

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

<hr/>		:
SECURITIES AND EXCHANGE	:	
COMMISSION,	:	
	:	
Plaintiff,	:	Civil Action No.
	:	
v.	:	1:16-CV-_____ - ____
	:	
THOMAS D. CONRAD, JR.,	:	
STUART P. CONRAD,	:	
FINANCIAL MANAGEMENT	:	
CORPORATION, and	:	
FINANCIAL MANAGEMENT	:	
CORPORATION, S.R.L.,	:	
	:	
Defendants	:	
<hr/>		:

COMPLAINT

Plaintiff Securities and Exchange Commission (“SEC” and “Commission”), hereby files this Complaint alleging the following:

Overview

1. This matter concerns the fraudulent operation of a \$10.7 million fund of funds by Thomas D. Conrad, Jr. (“Conrad”), a recidivist securities violator, and one of his sons, Stuart P. Conrad (“Stuart Conrad”). During different periods beginning in 1994, two entities controlled by Conrad, Financial Management

Corporation (“FMC”) and Financial Management Corporation S.R.L. (“FMC Uruguay”), were the general partners of, and investment advisers to, the World Opportunity Master Fund, L.P. (“WOF Master”) and its feeder funds, World Opportunity Fund, L.P. (“WOF”), World Opportunity Fund (BVI) Ltd. (“BVI”), and World Fund II, L.P. (“World Fund II”).

2. From 2010 through late 2014, Conrad directed preferential redemptions and other disbursements out of WOF Master and its feeder funds to himself, his son (defendant Stuart Conrad), extended family, and certain favored investors, while representing to other investors that redemptions were suspended. Conrad also failed to disclose to investors certain fees that he received for his purported management of the funds and related conflicts of interest, and failed to disclose his disciplinary history, including a broker-dealer industry bar.

3. Stuart Conrad, an officer of both FMC and FMC Uruguay, aided and abetted Conrad’s fraud.

Jurisdiction and Venue

4. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77t and 77v], Sections 21(d), and 21(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d) and 78u(e)], and Section 214(a) the Investment Advisers Act of

1940 (“Advisers Act”) [15 U.S.C. § 80b-14(a)] to enjoin Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties, and for other equitable relief.

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

6. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in the Complaint.

7. Venue is proper because certain of the transactions, acts, practices, and courses of business constituting violations of federal securities laws occurred in the Northern District of Georgia and two of the Defendants reside in the District and resided in this District at the time of the events alleged herein.

8. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business

alleged in this Complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

The Defendants

9. Thomas D. Conrad, Jr., age 85, is the owner and controlling person of Defendants FMC and FMC Uruguay. During substantially all of the events in question, he resided in Alpharetta, Georgia. He currently resides in both Alpharetta and Uruguay. In 1971, the Commission barred Conrad from association with any broker or dealer, and revoked the registration of Conrad & Company, Inc., a broker-dealer which Conrad controlled, finding Conrad “unfit for assuming any proprietary or supervisory role with a broker-dealer . . . of engaging in the securities business in any capacity.” In the Matter of Thomas D. Conrad, Jr., et al. Admin. Proc. No. 3-2338 (Opinion of the Commission, December 14, 1971).

10. Stuart Paul Conrad, age 55, is a son of Conrad and a resident of Alpharetta, Georgia. He is a vice president and member of the Board of Directors of FMC and FMC Uruguay, and a portfolio manager for WOF Master.

11. Financial Management Corporation (“FMC”) is a Maryland corporation organized by Conrad in 1965 that acted as the general partner and unregistered investment adviser for the hedge funds operated by Conrad under the

World Opportunity Fund name, including WOF and its successor, World Fund II, during most of the relevant time period.

12. Financial Management Corporation S.R.L. (“FMC Uruguay”) is a Uruguayan entity operated by Conrad. In 2014, FMC Uruguay assumed FMC’s role as general partner and investment adviser to the World Opportunity feeder funds.

