

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

_____	)	
SECURITIES AND EXCHANGE COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No.
	)	
A.L. WATERS CAPITAL, LLC	)	
ARNETT L. WATERS, and	)	JURY TRIAL DEMANDED
MONETA MANAGEMENT, LLC,	)	
	)	
Defendants,	)	
	)	
and	)	
	)	
PORT HURON PARTNERS, LLP, and	)	
JANET L. WATERS	)	
	)	
Relief Defendants.	)	
_____	)	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“the Commission”) alleges the following against Defendants A.L. Waters Capital, LLC (“Waters Capital”), Arnett L. Waters, Moneta Management, LLC (“Moneta Management”), and Relief Defendants Port Huron Partners, LLP (“Port Huron Partners”) and Janet L. Waters:

**SUMMARY OF THE ACTION**

1. From at least 2009 to the present, Defendants used fictitious investment-related partnerships to draw in investors, misappropriate their investment money, and spend it on luxury items and living expenses. Defendants have raised at least \$780,000 from at least 8 investors.

2. Defendants purported to create various private investment “funds” and offered them to potential investors. Defendants created marketing materials and agreements related to

these purported investment funds and distributed these materials directly to investors and through the Waters Capital website. All of these materials indicated that individuals who bought interests in these funds would be invested in business partnerships holding portfolios of securities and other investment products. Defendants accepted investors' money under the pretense that their money would be invested in the portfolios described in the fund documents. Instead, investors' money was spent on the Waters' personal expenses. Defendant Arnett Waters and through him, Waters Capital and Moneta Management made multiple misrepresentations to investors, and to Financial Industry Regulatory Authority ("FINRA") and Commission staff, to conceal the fact that investor money misappropriated in a fraudulent scheme.

3. Through the activities alleged in this Complaint, Defendants have engaged in fraud in connection with the purchase or sale of securities, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder; fraud in the offer or sale of securities, in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act"). Additionally, Arnett Waters and Moneta Management, as advisers to pooled investment vehicles (albeit fictitious), made materially false and misleading statements to and engaged in fraudulent acts with respect to investors in pooled investment vehicles, in violation of Section 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-8 thereunder.

4. Accordingly, the Commission seeks:
- a. the entry of a permanent injunction prohibiting Defendants from further violations of the relevant provisions of the federal securities laws;
  - b. disgorgement of Defendants' ill-gotten gains, plus pre-judgment interest; and,
  - c. disgorgement by the Relief Defendants of all unjust enrichment and/or ill-gotten gain received from Defendants, plus prejudgment interest; and,

- d. the imposition of a civil penalty due to the egregious nature of Defendants' violations.

5. In addition, because of the risk that the Defendants will continue violating the federal securities laws and the danger that any remaining investor funds will be dissipated or concealed before the entry of a final judgment, the Commission seeks preliminary equitable relief to:

- a. prohibit Defendants from continuing to violate the relevant provisions of the federal securities laws;
- b. freeze the Defendants' and the Relief Defendants' assets and otherwise maintain the status quo;
- c. require Defendants and the Relief Defendants to submit an accounting of investor funds and other assets in their possession;
- d. require Defendants and the Relief Defendants to repatriate assets that were transferred outside of the United States and were obtained from investors;
- e. prohibit Defendants from soliciting or accepting additional investments;
- f. prevent Defendants from destroying relevant documents; and,
- g. authorize the Commission to take expedited discovery.

### **JURISDICTION AND VENUE**

6. The Commission seeks a permanent injunction and disgorgement pursuant to Section 20(b) of the Securities Act of 1933 [15 U.S.C. § 77t(b)], Section 21(d)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(d)(1)], and Section 209(d) of the Advisers Act [15 U.S.C. §80b-9(d)]. The Commission seeks the imposition of a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. §80b-9(e)] of the Exchange Act.

7. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77(d), 77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), 78aa], and Sections 209(d), 209(e) and 214 of the Advisers Act [15 U.S.C. §§80b-9(d), 80b-9(e), 80b-14]. Venue is proper in this District because, at all relevant times, Waters Capital, Port Huron Partners, and Moneta Management maintained offices here and Arnett Waters and Janet Waters maintained a residence here.

8. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

9. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

#### **DEFENDANTS**

10. **A.L. Waters Capital, LLC**, is a Massachusetts limited liability company formed in 2005 and based in Braintree, Massachusetts. It has been registered with the Commission as a broker-dealer since 2005. On March 1, 2012, while a document and information request issued in connection with a FINRA investigation of this matter was pending, Waters Capital filed to withdraw its FINRA membership and Commission registration.

11. **Arnett Lanse Waters**, age 62, lives in Milton, Massachusetts. He is the president and chief executive officer of Waters Capital. Waters was a registered representative with Waters Capital from April 2005 through March 9, 2012, when he was permanently barred from association with any FINRA member for failing to provide testimony requested in

FINRA's investigation. Arnett Waters was associated with various brokerage firms off and on from 1983 to 1993, when he was censured and barred for two years by the New York Stock Exchange for forging a document to secure a bank loan and refusing to comply with the Exchange's requests for information and testimony.

12. **Moneta Management, LLC**, is a Delaware Limited Liability Corporation based at Waters Capital's offices in Braintree, Massachusetts. In information filed with FINRA, Moneta Management is falsely described as a non-investment-related holding company dealing in rare coins and bullion. Moneta Management has been in existence since 2007. Arnett Waters is 75% owner and general partner and Janet Waters is 25% owner and general partner.

#### **RELIEF DEFENDANTS**

13. **Port Huron Partners, LLP**, is a Delaware partnership formed in 2005 based at Waters Capital's offices in Braintree, Massachusetts. In information filed with FINRA, Port Huron Partners, LLP is falsely described as a non-investment-related holding company dealing in rare coins and bullion. Port Huron Partners, LLP has been in business since 2007. Arnett Waters is 100% owner.

14. **Janet Lee Waters**, age 55, lives in Milton, Massachusetts. She is the chief compliance officer of Waters Capital and was a registered representative with the firm from April 2005 through March 9, 2012, when FINRA permanently barred her from association with any FINRA member for failing to provide documents, information, and testimony requested in FINRA's investigation. Janet Waters is the wife of Arnett L. Waters.

**STATEMENT OF FACTS**

**Summary**

15. From at least 2009 to the present, Defendants created at least two purported private investment “funds” and offered them to potential investors directly and through the Waters Capital website. These purported funds included Port Huron Partners, LP (Port Huron I”); and Port Huron Partners II, LP (“Port Huron II”).

16. Defendants created marketing materials and agreements related to these fictitious investment funds. These materials included pitch books, annual reports, subscription agreements, private placement offering memoranda, and portfolio statements. Arnett Waters, as principal of Waters Capital and Moneta Management distributed these materials directly to investors in person and by mail and e-mail, and through the Waters Capital website.

17. All of these materials indicated that individuals who invested money with one of the purported funds would be invested in a portfolio of securities and other investment products or in a partnership holding a portfolio of securities and other investment products. Both purported funds were supposedly managed by Moneta Management and Arnett Waters as “Key Manager” and supposedly contained investments in some combination of stocks, corporate and government bonds, options, and physical assets. Both of the funds stated specialties in securities related to gold, oil, uranium, and rare earth metals.

18. Defendants accepted investors’ money under the pretense that that money would be invested in the portfolios the funds’ materials described. Instead, investors’ money was spent on the Waters’ personal expenses. Arnett Waters acting on behalf of Moneta Management and Waters Capital made multiple misrepresentations to investors that concealed the fact that their money was not invested.

19. Arnett Waters also made multiple misrepresentations to FINRA and Commission staff investigating the matter to conceal the fraudulent scheme.

### **Defendants' Fraudulent Investment Partnerships**

#### *Port Huron I*

20. Waters Capital offered Port Huron I, a domestic partnership established in Delaware in 2005 (sometimes referred to in the documents either as "Port Huron Partners, LLP" or "Port Huron Partners One") directly to investors and via its website.

