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**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA**

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**ORLANDO DIVISION**

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
ORLANDO, FLORIDA

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

v.

6-12-CV-932-ORL-286JK

**GURUDEO PERSAUD a/ka/ BUDDY PERSAUD,**

**Defendant.**

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**COMPLAINT**

Plaintiff Securities and Exchange Commission alleges:

**I. INTRODUCTION**

1. The Commission brings this action to enjoin Gurudeo "Buddy" Persaud from violating the registration and anti-fraud provisions of the federal securities laws.

2. From no later than July 2007 until at least January 2011, Persaud, directly and through his company, While Elephant Trading Company LLC, operated an offering fraud that, by November 7, 2007, devolved into a Ponzi scheme. All told, Persaud raised more than \$1 million from investors through this fraudulent scheme.

3. Persaud solicited investments for White Elephant primarily through personal discussions where he promised to pay investors 6% to 18% annual returns. Persaud told prospective investors this was a risk-free investment in White Elephant's private equity fund, which would invest in the futures market and other markets.

4. Persaud touted his experience in the financial services industry as a certified financial planner and gave investors his personal guarantee their principal contributions were secure. He made numerous misrepresentations and omissions to investors, foremost among them

failing to disclose his trading strategies were based on lunar cycles and the gravitational pull between Earth and the moon.

5. Persaud also omitted disclosing that he misappropriated approximately \$415,000, representing nearly half of the investors' contributions, to support his and his family members' lifestyles.

6. Of the investor money Persaud did trade, he lost \$400,000, and he traded for net losses beginning the first month he received investor contributions. To hide this from investors, Persaud repaid earlier investors with money collected from new investors in typical Ponzi scheme fashion.

7. Through this fraudulent conduct, Persaud violated Sections 5(a) and (c) [15 U.S.C. §77e(a),(c)] and 17(a)(1), (2), and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77q(a)]; Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]; Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act ("Advisers Act") [U.S.C. §80b-6(1),(2), and (4)]; and Advisers Act Rules 206(4)-8(a)(1) and (2) [17 C.F.R. §275.206(4)-8].

8. The Commission asks the Court to enter: (1) a permanent injunction restraining and enjoining Persaud from violating the federal securities laws; (2) an order directing Persaud to disgorge all ill-gotten gains, with prejudgment interest; and (3) an order directing Persaud to pay civil penalties.

## **I. DEFENDANT AND RELATED ENTITIES**

### **A. Defendant**

9. Persaud, 47, resides in Orlando, Florida. He was a registered representative with a Florida-based broker-dealer from September 2003 until August 2010. Persaud operated White Elephant, a now inactive Florida limited liability company he created in June 2007.

### **B. Related Entity**

10. White Elephant was a Florida company Persaud formed in June 2007 with its principal place of business in Orlando, Florida. Persaud named two of his sons as the managing members. However, Persaud managed and operated White Elephant. White Elephant was a private equity fund that purportedly invested in securities on the national markets. White Elephant never registered an offering or class of securities under the Securities Act or the Exchange Act, and was never registered with the Commission in any capacity. On September 23, 2011, the Florida Secretary of State administratively dissolved White Elephant for failure to file an annual report.

## **II. JURISDICTION AND VENUE**

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

12. This Court has personal jurisdiction over Persaud, and venue is proper in the Middle District of Florida because many of his acts and transactions constituting violations of the Securities, Exchange, and Advisers Acts occurred in the Middle District of Florida. More

specifically, White Elephant's principal place of business was in Orlando, Persaud solicited investors from his employer's offices in Orlando, and Persaud resides in this District.

13. In connection with the conduct alleged in this Complaint, Persaud, directly and indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

#### **IV. PERSAUD'S FRAUDULENT INVESTMENT SCHEME**

##### **A. Persaud's Offer And Sale Of Securities**

14. From no later than July 2007 until at least January 2010, Persaud, directly and through White Elephant, offered and sold securities in the form of investment contracts in White Elephant's purported private equity fund.

