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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE WOOD

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **-against-** **JON E. HANKINS,** **TENET ASSET MANAGEMENT, LLC, and** **TENET CAPITAL PARTNERS CONVERTIBLE** **OPPORTUNITIES FUND, LP,** **Defendants.**	**05 CV 5808** **05 Civ. ____ ( )** **COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission") brings this emergency action to halt fraud by a hedge fund that is now seeking to improperly distribute assets to cover up its misconduct. For its Complaint against Defendants Jon E. Hankins ("Hankins"), Tenet Asset Management, LLC ("Tenet"), and Tenet Capital Partners Convertible Opportunities Fund, LP ("Convertible Opportunities Fund") (collectively, the "Defendants"), the Commission alleges as follows:

SUMMARY

1. The Commission brings this emergency action against Tenet, an investment adviser, Hankins, its principal, and Convertible Opportunities Fund, one of two hedge funds that maintain portfolios that Hankins, through Tenet, currently manages as its investment adviser. The Defendants, among other things, concealed, and are continuing to conceal, from investors large investment losses and are now seeking to unfairly honor a redemption request at inflated values to cover up the fraud.

2. Hankins and Tenet have recently made numerous false statements to investors of the Convertible Opportunities Fund, as well as to investors in Tenet Offshore Capital Partners Ltd. ("Offshore Capital Partners") (collectively, the "Funds"). In addition, from May to June 6, 2005, Hankins and Tenet managed the portfolio of another hedge fund, Cascade Fund, LLP ("Cascade"), and made misrepresentations to Cascade's principal.

3. Within the last four months, in an effort to raise new capital for the Funds, Hankins met with investors and made false representations concerning Tenet's investment strategy and the Funds' performance. Hankins also provided investors with deceptive and false marketing materials that, among other things, grossly misrepresented the performance of the Convertible Opportunities Fund during the period April through December 2004. While the marketing materials for the Convertible Opportunities Fund reflected a gain of more than 32% during that period, the Convertible Opportunities Fund's audited financial statements for that period reflect that the fund returned a 24% loss during the period.

4. In addition, as recently as May 25, 2005, Hankins distributed to at least one investor altered audited financial statements for 2004 for the Convertible Opportunities Fund. The altered 2004 audited financial statements: (a) concealed the fund's reported $1.4 million net

loss in 2004; (b) falsely stated that the fund had net assets of $31.2 million when, in fact, it reported only $4.2 million; and (c) falsely stated that the fund earned 32.4% in investment returns when, in fact, it reported a 24.5% loss.

5. By making these misrepresentations and providing false documents, the Defendants have concealed from investors losses and risky trading strategies. In April and May 2005, the Funds' accounts incurred enormous losses as a result of large, naked short positions that Hankins had placed in Google, Inc. ("Google") stock. During this time period, the price of Google stock increased, and as a result, the net value of the Funds decreased by approximately 20% in April 2005 and 40% in May 2005, by which time the Funds had incurred more than $72 million in liabilities due to having borrowed Google stock to engage in short selling. In fact, the Funds' positions in Google accounted for virtually all of the Funds' liabilities during that two-month time period. Moreover, since inception, the Funds lost a total of approximately $20 million on Google short sales. As of May 31, 2005, the net asset value in the Funds' accounts was approximately $9.9 million (Convertible Opportunities Fund) and $5.4 million (Offshore Capital Partners). The Funds continue to hold large naked short positions in Google stock.

6. The Defendants are also seeking to improperly distribute assets to cover up the fraud. Recently, to assuage the concerns of one investor, Hankins requested that the Funds' prime broker redeem this investor's funds from the Convertible Opportunities Fund's account (a total of $3 million) at a level of redemption inconsistent with the losses incurred in the fund's accounts. Although the prime broker has not acted on Hankins' request, there is no guarantee that it will refrain from honoring future requests, nor is it obligated to do so. Moreover, Hankins' recent request suggests that he may likely attempt to make additional, improper distribution requests, and by doing so, will leave empty-handed the last investors to seek a

withdrawal.