21. In documents describing Port Huron I, Moneta Management is listed as its General Partner. Arnett Waters is listed as the "Manager" or "Key Manager." Port Huron I is listed as "Offered by A.L. Waters Capital, LLC."

22. In marketing materials, Waters Capital stated that Port Huron I was "organized to buy and sell precious metals, coins, energy funds and securities focused on precious metals." But in an offering memorandum given to an investor on or about March 15, 2012, Defendants described Port Huron Partners, L.P. as "a specialized hedge fund organized to trade in global stocks, preferred stocks, corporate and government bonds, options and a variety of physical assets..."

23. A marketing brochure relating to "Port Huron Partners, LLP," from Waters Capital's offices, reported a historical return of 800% between 1990 and 2007.

24. Waters Capital published on its website a "2009 Port Huron Partners, LP Annual Financial Report," that included a "Statement of Assets and Liabilities" falsely listing investment assets as \$52.8 million as of December 31, 2009. Other Waters Capital marketing materials

falsely reported \$180 million under management in the "Port Huron Partners Fund" as of January 2010.

25. In reality, the Port Huron Partners, LLP account at Charles Schwab had been closed in March 2009, and never contained more than \$52,000 between November 2007 and March 2009.

26. In addition, Arnett Waters admitted to FINRA staff that Port Huron I was essentially a model portfolio that did not exist.

27. Arnett Waters told Commission staff that Port Huron Partners was an entity that he used for rare coin and gold trading. He also stated that he set up Port Huron Partners I and II in an effort to create private investment funds for rare coin and gold trading.

28. Waters admitted to Commission staff that, despite representations on the Waters Capital website, previous securities offerings by Waters Capital were not fully subscribed. Waters admitted that he had made this misrepresentation to persuade people to invest. He also admitted that the \$52 million Port Huron I portfolio of securities was merely a model portfolio. He made similar admissions to FINRA staff.

29. Arnett Waters falsely told the Commission staff that no one had invested in Port Huron Partners. Contrary to this assertion, at least at least eight investors had invested at least \$780,000 in Port Huron Partners funds, including a church that invested \$500,000 nine days before Waters' statements to Commission staff.

30. From 2009 through the present, Defendants obtained funds from at least several investors in Port Huron I.

31. A wife and husband ("Investors A & B") invested \$145,000 in two installments in 2009. These investors signed a "Subscription Agreement" for Port Huron Partners, L.P.; Arnett

Waters signed on behalf of Port Huron Partners. In later 2010, Investors A & B received payments of a few thousand dollars from the Port Huron Partners, Sovereign Bank account classified as distributions relating to 2009.

32. In addition to Investors A & B, at least four other apparent investors received checks in the latter half of 2010 from the Port Huron Partners LLP Sovereign Bank account. These checks show payments between \$2,000 and \$6,000 for "09 Dist," "Dist", or "2009 Dist."

33. In December 2011, Arnett Waters apparently told one of these apparent investors that a payment due from an investment in "Port Huron One" has been delayed pending an IRS decision. In December 2011, this investor inquired if that IRS decision had been resolved, as it had been six months after the "maturity date of this investment." Waters claimed that payments would be made by January 10, 2012. Bank statements do not reflect any payments made from either the Port Huron Partners or Moneta Management accounts in January 2012.

34. On March 22, 2012, a church in the Boston area (the "Church Investor") entered into a "Subscription Agreement" for Port Huron Partners, LP with a \$500,000 "capital contribution." This agreement stated that the Church Investor purchased a "Class B Membership Interest." The Church Investor also received a copy of the Private Placement Offering Memorandum on March 15, 2012. Both of these documents described a partnership that invested and would continue to invest in a portfolio of securities. Yet Port Huron Partners and Moneta Management bank statements from October 2011 to March 2012 do not show any activity related to securities investments. Instead, they reflect expenditures of more than one hundred thousand dollars relating to the Waters' personal and business expenses. Additionally, the Port Huron Partners account at Charles Schwab was closed in 2009. Arnett Waters has admitted that the Port Huron I portfolio does not exist.