Related Persons and Entities

13. World Opportunity Master Fund, L.P. (“WOF Master”) is the master fund in the WOF master-feeder structure. WOF Master was formed by Conrad under the laws of the British Virgin Islands in 2007, began operations in 2008, and became a Nevada limited partnership in 2012.

14. In a master-feeder structure, investors invest in a feeder fund, which in turn invests its assets in the master fund. The master fund makes all portfolio investments and conducts trading activity, while fees are typically payable at the feeder fund level.

15. World Opportunity Fund, L.P. (“WOF”) is a Delaware limited partnership established, under a different name, in 1994 and is one of the feeder funds for WOF Master.

16. World Fund II, L.P. (“World Fund II”) is a Delaware limited partnership established in 2011 for all new investors in the World Opportunity Funds other than those holding retirement accounts and is one of the feeder funds for WOF Master.

17. World Opportunity Fund (BVI) Ltd. (“BVI”) is a British Virgin Islands entity that was established in 2008 to hold individual retirement accounts and was, until 2014, one of the feeder funds for WOF Master.

Facts

A. Conrad Creates Four Hedge Funds

18. This is Conrad’s second appearance in an SEC enforcement action.

19. After being barred from association with any registered broker-dealer in 1971, Conrad has continued in the securities business in an unregistered capacity.

20. During the period described herein, Conrad created at least four hedge funds, WOF, WOF Master, World Fund II, and BVI. Investors in the feeder funds received limited partnership interests in those funds.

21. Conrad created WOF in 1994. Calling it a “fund of funds,” he invested mostly in a variety of international private equity and hedge funds. Between 1994 and 2008, WOF was Conrad’s only hedge fund.

22. In 2008, Conrad created WOF Master (a British Virgin Islands company) and began using WOF, his first hedge fund, as a feeder fund into the WOF Master fund.

23. Also in 2008, Conrad created BVI as a separate feeder fund to accept investment of retirement assets. As with WOF, all of the money that Conrad raised from investors in BVI was invested in WOF Master.

24. In 2011, Conrad created the third of his feeder funds, World Fund II, after WOF was sued by a court-appointed receiver in connection with WOF’s investment in Valhalla Investment Partners, LP (“Valhalla”), a Ponzi scheme.

25. Specifically, between 2001 and 2005, Conrad invested \$1.7 million of WOF’s assets in Valhalla, and withdrew \$4 million, including false profits of approximately \$2.3 million.

26. In 2010, WOF was sued by the court-appointed receiver for Valhalla and, in 2013, an arbitrator ordered WOF to repay the \$2.3 million. WOF fully paid this debt to the receiver in September 2014.

27. Conrad created World Fund II purportedly to segregate investments from new investors from investments in WOF and BVI, which were impacted by the \$2.3 million payment to the Valhalla Receiver.

28. Since satisfying WOF's obligation to the Receiver, Conrad has moved all investors in WOF into World Fund II, and moved all retirement assets of BVI into WOF, leaving no assets in BVI.

29. Currently, therefore, there are two active feeder funds: WOF, which holds retirement assets, and World Fund II, which holds non-retirement assets. Each feeder fund is invested 100 percent in WOF Master.

30. As of November 2012, there were 44 limited partners invested in WOF, which had a purported portfolio value of \$5.7 million.

31. As of November 2012, there were 48 limited partners invested in World Fund II, which had a purported portfolio value of \$5 million.

32. WOF, WOF Master, World Fund II, and BVI are, and were during all times relevant hereto, “pooled investment vehicles” as that term is defined in the Advisers Act.

33. The interests WOF, WOF Master, World Fund II, and BVI that Conrad offered and sold were securities as defined in the Securities Act, the Exchange Act, and the Advisers Act.

B. Conrad Creates and Controls the Hedge Funds’ Advisers

34. Conrad also created and controlled two other entities, FMC and FMC Uruguay, which were the general partner for each fund and acted as an unregistered investment adviser to those funds during the events alleged herein.

