

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ADAM MATTHEW ROOT,

Defendant.

No. 3:20-cv-726

COMPLAINT

Plaintiff United States Securities and Exchange Commission (the “Commission”) alleges the following against Defendant Adam Matthew Root (“Defendant”):

SUMMARY

1. Defendant served as a Founding Partner of Tricent Capital, LLC and Tricent Capital I, LLC (collectively, “Tricent”), which served as the management company and General Partner for several investment funds. Over the course of nearly a year, Defendant made material misstatements and/or omitted material facts necessary to make his statements not misleading to prospective investors to induce them to invest in at least two of Tricent’s investment funds — the Startup Index Fund and Tricent Early Exits I.

2. By engaging in this conduct, Defendant violated Sections 17(a)(1) and 17(a)(3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77q(a)(1) and 77 q(a)(3)].

JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to the Securities Act Sections 20(b), 20(d)(1), and 22(a) [15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a)]. Venue is proper under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] because certain of the acts, statements, and omissions constituting the violations alleged herein occurred within the Northern District of Texas.

DEFENDANT

4. **Adam Matthew Root** (“Defendant”), age 36, is a U.S. citizen residing in Dallas, Texas. At all relevant times, Root held the titles of “Founding Partner” of Tricent Capital, LLC and/or Tricent Capital I, LLC.

RELEVANT ENTITIES

5. **Tricent Capital, LLC** was a Delaware corporation with its principal places of business in Grapevine, Texas and San Francisco, California. Tricent Capital, LLC was an unregistered investment adviser and served as the management company for several investment funds, none of which were ever funded, including the Startup Index Fund and Tricent Early Exits I.

6. **Tricent Capital I, LLC** was a Delaware corporation with its principal places of business in Grapevine, Texas and San Francisco, California. Tricent Capital I, LLC was an unregistered investment adviser and served as the General Partner for several investment funds, none of which were ever funded, including the Startup Index Fund and Tricent Early Exits I.

7. **GentBox, LLC** (“GentBox”) was a Delaware corporation. On or around October 30, 2015, Defendant, through his company Root Ventures, LLC, acquired GentBox. On or around May 24, 2016, Defendant signed a purchase agreement pursuant to which Rascal

Holdings, LLC would acquire GentBox from Tricent. The sale of GentBox was completed on or about August 1, 2016.

FACTS

8. Between at least February 2016 and January 2017, Defendant made material misstatements and omissions to prospective investors in order to induce them to invest in at least two of Tricent's investment funds — the Startup Index Fund and Tricent Early Exits I.

9. The material misstatements and omissions related to several issues, including (1) the amount and nature of investments that had been “committed” by others to the Startup Early Index Fund and/or Tricent Early Exits I; (2) the number of startup companies that Tricent had invested in and/or deployed capital to; (3) the nature of the returns obtained from the sale of GentBox; and (4) the “patent pending” status of Tricent's investment model, the Fundability Score.

10. For example, between May and August 2016, Defendant made numerous statements to prospective investors wherein he purported to have “commitments” from other investors ranging from \$2 million to \$13.4 million.

11. The communications fail to disclose, however, that, as Defendant knew, the purported “commitments” were verbal commitments that were never documented in writing. Further, Defendant's statements omitted to disclose that he had performed no due diligence with respect to any of the individuals who had allegedly committed money to the funds, and thus he had no idea whether these individuals could make good on their verbal commitments.

12. Defendant also falsely told prospective investors that Tricent had already invested capital in multiple startup companies.

13. For example, on February 3, 2016, Defendant wrote in an email to a prospective investor that Tricent had “invested in 12 startups and ha[d] several more in due-diligence and one already in discussions for an acquisition.”

14. Also, on March 24, 2016, Defendant Facebook messaged a prospective investor, stating that “Tricent Capital” was “a fund that invests in startups” and at that point had “deployed capital” to three specific companies “and a few others.”

15. In reality, Tricent never raised or invested any money through its funds.

16. Defendant also made a number of misstatements and omissions relating to the returns that Tricent obtained in relation to the sale of its “first holding,” GentBox, which Defendant held out as a case study to demonstrate Tricent’s fund strategy to prospective investors.

17. For example, on numerous occasions in March and April 2016, Root represented to prospective investors through personal Facebook messages that he and entities he controlled had “just had [their] first exit” and made “crazy” or “insane” returns. Then, on May 9, 2016, Defendant Facebook messaged a prospective investor that he had “tested [Tricent’s] model by investing \$70,000 of [his] own cash into a startup called GentBox and sold it for 200% cash-on-cash return in less than 12 months.”

18. As Defendant knew, however, the purchase agreement for the sale of GentBox was not even signed at the time he made these misstatements. Defendant and Rascal Holdings did not execute the purchase agreement until May 24, 2016 — months *after* Defendant’s false claim to have sold the company and realized “crazy” or “insane” returns. And the sale was not finalized until months later, on or about August 1, 2016.

19. Moreover, Tricent never received a “cash-on-cash” return for its investment in GentBox. Rather, in exchange for its interest in GentBox and 1% of another company it had created, Tricent received stock in Rascal Holdings.

20. Finally, Defendant misrepresented to prospective investors that the Fundability Score, a statistical modeling tool developed by Tricent “to determine a company’s potential success as an investment company,” was “patent pending.”

21. In reality, as Defendant knew, a patent application was never completed or filed in relation to the Fundability Score, as Tricent did not have enough money to prepare such a filing.

CLAIMS FOR RELIEF

FIRST CLAIM

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

22. Paragraphs 1 through 21 are realleged and incorporated herein by reference.

23. As described above, Defendant, acting knowingly, recklessly or negligently, in the offer or sale of limited partnership interests in investment funds, by use of the means or instruments of transportation or communication in interstate commerce or of the mails, directly or indirectly:

- a. employed devices, schemes, or artifices to defraud; or
- b. engaged in transactions, practices, or courses of business which operated or would have operated as a fraud or deceit upon the purchasers.

24. By engaging in the foregoing conduct, Defendant violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a Judgment that:

- (i) permanently enjoins Defendant from violating Securities Act Sections 17(a)(1) and 17(a)(3) [15 U.S.C. §§ 77q(a)(1) and 77q(a)(3)];
- (ii) enjoins Defendant, for a period of ten years, from directly or indirectly, including but not limited to, through any entity he owns or controls, engaging in any activity for the purpose of inducing or attempting to induce the purchase or sale of any security, causing any person or entity to engage in any activity for the purpose of inducing or attempting to induce the purchase or sale of any security, or deriving compensation from any activity engaged in for the purpose of inducing or attempting to induce the purchase or sale of any security, provided, however, that such injunction shall not prevent Defendant from purchasing or selling securities for an account that is in his own name;
- (iii) bars Defendant, for a period of ten years, from acting as an officer or director of any public company pursuant to Securities Act Section 20(e) [15 U.S.C. § 77t(e)];
- (iv) orders Defendant to pay civil penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)]; and
- (v) grants such other relief as the Court deems just or appropriate.

Dated: March 26, 2020

Respectfully submitted,

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION

/s/ Melissa J. Armstrong
Melissa J. Armstrong (TX Bar No. 24050234)
J. Lee Buck II
Kelly V. Silverman

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