35. On March 26, \$500,000 was deposited in the Port Huron Partners Sovereign Bank account. Before that deposit, the account had \$205.79 in it.

36. Two days after the \$500,000 was deposited, \$68,000 was withdrawn via a check signed by Arnett Waters and deposited in a Sovereign account in the name of Moneta Management. This amount (\$68,000) far exceeds the stated .85% management fee (\$500,000 investment \* .85% management fee = \$4250) that Port Huron Partners listed in the agreement it signed with the church.

37. Between the March 28, 2012, deposit of the funds in the Moneta Management account and the end of the month, the Waters spent \$15,716 on legal and personal expenses. Janet Waters signed the checks withdrawing money from the Moneta Management account.

*Port Huron Partners II*

38. Waters Capital also offered documents related to a fund called "Port Huron Partners II."

39. On September 29, 2011, Arnett Waters sent a prospective investor ("Investor C") a "Private Placement Offering Memorandum – Limited Partner Membership Units" for Port Huron Partners II, L.P. This document indicated that the Partnership would seek "long-term capital appreciation through a portfolio of equity and other securities of both domestic and international companies" and that it was organized to "make investments in gold, platinum group metals, rare earth elements, energy and other securities."

40. In this Private Placement Offering Memorandum, Moneta Management was listed as the Managing Partner; Arnett Waters as the Key Manager.

41. Arnett Waters also provided Investor C with a Subscription Agreement, Certification of Non-Foreign Status, and a Partnership and Investment Management Agreement.

42. Investor C initially agreed to purchase 10 shares of the Partnership, for a \$25,000 total investment. The Port Huron Partners II, L.P. agreements were signed by Investor C on September 30, 2011 and by Arnett Waters for Moneta Management on October 5, 2011. For this investment, Investor C received a certificate signed by Arnett Waters dated October 5, 2011, certifying that he was the holder of "10 Membership Units of the 4000 total Units issued."

43. On or before October 26, 2011, Investor C purchased 5 more Membership Units in Port Huron Partners II, L.P., for an additional \$12,500. Investor C again received and executed the same documents described above. Arnett Waters again signed the documents for Moneta Management.

44. On October 6, 2011, Arnett Waters solicited Investor C's co-worker ("Potential Investor D"), asking: "Just checking in to see if you would have any interest in Port Huron Partners II? If so, please contact us right away!" Potential Investor D investor responded "yes I am interested and thank you for speaking with [my co-worker] and allowing me to still join."

45. On October 12, 2011, a Waters Capital registered representative sent an email to Potential Investor D, copying Arnett Waters: "Per your conversation with Arnie, I have attached the Executive Summary and Private Placement Memorandum for Port Huron Partners II." Attached to the email was an executive summary document and confidential private placement memorandum containing the fraudulent misrepresentations described above.

46. In or about November 2011, another investor ("Investor E") gave Arnett Waters \$50,000 to be invested in Port Huron Partners II. In January 2012, Investor E gave Arnett Waters an additional \$50,000 to be invested.

47. Arnett Waters provided Investor E with a “Partnership and Investment Management Agreement” for Port Huron Partners II, L.P. and Moneta Management, LLC, listing Moneta Management as the General Partner. Both Investor E and Arnett Waters signed this document. Waters also provided Investor E with a “Private Placement Offering Memorandum – Limited Partner Membership Units,” again listing Moneta Management LLC as the General Partner. The Private Placement Memorandum stated that Port Huron Partners II, LLP, is registered as a Delaware limited partnership, but there is no such entity listed with the State of Delaware.

48. On November 15, 2011, Arnett Waters told Investor E that he was reducing the fees he would charge from a 2% management fee and 20% of the profits over a threshold to a .85% management fee and 10% of the profits over the threshold.