35. Before 2014, FMC was the company through which Conrad made investment decisions for the feeder funds and WOF Master. Since 2014, FMC Uruguay has assumed the role previously played by FMC.

36. Through FMC and FMC Uruguay, Conrad made all investment decisions for WOF, WOF Master, World Fund II, and BVI.

37. Conrad’s son, Stuart Conrad, serves as vice president and director of FMC and FMC Uruguay and a portfolio manager for WOF Master.

38. In addition to his work for FMC and FMC Uruguay, Stuart Conrad owns and operates Advanced Image Resources, Inc. (“AIR”), a Georgia corporation that produces environmentally friendly printer toner and other products.

39. FMC and FMC Uruguay disclosed to investors that they charged each fund an annual management fee ranging between 1.15 percent and 2.18 percent of the fund’s total assets.

40. Each year, FMC and FMC Uruguay were also entitled to receive certain performance allocations if the funds’ performances exceeded certain benchmarks.

C. Conrad Misrepresents and Omits Material Facts

1. Misrepresentations and Omissions Regarding Conrad’s Compensation and Conflict of Interest

41. In January 2013, Conrad, without any disclosure to investors or prospective investors, arranged to increase his compensation from WOF Master by appointing himself to be a sub-manager, for a fee, for approximately a third of WOF Master’s assets. This fee was in addition to the fees disclosed to investors.

42. In connection with appointing himself a sub-manager, Conrad unilaterally decided to pay himself an undisclosed fee of one percent per year, on top of the one percent yearly management fee and .18 percent administrative fee that investors already paid annually.

43. Conrad's scheme to siphon off approximately \$50,000 per year through the undisclosed fee made the statements in the funds' offering memoranda and marketing materials regarding adviser compensation materially false and misleading.

44. In addition, Conrad's failure to disclose that he was taking additional amounts out of investors' pockets was a material omission.

45. Because FMC and FMC Uruguay were the general partners for the feeder funds, and because Conrad controlled FMC and FMC Uruguay, Conrad alone evaluated and selected sub-managers for WOF Master's assets.

47. A conflict of interest existed because Conrad, as head of FMC and FMC Uruguay, represented the interests of the feeder funds and WOF Master, but also had a personal interest in awarding the sub-manager business to himself.

48. That conflict of interest should have been, but was not, disclosed to investors and prospective investors.

2. *Failure to Disclose Conrad's Disciplinary History*

49. In the "Management" section of offering memoranda for World Fund II, dated January 2011 and January 2013, Conrad represented that he managed the investment portfolio of a non-profit organization since 1965.

50. In another document, a disclosure brochure for the World Fund II dated approximately January 2012, Conrad touted that FMC has been "managing wealth since 1965" and related that he has held a seat on the Philadelphia-Baltimore-Washington Stock Exchange.

51. WOF Master marketing materials from 2014 also provided a history of Conrad's background, including his founding and operation of Conrad and Company, a registered broker-dealer, beginning in 1965.

52. Between at least December 2011 through July 2014, Conrad also distributed a series of "Investor Fact Sheets," mostly in connection with soliciting investors for World Fund II. The Investor Fact Sheets list some of Conrad's career accomplishments going back to the 1960s.

53. Conrad, FMC, and FMC Uruguay prepared and distributed these marketing materials to investors and prospective investors in connection with the offer and sale interests in these funds.

54. On information and belief, in face-to-face and telephonic pitches to prospective investors, Conrad, FMC, and FMC Uruguay described Conrad's experience as they were detailed in the above-mentioned offering memoranda and marketing materials.

55. In 2013, a prospective investor who eventually invested \$1 million into World Fund II and BVI, met with Conrad and asked him whether Conrad had any skeletons in his closet.

56. Conrad denied "skeletons in his closet" and did not disclose his bar from association with any broker-dealer or the Commission's finding that he was unfit to engage in the securities industry in any capacity.