7. Given this alarming redemption request, and the other recent misrepresentations described above, the Commission brings this action to: (i) halt such ongoing fraudulent activity, and (ii) appoint a temporary and preliminary receiver over Tenet and the Convertible Opportunities Fund to, among other things, review Tenet and the Convertible Opportunities Fund's records, secure the remaining value of client accounts, address client inquiries, and perform an accounting of funds. The appointment of a temporary and preliminary receiver would also prevent the Defendants from moving or dissipating assets from the Convertible Opportunities Fund and Tenet. In addition, the Commission brings this action to obtain temporary, preliminary and permanent injunctions preventing further violations of the antifraud provisions of the federal securities laws, disgorgement, prejudgment interest thereon, and civil penalties, and to obtain other equitable relief.

VIOLATIONS

8. By virtue of the conduct alleged herein:

a. The Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Section 17(a) of the Securities Act of 1933 (the "Sec urities Act"), 15 U.S.C. § 77q(a).

b. The Defendants, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business that constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Ex change Act"), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

c. Hankins and Tenet, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (the "A dvisers Act"), 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

Unless the Defendants are temporarily, preliminarily and permanently restrained and enjoined, they will continue to engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

9. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), Section 21(d)(1) of the Exchange Act, 15 U.S.C. § 78u(d)(1), and Section 209 of the Advisers Act, 15 U.S.C. § 80b-9, seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices and courses of business alleged herein.

10. The Commission also seeks, as immediate relief, a temporary restraining order and a preliminary injunction against the Defendants, the appointment of a temporary and preliminary receiver over Tenet and the Convertible Opportunities Fund, verified accountings by all Defendants, an order providing for expedited discovery, and an order prohibiting the Defendants from destroying documents.

11. Finally, the Commission seeks a judgment ordering the Defendants to disgorge ill-gotten gains with prejudgment interest thereon, and ordering the Defendants to pay civil money penalties pursuant to Section 20(c) of the Securities Act, 15 U.S.C. § 77t(c), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3). Additionally, the Commission seeks a

judgment ordering Hankins and Tenet to pay civil money penalties pursuant to Section 209 of the Advisers Act, 15 U.S.C. § 80b-9.

JURISDICTION AND VENUE

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

13. Venue lies in this District pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14. Certain of the transactions, acts, practices and courses of business alleged herein occurred in the Southern District of New York, including a meeting in New York City between Hankins and an investor in the Convertible Opportunities Fund, during which Hankins provided the investor with marketing materials that falsely represented the value and investments of the Convertible Opportunities Fund and its past performance.

14. The Defendants, directly and indirectly, have each made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and/or the mails, in connection with the transactions, acts, practices and courses of business alleged herein.

THE DEFENDANTS

15. **Hankins**, age 32, resides in Powell, Tennessee. Hankins is the managing member of Tenet, and he makes all of the investment decisions with respect to the Funds. Prior to founding Tenet in 2004, Hankins worked as a portfolio manager and as a registered representative of various broker-dealers. He has held Series 7, 63, and 65 securities licenses.

16. **Tenet**, a Delaware limited liability corporation located in Knoxville, Tennessee,

is the Funds' investment adviser and is responsible for all of the Funds' investment decisions. Hankins is principal member, managing member and its controlling person. Tenet is also the sole general partner of the Convertible Opportunities Fund.

17. **Convertible Opportunities Fund**, a Delaware limited partnership, is a hedge fund open to U.S. persons and entities, that commenced investment activities on April 1, 2004. Tenet is its general partner and investment adviser. Since inception, 17 investors have invested a net total of approximately $22 million. As of May 31, 2005, the fund had approximately $9.9 million in net assets.