49. Arnett Waters and a Waters Capital registered representative prepared and provided portfolio summary statements for Investor E. The statements detailed Investor E’s portion of a fictitious Port Huron Partners II portfolio of securities. Investor E received portfolio statements from Waters Capital on December 1 and 16, 2011, and February 1 and 27 and March 28, 2012. These statements variously list 3 to 5 securities in which Port Huron II claimed it had invested, the number of shares corresponding to Investor E’s portion of that investment, the price at which the investments supposedly had been bought, and the current price of the security.

50. These statements falsely listed a gain for the Port Huron II portfolio of between ten and fourteen percent. The statements indicate that sales and purchases have occurred in the accounts, and that the shares listed “represent[] your share of larger positions.”

51. In reality, no securities had been purchased with Investor E’s money.

52. In addition to reporting fictitious holdings, the statements are themselves inconsistent. The prices at which securities were “bought” changes between statements, concealing the appearance that one of the chosen securities had declined in price; current securities prices are misreported; and at least one total investment amount is mathematically incorrect.

**Defendants’ Fraudulent Use of Investors’ Money**

53. The Waters Capital offerings appear collectively to have raised at least \$782,500. Bank statements for this time period do not reflect any purchase of securities with these funds.

54. On information and belief, only \$324,785.72 remains in the accounts at Sovereign Bank in the names of Port Huron Partners, LLP and Moneta Management, LLC.

55. As detailed above in paragraphs 35 to 37, after the Church Investor’s \$500,000 was deposited in the Port Huron Partners Sovereign account, \$68,000 was transferred by check to an account in the name of Moneta Management. From March 26, 2012, to the end of March, \$15,716 was spent on legal and personal expenses.

56. To illustrate the additional dissipation of investor funds: On November 2, 2011, \$50,000 was deposited in the Port Huron Partners account and combined with \$12,650 already in the account. These amounts appear to correspond to investments by Investor C and Investor E, described above.

57. From November 4 through December 7, 2011, \$59,500 of the \$62,650 was then transferred from the Port Huron Partners account to the Moneta Management account, resulting in a balance of \$86,890 in the Moneta Management account.

58. Throughout November and December 2011, the Waters spent a total of \$85,199 from the Moneta Management account, including direct payments of \$71,099 primarily for personal and business expenses, a transfer of \$10,600 to the Waters' personal account, and \$3,500 to a Waters Capital account.

59. In this and earlier periods, the Waters paid personal expenses with investor funds, including payments to a horse farm, utilities and taxes on the Waters' residence, medical practices and an equine veterinarian, restaurants, grocery and other retail stores, and frequent checks made out to "cash."

60. Arnett Waters signed checks for personal expenses drawn on the Port Huron Partners, account, and Janet Waters did so for the Moneta Management account.

#### **Misrepresentations to Regulators to Conceal Their Fraudulent Scheme**

61. Defendants made multiple misrepresentations to FINRA and Commission staff to conceal their fraudulent scheme. Several examples are listed below.

62. In filings with FINRA on the Web CRD system, Arnett Waters and Janet Waters misrepresented Moneta Management and Port Huron Partners as non-investment-related holding companies dealing in coins and bullion.

63. In interviews with FINRA staff, Arnett Waters misrepresented that Moneta Management was involved solely in the purchase and sale of rare coins, and was not securities related.

64. During those interviews, Arnett Waters claimed that the large deposits in the Moneta Management bank account were related to rare coins transactions. As described above,

these deposits actually correspond to deposits of money received for investments in the fictitious funds, Port Huron I and Port Huron II.

65. Also during those interviews, Waters claimed that no Port Huron fund ever came into existence.

66. In an interview with Commission staff, Arnett Waters claimed that Waters Capital had not done any business in the past few years.

67. In that interview, Arnett Waters stated that he had attempted to solicit investments in partnerships, but that he had not been successful. He falsely claimed that no one had invested in his partnerships. Yet, he had received money from several investors for his partnerships, as detailed above.

68. Arnett Waters falsely told the Commission staff that Port Huron Partners and Moneta Management were exclusively rare coins businesses and were not securities-related. Documents describing Port Huron I and II contradict these claims.