57. Neither in the above-referenced offering memoranda and investor fact sheets, nor in meetings with prospective investors did Conrad disclose that the SEC (a) barred him from association with any broker-dealer, (b) revoked the registration of the broker dealer for which Conrad was the majority owner (Conrad & Company, Inc.), and (c) found that Conrad was unfit to engage in the securities

business in any capacity. Nor was it disclosed that the Philadelphia-Baltimore-Washington Exchange suspended Conrad for three months in March 1970.

58. The omission of Conrad's disciplinary history was particularly material given that the Commission, in its order against Conrad, opined that "(t)he record amply demonstrates not only Conrad's unfitness for assuming any proprietary or supervisory role with a broker-dealer, but for engaging in the securities industry in any capacity. The numerous violations and the supervisory failure found with respect to him are compounded by the lack of candor he displayed in these proceedings."

59. Additionally, the Investor Fact Sheets were misleading in that they provided the historical positive performance history of certain investments, such as soybean farms and precious metals, before such investments were actually acquired by World Fund II. Moreover, in a section describing the six year performance history of current fund investments, the fact sheet from July 2014 gives World Fund II's weighted average performance in 2009 and 2010, although the fund was not established until 2011.

60. Finally, the Investor Fact sheets misidentified a third party accountant as an “auditor” when the accountant never actually audited the financial statements of the funds.

61. Subsequently, in 2014, Conrad and FMC Uruguay retained an accountant to actually audit WOF Master’s financial statements for the year 2013.

62. That auditor stated that its opinion was subject to possible adjustments for (1) an inability to verify the fair value of certain investments and limited partnerships comprising 17 percent of WOF Master’s total assets, (2) the lack of third party confirmation to verify the existence of a “Basket of Metals” purportedly worth \$88,515, (3) the status of Conrad as principal of the general partner and custodian in his own name of WOF Master’s investments in metal and land, and (4) the lack of an audit of WOF, which comprised 36 percent of the partner’s capital.

3. *Failure to Disclose Conrad’s Transfers to His Family Members*

63. Conrad alone decided how to spend the investor assets invested through the feeder funds into WOF Master.

64. On two occasions, Conrad chose to use investor funds to directly benefit members of his family, but did not disclose this to investors or prospective investors.

65. Specifically, in February 2010, Conrad used investor funds to pay approximately \$18,000 in credit card bills incurred by his daughter-in-law. Conrad paid the money from the WOF Master account in return for a promise to repay the money with 12 percent interest. In 2012, Conrad arranged for FMC to purchase the loan from WOF Master at face value and to remove it from the latter's books as an undesirable miscellaneous item. This "loan" was not disclosed to investors.

66. In July 2013, Conrad allowed his son, Dale Conrad, who sometimes held the title of "fund administrator" to write himself a \$26,500 check from the WOF Master account for the purchase of a truck. Dale repaid the money two months later, but paid no interest on the use of the \$26,500. This "loan" was not disclosed to investors.

4. *Failure to Disclose Conrad's Titling Fund Assets in his Personal Name*

67. During the relevant period, Conrad used investor funds to purchase two soybean farms in Uruguay.

68. Rather than title the soybean farms in the name of WOF Master, Conrad took title to the farms personally.

69. Similarly, Conrad used investor funds to purchase precious metals worth approximately \$88,000, buying them in his own name rather than in the name of WOF Master.

70. In none of the offering memoranda or marketing materials does Conrad or FMC disclose that the Conrad will hold title personally to assets purchased with investor funds.

D. Defendants' Fraudulent Redemption Practices

71. In November 2008, Conrad sent a notice to investors that FMC was temporarily suspending "all withdrawals, redemptions and termination of capital accounts in the Fund."

72. Conrad blamed the suspension on the then-current global market crisis as well as a cash and liquidity problem arising from the calling of a \$17 million line of credit.

73. By mid-2012 approximately 29 investors were seeking to redeem some or all of their investment in Conrad's funds.

74. In an email communication to investors dated December 2008, Conrad wrote that FMC “cannot disburse any funds to partners unless all are treated equally.”