15. Persaud formed White Elephant in June 2007 to solicit investors for the private equity fund. Persaud was employed as a registered representative at a broker-dealer and investment adviser firm. To conceal his involvement in White Elephant from his employer, Persaud named two of his sons as its sole managing members. In reality, Persaud managed and operated White Elephant, made all trading decisions, maintained control over White Elephant's brokerage and bank accounts, and had direct contact with investors whom he solicited to fund the company.

16. Persaud marketed the investment primarily to his family members, friends, and clients at the brokerage and investment adviser firm where he worked. He also solicited investors during meetings at his employer's offices in Orlando.

17. Persaud told prospective investors White Elephant would invest their contributions in the stock, futures, and real estate markets, and in notes.

18. Persaud also told investors he would generate profits using his trading skills and would make all trading decisions. Investors had no involvement in making investment or trading decisions, or in the day-to-day operations of White Elephant or its fund.

19. Persaud pitched the investment opportunity to individuals as a low-risk or risk-free way to earn high returns in a short period of time.

20. Persaud provided investors virtually no information about White Elephant, but promised investors their principal would be secure. He guaranteed investors annual returns ranging from 6% to 18% based on his investment skills. For example, in approximately August 2007, Persaud promised a prospective investor that, based on Persaud's investment decisions, the investor would receive his principal and a 12% return at the end of one year. After that discussion, the investor contributed \$50,000.

21. Persaud also distributed a marketing document to at least one prospective investor entitled "White Elephant Trading Co. LLC, Conservative Fixed Income Fund." The document stated White Elephant intended to raise as much as \$10 million.

22. This document touted White Elephant's expertise in mortgage finance, real estate, the equities market, and wealth management. The document further stated Persaud would make all investment decisions, and touted his experience as a certified financial planner who held Series 7 and Series 66 securities licenses.

23. This same marketing document told prospective investors: White Elephant's main objective was the preservation of capital; White Elephant employed strict risk management and hedging strategies; investments were low-risk; and the Company would invest funds to reduce risk "as current economic conditions dictate."

24. Persaud also provided prospective investors an Account Registration Form that indicated the terms of the investment, such as the principal amount and, in some instances, the promised rate of return.

25. From no later than July 2007 until at least January 2010, Persaud collected investors' contributions via checks and pooled these funds by depositing them into White Elephant's bank accounts.

26. In July 2007, Persaud began transferring investor funds from these bank accounts to White Elephant's brokerage accounts and to himself.

27. Persaud transferred approximately \$530,000 of the investors' contributions from White Elephant's bank accounts to White Elephant's brokerage accounts, and invested some or all of these funds in stocks, futures, and options. He lost approximately \$400,000 trading these securities.

28. Persaud channeled approximately \$415,000 of the investors' contributions from White Elephant's bank accounts to himself and his family members.

29. Persaud, directly and through White Elephant, raised more than \$1 million from 14 investors in Florida, Connecticut, and New York. At least one of these investors was unaccredited and at least two were unsophisticated investors.

**B. Material Misrepresentations and Omissions To Investors  
And The Misappropriation Of Investors' Funds**

30. In connection with soliciting investments in White Elephant, Persaud made numerous material misrepresentations and omissions regarding, among other things: (i) his trading strategy; (ii) the safety of principal; (iii) rates of return; (iv) sources of returns; (v) investor account balances; (vi) his compensation; and (vii) the use of investor funds.

**i. Persaud Failed To Disclose His Trading Strategy Was Based On Lunar Cycles**

31. Persaud solicited investors by, among other things, touting his investment skills and experience as a certified financial planner. He guaranteed annual returns based on his trading decisions.

32. However, Persaud did not tell investors that in making at least 90% of his trading decisions, he relied on directional market forecasts based on lunar cycles and gravitational pull provided by an internet service.

33. The primary principle underlying Persaud's trading strategy was that the gravitational pull between the moon and Earth affects mass human behavior, which in turn affects the stock markets. For example, Persaud believed that when the moon is positioned so there is a greater gravitational pull on humans, they feel down and are therefore more inclined to sell securities in the markets.

