only a "permissible" recipient of a discretionary Trust and not an "automatic or promised" recipient of a discretionary Trust. Adam was the one and only Trustee of the Trusts at issue. He was never named as a co-defendant in this case, nor does he admit being asked during his investigatory interview under oath in front of the SEC to

provide specific amounts or specific reasons for any exact monies that he paid or transferred over to any particular beneficiary of any Trust at any time that he was the Trustee of such for the benefit of his family.

5. After approximately one year of serving as Investment Advisor pursuant to a contract between him and both the Stealth and Adamas Funds, Mr. Stevens resigned from those two positions, leaving Altholtz as both the Fund Manager and the Investment Advisor, although all he could essentially do in the latter capacity was to sell off assets when and if the occasion presented itself. All during this time, and currently as well, he received no compensation whatsoever from either Fund, although accruals were made by the third party administrator for proper accounting purposes in case there were ever to be a “windfall” profit emanating from some positive event. Thus far nothing of the sort has occurred and it is highly unlikely that any will considering the meager remnants of the Adamas Fund’s assets, the Stealth Fund having already ceased operation at the end of 2014. However, as always, Altholtz at all times felt it his solemn duty to continue to perform the duties of both General Partner and Investment Advisor as long as the net asset value of the investments in the Fund were greater than its liabilities, in the hope that some asset might be liquidated and also to be sure that once the fund became insolvent, the creditors were at least paid as much as possible from the remaining assets since they had stood by the Fund, unpaid in most cases for 3 years or more. He had seen the reckless squandering of the monies remaining in the 12 Nutmeg Funds when a “Receiver” was appointed and the total disregard for loyal creditors and investors alike. Altholtz had successfully paid off the

creditors of the Stealth Fund, with the exception of Wealth Strategy Partners and himself, before its final closure and was determined to do the same for the Adamas Fund and not allow it to undergo the same horrid fate as the Nutmeg Funds. Now he sees by such actions, and the SEC's position as to those credible and honorable efforts on behalf of the Funds, that he is the target of even more reprehensible allegations of fraud and deception, for whose benefit no one can accurately ascertain. Whatever happened has not been for the benefit of Altholtz.

6. It is for all of the aforementioned circumstances and explanations that Altholtz humbly requests that the SEC allow him to complete his sworn duties since he has come to appreciate the simple fact that without sufficient liquidity to reward a subsequent caretaker of any sort, what little remains of the Fund's original asset pool will assuredly be consumed by such newly-assigned caretaker and not be utilized to reward those whose faith and dedication allowed such Fund to stay the course thus far. Altholtz would also like to mention that out of those few remaining assets there are two companies, albeit private at the moment (again thanks to the Gouldings' total disregard for the stated rules of the Fund's Operating Agreement) which appear to be very close to either becoming public entities or better yet possibly become acquired by larger public companies, thus creating instantaneous liquidity events which would not only pay most if not all of the creditors, but could possibly also leave a little something behind for the investors as well. Such are the reasons why Altholtz desires to remain at the helm of a badly battered ship, wandering in murky waters but still with some potentially valuable cargo aboard.

A handwritten signature in black ink, appearing to read 'H. Altholtz', written in a cursive style.

By: Dr. Harvey Altholtz, Respondent

Service List

The attached Response to the Order Issued by the Securities and Exchange Commission per Administrative Proceeding File No. 3-17661

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