75. Neither in the notice of suspension nor afterwards did Conrad or FMC notify investors that they would or did grant exceptions to the suspension, thereby deviating substantially from the “all are treated equally” representation.

76. Secretly, Conrad excepted himself and FMC from the redemption restriction, redeeming roughly \$2 million of FMC’s investment in the funds for his personal benefit.

77. Conrad used significant amounts of the cash he received from the FMC redemptions to, among other things, pay his \$180,000 per year salary, pay his wife \$72,000 per year, and make a \$100,000 down payment on an airplane.

78. On a separate occasion in 2012, Conrad redeemed \$24,000 from his personal investment in the funds, again for a down payment on an airplane. The funds were returned a few days later when the planned purchase fell through.

79. Like FMC and like his father, Stuart Conrad benefitted from undisclosed redemptions from the funds while other investors’ requests for redemption were rejected.

80. Stuart Conrad received \$160,000 from the funds in 2010 alone, usually in increments of \$15,000.

81. In 2011, Stuart Conrad received another \$30,000 in payments from FMC.

82. In 2012, Conrad redeemed \$15,000 from his WOF Master account and transferred the cash directly to Stuart Conrad.

83. In April 2012, FMC redeemed \$25,000 from its WOF Master account and paid the funds to AIR, a company owned by Stuart Conrad.

84. During 2013 and the first six months of 2014, WOF Master made ten payments totaling \$214,000 to both Stuart Conrad and AIR.

85. Cumulatively, between 2009 and 2014, Stuart Conrad received, either directly or indirectly, approximately \$444,000 in redemptions from his WOF Master investments or redemptions from the WOF Master investments of Conrad and/or FMC.

86. At the time of each of the redemptions and receipts outlined above, Stuart Conrad was a Director of FMC and the funds.

87. At the time of each of the redemptions and receipts outlined above, Stuart Conrad knew that Conrad had notified all investors that all redemptions requests would be suspended.

88. At the time of each of the redemptions and receipts described above, Stuart Conrad knew that Conrad and FMC had pledged to investors that FMC could “not disburse any funds to partners unless all are treated equally.”

89. At the time of each of the redemptions and receipts outlined above, Stuart Conrad knew that the money he received came from redemptions of either his, his father’s, or FMC’s interest in the funds.

90. At the time of each of the redemptions and receipts outlined above, Stuart Conrad knew that his receipt of funds was a deviation from the policy he had disclosed to investors and which purportedly applied to all investors.

91. At the time of each of the redemptions and receipts outlined above, Stuart Conrad knew that neither FMC, Conrad, nor he were disclosing to investors or prospective investors that Stuart Conrad received money from fund redemptions when other investors were denied such redemptions.

92. Beyond the Conrad family and its associated private business ventures, Conrad also gave favored investors in the funds exceptions to the redemption restrictions.

93. In June 2013, WOF Master loaned \$20,000 to Investor A, an investor in WOF Master and the co-owner of Stuart Conrad’s business, AIR.

94. Although Conrad claimed that the loan to Investor A was in lieu of a redemption that Gandolfi had requested, when that loan went unpaid, it was resolved through redemption of Gandolfi's investment in the funds.

95. In May 2012, Investor B, an investor in the funds, sued FMC on behalf of a trust for which he was the trustee. FMC settled the lawsuit with a payment of \$725,000 in May 2013, redeeming the investor's interest in the funds to make the settlement payment.

96. Another investor in the funds, a Family Limited Partnership, had requested redemption of its investment for many months preceding 2013.

97. Rather than meet those redemption requests as it met the requests of all other investors (with a denial), Conrad entered into an agreement with the Family Partnership whereby Conrad allowed redemption of the Family Partnership's interest in the funds, with the proceeds paid into a separate account that Conrad managed.

COUNT I – FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

(Conrad, FMC, and FMC Uruguay)

98. Paragraphs 1 through 98 are hereby re-alleged and are incorporated herein by reference.

99. Defendants Conrad, FMC, and FMC Uruguay, in the offer and sale of securities described herein, by the use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes, and artifices to defraud, all as more particularly described above.