34. Persaud failed to disclose he would trade investors' contributions based on lunar cycles and the gravitational pull between Earth and the moon.

**ii. Persaud Misrepresented The Safety Of The Investment**

35. From no later than August 2007 until at least January 2010, Persaud lured investors by promising them their principal contributions in White Elephant would be secure.

36. When Persaud began making these promises in August 2007, he was already misappropriating investor contributions to support the lifestyle of himself and his family members.

37. By November 2007, Persaud had misappropriated more than half of the investor contributions for his and his family's personal use, and investor contributions he traded were losing money. By January 2010, Persaud had misappropriated approximately \$326,000, which

was more than one-third of the investor funds raised at that time. Of the contributions he did invest, there were net losses of approximately \$319,000.

38. Nonetheless, Persaud continued to promise investors their contributions were secure. For example, in approximately January 2010, Persaud lured an investor with assurances that, among other things, she would receive her principal contribution back with a guaranteed return at the end of one year. The investor, a widow who worked two jobs to make ends meet, invested \$175,000 from life insurance proceeds from her husband's sudden death.

**iii. Persaud Lured Investors With False Promises Of Guaranteed Rates Of Return**

39. To lure investors, Persaud promised to pay them 6% to 18% annual returns.

40. When Persaud made these promises, he was misappropriating investors' money for his and his family's personal use, and trading the contributions he did invest for net losses.

41. Persaud began trading for net losses in July 2007, which was the first month he received investor contributions.

42. Nonetheless, Persaud continued promising investors annual returns of up to 18%.

43. Persaud promised these return rates orally and, in some instances, in writing.

44. In August and October 2009, Persaud, on behalf of White Elephant, raised at least \$120,000 by executing written agreements with prospective investors promising a 12% return and the return of their principle in one year. Pursuant to these agreements, White Elephant would pay a penalty equal to 1% of the principal balance if it failed to pay the promised returns within 15 days of the 12-month investment period, and a 2% penalty if it failed to pay within 30 days.



45. Persaud lacked any reasonable basis for making these written promises in August and October 2009. He had already misappropriated at least \$272,000 in investors' contributions and had lost approximately \$319,000 trading.

46. Persaud also made oral promises to prospective investors to pay annual returns. He memorialized them by handwriting the guaranteed rate of return on Account Registration Forms he signed and provided to investors when they contributed.

47. For example, in August 2008, Persaud promised to pay an investor a 12% annual return and memorialized the promise on the Account Registration Form. The investor invested \$461,000. When Persaud made this promise, he had misappropriated more than half of the investor contributions raised and was trading the contributions he did invest for net losses.

48. In November and December 2008, Persaud promised prospective investors he would pay a 15% monthly return. When Persaud made these promises, he had misappropriated more than \$180,000 of investor contributions, and had lost approximately \$284,000 trading.

49. In March 2009, Persaud promised at least one prospective investor an 18% annual return, and the investor contributed \$50,000. In June 2009, Persaud promised another prospective investor a 12% annual return, and the investor contributed \$40,000. However, when Persaud made these promises, he had misappropriated at least \$223,000, or approximately one-third of investor contributions, and had lost more than \$300,000 trading.

50. In January 2010, Persaud promised at least one prospective investor a 6% annual return, and she invested \$175,000. When Persaud made this promise, he had misappropriated more than \$325,000, which was more than one-third of investors' contributions, and was trading for net losses of approximately \$319,000.

**iv. Persaud Misrepresented The Source Of Investors' Purported Returns**

51. Persaud failed to disclose the trading losses and misappropriation to investors. Instead, he hid these investor losses.

52. From no later than November 2007 until January 2011, Persaud paid purported investment returns of at least \$225,000 to investors from other investors' contributions in typical Ponzi scheme fashion. Persaud falsely told investors this money was trading profits.

**v. To Hide Investor Losses, Persaud Sent Investors False Verification Of Funds Letters**

53. From no later than April 22, 2009 until at least January 25, 2011, Persaud emailed investors false account balances.

54. Persaud did not maintain any records of how he spent or invested investor contributions. Instead, he pooled the contributions and traded or misappropriated them as he saw fit. Thus, even if Persaud wanted to provide account balances, he could not have. Instead, he invented them.