69. Contrary to the information regarding investors described above, Arnett Waters insisted that there were no investors in any of the fund offerings he had attempted to start. When asked about Port Huron I and Port Huron II, he claimed that they were to be private funds for rare coin and gold trading.

70. Waters told the Commission staff that the Port Huron Partners Sovereign Bank account was open but not active. To the contrary, just nine days earlier, \$500,000 had been deposited into this account. Two days after that deposit, Arnett Waters wrote a \$68,000 check from the Port Huron account to the Moneta Management account, and Janet Waters wrote a \$10,000 check from the Moneta Management account for legal expenses. On information and belief, the balance in the Port Huron Partners account is \$291,111.

**FIRST CLAIM FOR RELIEF**

**Fraud in the Purchase or Sale of Securities in Violation of  
Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder  
(All Defendants)**

71. The Commission repeats and incorporates by reference the allegations in paragraphs 1-70 above as if set forth fully herein.

72. By engaging in the conduct described above, Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by the use of means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) have engaged or are engaging in acts, practices or courses of business which operate as a fraud or deceit upon certain persons.

73. As a result, Defendants 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].

**SECOND CLAIM FOR RELIEF**

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

74. The Commission repeats and incorporates by reference the allegations in paragraphs 1-73 above as if set forth fully herein.

75. Defendants, directly and indirectly, acting intentionally, knowingly or recklessly, in the offer or sale of securities by the use of the means or instruments of transportation or

communication in interstate commerce or by the use of the mails: (a) have employed or are employing devices, schemes or artifices to defraud; (b) have obtained or are obtaining money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) have engaged or are engaging in transactions, practices or courses of business which operate as a fraud or deceit upon purchasers of the securities.

76. As a result, Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

**THIRD CLAIM FOR RELIEF**

**Fraudulent Conduct by an Adviser to a Pooled Investment Vehicle  
Violation of Section 206(4) of the Advisers Act and Rule 206(4)-8 Thereunder  
(Arnett Waters and Moneta Management)**

77. The Commission repeats and incorporates by reference the allegations in paragraphs 1-76 above as if set forth fully herein.

78. At all relevant times, Moneta Management was an “investment adviser” within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. §80b-2(a)(11)] to Port Huron Partners, L.P. and Port Huron Partners II, L.P. Arnett Waters was an “investment adviser” due to his ownership and control of Moneta Management, and as “Manager” and/or “Key Manager” for these funds. Both Moneta Management and Arnett Waters received compensation in the form of money from investors. These funds are “pooled investment vehicles” as defined in Rule 206(4)-8(b).

79. As investment advisers to pooled investment vehicles, Arnett Waters and Moneta Management, by use of the mails or any means or instruments of interstate commerce, directly or indirectly, acting intentionally, knowingly, or recklessly: (a) made untrue statements of material

fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading to one or more investors or prospective investors in those pooled investment vehicles; or (b) engaged or are engaging in acts, practices or courses of business that was fraudulent, deceptive, or manipulative with respect to one or more investors or prospective investors in those pooled investment vehicles.

80. As a result, Arnett Waters and Moneta Management have violated and, unless enjoined, will continue to violate Section 206(4) of the Advisers Act [15 U.S.C. §80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. §275.206(4)-8].

**FOURTH CLAIM FOR RELIEF**

**Other Equitable Relief, Including Unjust Enrichment and Constructive Trust  
(Relief Defendants Port Huron Partners, LLP and Janet Waters)**

81. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 80 above as if set forth fully herein.

82. Section 21(d)(5) of the Exchange Act [15 U.S.C. §78u(d)(5)] states: “In any action or proceeding brought or instituted by the Commission under any provision of the securities laws, the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.”

83. Port Huron Partners, LLP and Janet Waters have received investor funds under circumstances dictating that, in equity and good conscience, they should not be allowed to retain such funds.

84. Further, specific property acquired by Port Huron Partners, LLP and Janet Waters is traceable to Defendants’ wrongful acts and there is no reason in equity why the Relief Defendants should be entitled to retain that property.