100. Defendants Conrad, FMC, and FMC Uruguay knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts, and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with severely reckless disregard for the truth.

101. By reason of the foregoing, Defendants Conrad, FMC, and FMC Uruguay, directly and indirectly, have violated and, unless enjoined, will continue to violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77a(q)].

COUNT II – FRAUD

**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

(Conrad, FMC, and FMC Uruguay)

102. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

103. Defendants Conrad, FMC, and FMC Uruguay, in the offer and sale of securities described herein, by the use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

104. By reason of the foregoing, the Defendants Conrad, FMC, and FMC Uruguay, directly and indirectly, violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III – AIDING AND ABETTING FRAUD

Aiding and Abetting Violations of Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1), (3)]

(Stuart Conrad)

105. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

106. Defendant Stuart Conrad aided and abetted the violations of Section Sections 17(a)(1) and (3) of the Exchange Act [15 U.S.C. §§ 77q(a)(1), (3)] by Conrad, FMC, and FMC Uruguay by knowingly or recklessly providing substantial assistance to these three defendants who, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes and artifices to defraud purchasers of such securities; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

107. By reason of the foregoing, Defendant Stuart Conrad, directly and indirectly, aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1),(3)].

COUNT IV – FRAUD

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

(Conrad, FMC, and FMC Uruguay)

108. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

109. Defendants Conrad, FMC, and FMC Uruguay, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

a. employed devices, schemes, and artifices to defraud,

b. made untrue statements of material fact(s) and omitted to state material fact(s) 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 operated and would operate as a fraud or deceit upon persons, all as more particularly described above.

110. Defendants Conrad, FMC, and FMC Uruguay knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

111. By reason of the foregoing, Defendants Conrad, FMC, and FMC Uruguay, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT V – AIDING AND ABETTING FRAUD

**Aiding and Abetting Violations of Section 10(b) of the Exchange Act
[15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder
[17 C.F.R. § 240.10b-5(a), (c)]**

(Stuart Conrad)

112. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

113. Defendant Stuart Conrad aided and abetted Defendants Conrad's, FMC's, and FMC Uruguay's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a), (c)] by knowingly or recklessly providing substantial assistance to these defendants, who, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud; and
 - b. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,
- all as more particularly described above.

114. By reason of the foregoing, Defendant Stuart Conrad, directly and indirectly, aided and abetted and, unless enjoined, will continue to aid and abet

violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a),(c)].

COUNT VI – FRAUD

**Violations of Section 206(1) of the Advisers Act
[15 U.S.C. § 80b-6(1)]**

(Conrad, FMC, and FMC Uruguay)

115. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

116. Defendants Conrad, FMC, and FMC Uruguay, acting as investment advisers, by use of the mails or means or instrumentalities of interstate commerce, directly and indirectly employed devices, schemes, and artifices to defraud clients and prospective clients, all as more particularly described above.

117. Defendants Conrad, FMC, and FMC Uruguay knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud. In engaging in such conduct, Defendants acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severely reckless disregard for the truth.

118. By reason thereof, Defendants Conrad, FMC, and FMC Uruguay violated and, unless enjoined, will continue to violate Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

COUNT VII – FRAUD

**Violations of Section 206(2) of the Advisers Act
[15 U.S.C. § 80b-6(2)]**

(Conrad, FMC, and FMC Uruguay)

119. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

120. Defendants Conrad, FMC, and FMC Uruguay, acting as investment advisers, by use of the mails or means or instrumentalities of interstate commerce, directly and indirectly engaged in transactions, practices, and courses of business which operated as a fraud and deceit upon clients and prospective clients, all as more particularly described above.