55. Persaud sent investors account balances showing their principal contributions and the accumulated returns he promised. However, there were no trading profits when Persaud sent these account balances. Instead, there were only net trading losses and Persaud's misappropriation of investor funds.

56. On November 11, 2010, Persaud emailed a letter to an investor who had contributed \$75,000, stating the investor's account balance as of October 30, 2010 was \$108,361. This was false. When Persaud sent this letter, White Elephant's bank and brokerage account statements showed less than \$20,000 remaining in all the accounts combined, and trading losses of approximately \$399,000.

57. On January 5, 2011, Persaud emailed another investor a “Verification of Funds,” stating her balance as of December 31, 2010 was \$175,313.23, and funds would be available on February 4, 2011. This was false. White Elephant’s bank and brokerage account statements showed approximately \$5,300 remaining in all the accounts combined, and trading losses of approximately \$399,000.

**vi. Persaud Misrepresented His Compensation To Investors**

58. From no later than July 2007 until January 2010, Persaud told prospective investors his compensation would be the trading profits he generated in excess of the promised returns.

59. For example, if Persaud guaranteed an investor he would pay a 10% annual return on a \$10,000 contribution, then the investor would receive \$1,000 in profits at the end of one year and Persaud would take all additional profits as his compensation.

60. Persaud compensated himself, but not in the manner he promised investors. Instead, he compensated himself by misappropriating investors’ contributions for his and his family’s personal use.

61. Persaud began secretly compensating himself from investors’ principal contributions in July 2007, the same month he received the first investor contribution.

62. Persaud continued to compensate himself by misappropriating investors’ contributions until at least January 2011.

63. In total, Persaud misappropriated approximately \$415,000 from investors’ principal contributions as his compensation for providing investment adviser services.

**vii. Persaud Misrepresented How He Would Use Investors' Funds**

64. Persaud told investors he would invest their contributions in the stock, futures, and real estate markets, and in notes.

65. In reality, Persaud only transferred approximately half, or \$530,000, of the investors' contributions to White Elephant's brokerage accounts for trading.

66. Persaud used the other half of investors' contributions to pay approximately \$225,000 in purported investment returns to investors, and approximately \$415,000 to support the lifestyle of himself and his family.

67. Persaud used this money to pay for, among other things, his home mortgage, tuition for his children, family vacations, and clothing. Persaud also used a debit card linked to the White Elephant bank account containing investors' contributions, and allowed his son to do the same.

68. By February 2011, there were no funds remaining in the White Elephant bank accounts because Persaud misappropriated investor contributions, fraudulently paid investor contributions as purported investment returns to conceal investor losses, and lost the remainder of investors' money in trading based on his lunar cycle trading strategy.

**CLAIMS FOR RELIEF**

**COUNT I**

**Sale of Unregistered Securities in Violation of Sections 5(a) and 5(c) of the Securities Act**

69. The Commission repeats and realleges Paragraphs 2-4, 9-10, and 12-29 of this Complaint as if fully restated herein.

70. From no later than July 2007 to January 2010, Persaud directly or indirectly: (a) made use of the means and instruments of transportation and communication in interstate

commerce and of the mails to sell securities as described herein, through the use and medium of a prospectus and otherwise; (b) carried securities and caused such securities to be carried through the mails and in interstate commerce, by any means and instruments of transportation, for the purpose of sale and delivery after sale; and (c) made use of the means and instruments of transportation and communication in interstate commerce and of the mails to offer to sell and offer to buy through the use of medium of any prospectus or otherwise, without a registration statement having been filed or being in effect with the Commission as to such securities.

71. By reason of the foregoing, Persaud, directly or indirectly, 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 (c)].

## **COUNT II**

### **Fraud in the Offer or Sale of Securities in Violation of Section 17(a)(1) of the Securities Act**

72. The Commission repeats and realleges Paragraphs 1 through 68 of this Complaint as if fully restated herein.

73. From no later than July 2007 through January 2011, Persaud, directly and indirectly, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, in the offer and sale of securities, knowingly, willfully, and recklessly employed devices, schemes, and artifices to defraud.