85. As a result, Port Huron Partners, LLP and Janet Waters are liable for unjust enrichment and should be required to return their ill-gotten gains, in an amount to be determined by the Court. The Court should also impose a constructive trust on property in the possession of Port Huron Partners, LLP and Janet Waters that is traceable to Defendants' wrongful acts.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

A. Enter a preliminary injunction, order freezing assets, and order for other equitable relief in the form submitted with the Commission's motion for such relief;

B. Enter a permanent injunction restraining Defendants and each of their agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation 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]; Section 17(a) of the Securities Act [15 U.S.C. §77q(a)], and, as to Arnett Waters and Moneta Management, Section 206(4) of the Advisers Act [15 U.S.C. §80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. §275.206(4)-8].

C. Require Defendants to disgorge their ill-gotten gains and losses avoided, plus prejudgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

D. Require the Relief Defendants to disgorge all unjust enrichment and/or ill-gotten gain received from Defendants, plus prejudgment interest, with said moneys to be distributed in

accordance with a plan of distribution to be ordered by the Court;

E. Require Defendants to pay an appropriate civil monetary penalty 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)] of the Exchange Act;

F. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered;

G. Appoint a receiver pursuant to Federal Rule of Civil Procedure 66; and,

H. Award such other and further relief as the Court deems just and proper.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION  
By its attorneys,



Marc J. Jones (Mass. Bar No. 645910)

Senior Enforcement Counsel

Ellen Bober Moynihan (Mass. Bar No. 567598)

Senior Investigations Counsel

Martin F. Healey (Mass. Bar No. 227550)

Regional Trial Counsel

Attorneys for Plaintiff

SECURITIES AND EXCHANGE COMMISSION

33 Arch Street, 23rd Floor

Boston, MA 02110

(617) 573-8947 (Jones direct)

(617) 573-4590 (fax)

jonesmarc@sec.gov (Jones email)

DATED: May 1, 2012

JS 44 (Rev. 09/11)

**CIVIL COVER SHEET**

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

**I. (a) PLAINTIFFS**

Securities and Exchange Commission

**DEFENDANTS**

A.L. WATERS CAPITAL, LLC, ARNETT L. WATERS, and MONETA MANAGEMENT, LLC.

Defendants,

PORT HURON PARTNERS, LLP, and JANET L. WATERS

Relief Defendants.

(b) County of Residence of First Listed Plaintiff

(EXCEPT IN U.S. PLAINTIFF CASES)

County of Residence of First Listed Defendant: **NORFOLK COUNTY**

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

(c) Attorneys (Firm Name, Address, and Telephone Number)

Marc Jones, SEC, 33 Arch St. #2300, Boston, MA, 02110 617-573-8947  
Ellen Moynihan, SEC, 33 Arch St. #2300, Boston, MA, 02110 617-573-8913

Attorneys (If Known)

Joseph Savage, Jr., Goodwin Procter, 53 State Street, Boston, MA, 02109, 617-570-1204

**II. BASIS OF JURISDICTION** (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES** (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- |   |                            |                            |   |                            |                            |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
|   | PTF                        | DEF                        |   | PTF                        | DEF                        |
| Citizen of This State                   | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State     | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State                | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation  | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

**IV. NATURE OF SUIT** (Place an "X" in One Box Only)

<input type="checkbox"/> 110 Insurance	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 365 Personal Injury - Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 375 False Claims Act
<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 400 State Reapportionment
<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability		<input type="checkbox"/> 820 Copyrights	<input type="checkbox"/> 410 Antitrust
<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 330 Federal Employers' Liability	<input type="checkbox"/> 370 Other Fraud	<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 830 Patent	<input type="checkbox"/> 430 Banks and Banking
<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 840 Trademark	<input type="checkbox"/> 450 Commerce
<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 740 Railway Labor Act		<input type="checkbox"/> 460 Deportation
<input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 751 Family and Medical Leave Act		<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations
<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 355 Motor Vehicle Product Liability		<input type="checkbox"/> 790 Other Labor Litigation		<input type="checkbox"/> 480 Consumer Credit
<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 360 Other Personal Injury		<input type="checkbox"/> 791 Empl. Ret. Inc. Security Act		<input type="checkbox"/> 490 Cable/Sat TV
<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 362 Personal Injury - Med. Malpractice				<input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange
<input type="checkbox"/> 193 Contract Product Liability					<input type="checkbox"/> 890 Other Statutory Actions
<input type="checkbox"/> 196 Franchise					<input type="checkbox"/> 891 Agricultural Acts
					<input type="checkbox"/> 893 Environmental Matters
					<input type="checkbox"/> 895 Freedom of Information Act
					<input type="checkbox"/> 896 Arbitration
					<input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision
					<input type="checkbox"/> 950 Constitutionality of State Statutes