121. By reason thereof, Defendants Conrad, FMC, and FMC Uruguay violated and, unless enjoined, will continue to violate Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

COUNT VIII – AIDING AND ABETTING FRAUD

**Aiding and Abetting Violations of Sections 206(1) and (2) of the Advisers Act
[15 U.S.C. § 80b-6(1),(2)]**

(Stuart Conrad)

122. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

123. Defendant Stuart Conrad aided and abetted Defendants Conrad's, FMC's, and FMC Uruguay's violations of Sections 206(1) and (2) of the Advisers Act by knowingly or recklessly providing substantial assistance to these defendants who, by use of the mails or means or instrumentalities of interstate commerce, directly and indirectly,

(a) employed devices, schemes, and artifices to defraud clients and prospective clients; and

(b) engaged in transactions, practices, and courses of business which operated as a fraud and deceit upon clients and prospective clients,

all as more particularly described above.

124. By reason of the foregoing, Defendant Stuart Conrad, directly and indirectly, aided and abetted and, unless enjoined, will continue to aid and abet violations of Sections 206(1) and (2) of the Advisers Act [15 U.S.C. §§ 80b-6(1),(2)].

COUNT IX – FRAUD

**Violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder
[15 U.S.C. § 80b-6(1) and 17 C.F.R. § 275.206(4)-8]**

(Conrad, FMC, and FMC Uruguay)

125. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

126. By engaging in the conduct described above, Defendants Conrad, FMC, and FMC Uruguay, while acting as an investment adviser to a pooled investment vehicle, by use of the means and instrumentalities of interstate commerce and of the mails,

- a. made untrue statements of material fact and omitted to state material facts necessary to make statements made, in the light of the circumstances under which they were made, not misleading, to investors and prospective investors in the pooled investment vehicles; and
 - b. engaged in acts, practices, and courses of business that were fraudulent, deceptive, and manipulative with respect to investors and prospective investors in pooled investment vehicles,
- as more particularly described above.

127. By reason thereof, Defendants Conrad, FMC, and FMC Uruguay violated and, unless enjoined, will continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(1)] and Rule 206(4)-8 [17 C.F.R. § 275.206(4)-8] thereunder.

COUNT X – AIDING AND ABETTING FRAUD

**Aiding and Abetting Violations of Section 206(4) of the Advisers Act
and Rule 206(4)-8 Thereunder**

[15 U.S.C. § 80b-6(1) and 17 C.F.R. § 275.206(4)-8]

(Stuart Conrad)

128. Paragraphs 1 through 97 are hereby re-alleged and are incorporated herein by reference.

129. Defendant Stuart Conrad aided and abetted Defendants Conrad's, FMC's, and FMC Uruguay's violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder by knowingly or recklessly providing substantial assistance to these defendants who, while acting as an investment adviser to a pooled investment vehicle, by use of the means and instrumentalities of interstate commerce and of the mails,

- a. made untrue statements of material fact and omitted to state material facts necessary to make statements made, in the light of the circumstances

under which they were made, not misleading, to investors and prospective investors in the pooled investment vehicles; and

b. engaged in acts, practices, and courses of business that were fraudulent, deceptive, and manipulative with respect to investors and prospective investors in pooled investment vehicles,

as more particularly described above.

130. By reason thereof, Defendants Stuart Conrad has aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 [17 C.F.R. § 275.206(4)-8] thereunder.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff SEC respectfully prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants committed the violations alleged.

II.

A permanent injunction enjoining Defendants, their agents, servants, employees, and attorneys from violating, directly or indirectly, Section 17(a) of the

Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), (2) and (4) of the Advisers Act and Rule 206(4)-8 thereunder.

III.

An order requiring the disgorgement by Defendants of all ill-gotten gains, with prejudgment interest, to affect the remedial purposes of the federal securities laws.

IV.

An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)] imposing civil penalties against defendants.

V.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Dated: July 15, 2016.

Respectfully submitted,

/s/ M. Graham Loomis
Regional Trial Counsel
Georgia Bar Number 457868

Pat Huddleston
Senior Trial Counsel
Georgia Bar Number 373984

Counsel for Plaintiff
U.S. Securities and Exchange Commission
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, Georgia 30326-1234
404.842.7616
loomism@sec.gov
huddlestonp@sec.gov