74. By reason of the foregoing, Persaud, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to, violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT III**

**Fraud in the Offer or Sale of Securities in Violation of  
Sections 17(a)(2) and 17(a)(3) of the Securities Act**

75. The Commission repeats and realleges paragraphs 1 through 68 of this Complaint.

76. From no later than July 2007 until January 2011, Persaud, directly or indirectly, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or of the mails: (a) obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (b) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

77. By reason of the foregoing, Persaud, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (3)].

**COUNT IV**

**Fraud in Violation of Section 10(b) and Rule 10b-5 of the Exchange Act**

78. The Commission repeats and realleges Paragraphs 1 through 68 of this Complaint as if fully restated herein.

79. From no later than July 2007 through January 2011, Persaud, directly or indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts,

practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

80. By reason of the foregoing, Persaud, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

### **COUNT V**

#### **Fraud in Violation of Sections 206(1) and 206(2) of the Advisers Act**

81. The Commission repeats and realleges Paragraphs 1 through 68 of this Complaint as if fully restated herein.

82. From no later than July 2007 through January 2011, Persaud acted as an investment adviser to White Elephant within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(11)].

83. From no later than July 2007 through January 2011, Persaud, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly and indirectly, while acting as an investment adviser, knowingly, willfully, and recklessly: (a) employed devices, schemes, and artifices to defraud clients and prospective clients; and (b) engaged in transactions, practices, and courses of business that operated as a fraud and deceit upon clients and prospective clients.

84. By reason of the foregoing, Persaud, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §80b-6(1), (2)].

**COUNT VI**

**Fraud in Violation of Section 206(4) and Rule 206(4)-8 of the Advisers Act**

85. The Commission repeats and realleges Paragraphs 1 through 68 of this Complaint as if fully restated herein.

86. From no later than July 2007 through January 2011, Persaud acted as an investment adviser to White Elephant.

87. From no later than July 2007 through January 2011, Persaud, directly and indirectly, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly and indirectly, engaged in acts, practices, and courses of business which were fraudulent, deceptive, and manipulative. Persaud: (a) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to investors and prospective investors in a pooled investment vehicle; and (b) engaged in acts, practices, and courses of business that were fraudulent, deceptive, and manipulative to investors and prospective investors in a pooled investment vehicle.

88. By reason of the foregoing, Persaud, directly or indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Section 206(4) and Rule 206(4)-8 of the Advisers Act [15 U.S.C. §80b-6(4); 17 C.F.R. §275.206(4)-8].



**RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that the Court:

**I.**

**Declaratory Relief**

Declare, determine, and find that Persaud committed the violations of the federal securities laws alleged herein.

**II.**

**Permanent Injunction**

Issue a Permanent Injunction, enjoining Persaud, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them, from violating: (i) Sections 5(a) and 5(c) of the Securities Act; (ii) Section 17(a)(1) of the Securities Act; (iii) Sections 17(a)(2) and 17(a)(3) of the Securities Act; (iv) Section 10(b) and Rule 10b-5 of the Exchange Act; (v) Sections 206(1) and 206(2) of the Advisers Act; and (vi) Section 206(4) and Rule 206(4)-8 of the Advisers Act.

**III.**

**Disgorgement**

Issue an Order directing Persaud to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Complaint.

**IV.**

**Penalties**

Issue an Order directing Persaud to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)].

V.

**Further Relief**

Grant such other and further relief as may be necessary and appropriate.

VI.

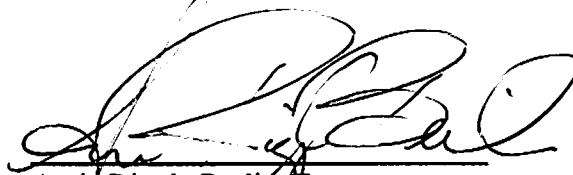
**Retention of Jurisdiction**

Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June 19, 2012

By:



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