**V. ORIGIN** (Place an "X" in One Box Only)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation

**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):  
 15 U.S.C. §78j(b); 17 C.F.R. §240.10b-5; 15 U.S.C. §77q(a); 15 U.S.C. §80b-6(4); 17 C.F.R. §275.206(4)-8  
 Brief description of cause:  
 Securities Fraud

**VII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 DEMAND \$ \_\_\_\_\_ CHECK YES only if demanded in complaint:  
 JURY DEMAND:  Yes  No

**VIII. RELATED CASE(S) IF ANY** (See instructions):

JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE \_\_\_\_\_ SIGNATURE OF ATTORNEY OF RECORD \_\_\_\_\_

FOR OFFICE USE ONLY: *May 1, 2012*

RECEIPT # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

1. Title of case (name of first party on each side only) Securities and Exchange Commission v. A.L. Waters Capital, LLC, et al

2. Category in which the case belongs based upon the numbered nature of suit code listed on the civil cover sheet. (See local rule 40.1(a)(1)).

- I. 410, 441, 470, 535, 830\*, 891, 893, 895, R.23, REGARDLESS OF NATURE OF SUIT.
- II. 110, 130, 140, 160, 190, 196, 230, 240, 290, 320, 362, 370, 371, 380, 430, 440, 442, 443, 445, 446, 448, 710, 720, 740, 790, 820\*, 840\*, 850, 870, 871.
- III. 120, 150, 151, 152, 153, 195, 210, 220, 245, 310, 315, 330, 340, 345, 350, 355, 360, 365, 367, 368, 375, 385, 400, 422, 423, 450, 460, 462, 463, 465, 480, 490, 510, 530, 540, 550, 555, 625, 680, 751, 791, 861-865, 890, 896, 899, 950.

\*Also complete AO 120 or AO 121. for patent, trademark or copyright cases.

3. Title and number, if any, of related cases. (See local rule 40.1(g)). If more than one prior related case has been filed in this district please indicate the title and number of the first filed case in this court.

4. Has a prior action between the same parties and based on the same claim ever been filed in this court?

YES  NO

5. Does the complaint in this case question the constitutionality of an act of congress affecting the public interest? (See 28 USC §2403)

YES  NO

If so, is the U.S.A. or an officer, agent or employee of the U.S. a party?

YES  NO

6. Is this case required to be heard and determined by a district court of three judges pursuant to title 28 USC §2284?

YES  NO

7. Do all of the parties in this action, excluding governmental agencies of the united states and the Commonwealth of Massachusetts ("governmental agencies"), residing in Massachusetts reside in the same division? - (See Local Rule 40.1(d)).

YES  NO

A. If yes, in which division do all of the non-governmental parties reside?

Eastern Division  Central Division  Western Division

B. If no, in which division do the majority of the plaintiffs or the only parties, excluding governmental agencies, residing in Massachusetts reside?

Eastern Division  Central Division  Western Division

8. If filing a Notice of Removal - are there any motions pending in the state court requiring the attention of this Court? (If yes, submit a separate sheet identifying the motions)

YES  NO

(PLEASE TYPE OR PRINT)

ATTORNEY'S NAME Marc Jones / Ellen Moynihan

ADDRESS SEC, 33 Arch Street Suite 2300, Boston, MA 02110

TELEPHONE NO. 617-573-8947/617-573-8913