RELEVANT ENTITIES

18. **Offshore Capital Partners**, a Cayman Islands company, is a hedge fund open to non-U.S. persons and U.S. tax-exempt entities. Tenet is its investment adviser. In March 2005, Offshore Capital Partners commenced investment activities, and since then, approximately eight investors have deposited a total of approximately $13 million, of which, approximately $5.5 million currently remain in net assets. It employs a similar investment strategy as that of Convertible Opportunities Fund. On June 8, 2005, Offshore Capital Partners' Board of Directors notified at least one shareholder that it would discontinue operations as of June 30, 2005, and that Tenet would liquidate all remaining portfolio positions by that time.

19. **Olympia Capital Associates, LP** and **Olympia Capital (Cayman), Ltd.** (collectively, "Olympia"), are the administrators of the Convertible Opportunities Fund and Offshore Capital Partners, respectively, which provide administrative services to the Funds, such as sending investors monthly account statements.

FACTS

A. The Funds

20. Tenet is the Funds' investment adviser, and Hankins controls all operations and investment decisions of the Funds. In May 2005, Hankins and Tenet also became investment adviser to at least one other hedge fund, Cascade.

21. For compensation for managing the Funds, Hankins, directly or indirectly, receives a 0.25% quarterly management fee (approximately 1% annually) based on the Funds' net assets and a quarterly performance allocation of 20% of the Funds' net income.

22. Between March 2004 and at least May 2005, Hankins and Tenet solicited investors to invest approximately $35 million in the Funds. Since as recently as March 1, 2005, the Convertible Opportunities Fund and Offshore Capital Partners have raised approximately $16.4 million and $12.6 million from investors, respectively.

23. The Convertible Opportunities Fund's February 1, 2005 Confidential Private Placement Memorandum and the Offshore Capital Partners' March 1, 2005 Confidential Private Placement Memorandum ("Memoranda") state that the Funds seek "consistent above average returns primarily through a combination of long-term and short-term investments to achieve capital appreciation, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities." The Memoranda state further that most of the Funds' assets would be invested in convertible bonds and equities with arbitrage investment strategies involving the simultaneous purchase of a convertible bond and the short selling of the underlying equity.

24. Hankins explained Tenet's investment strategy for the Funds and Cascade in various marketing materials that he provided to investors. According to these marketing

materials, Hankins and Tenet followed an investment strategy, referred to as "synthetic convertible bond arbitrage," which involves investments in treasury bills, short positions of equities, and call and put option positions in those same equities. These marketing materials informed investors that Tenet's strategy provided income with consistent returns in all types of markets and that Tenet hedged against directional bets in any one particular security.

25. From at least April 1, 2005 to the present, Hankins and Tenet deviated substantially from their stated investment strategy in the Funds.

26. In fact, the Funds incurred substantial losses since April 1, 2005 as a result of Hankins and Tenet's decision to take large, naked short positions in Google stock. Since April 1, 2005, the net value of the Funds decreased by approximately 20% in April 2005 and approximately 40% in May 2005. At the end of April and May 2005, the Funds held collective short positions of 201,500 and 260,091 Google shares, respectively. Despite the representations in the Funds' Offering Memoranda that the Funds' investment strategy was to "preserve capital and mitigate risk through diversification of investments and hedging activities," Hankins and Tenet took no steps to hedge against, or mitigate, the risk of increases in the share price of Google stock.

27. In fact, the Funds' naked short positions in Google accounted for the vast majority of the Funds' liabilities. As of May 31, 2005, the Funds had a total of more than $72 million in liabilities due to having borrowed Google stock to sell it short. Since inception, the Funds have lost a total of approximately $20 million on Google short sales. As of June 15, 2005, the market value of the Funds' accounts was approximately $9.7 million (Convertible Opportunities Fund) and $5.5 million (Offshore Capital Partners).

B. **<u>Hankins and Tenet Made False and Misleading Oral and Written Statements To Investors About The Funds' Performance and Investment Strategy</u>**

28. Within the last four months, Hankins has distributed to various investors false and misleading marketing materials. During this period, Hankins has also made a series of false and misleading oral misrepresentations to investors.

29. For example, since February 2005, Hankins distributed to at least four investors performance data showing that the Convertible Opportunities Fund had a 32.53% gain in 2004. This performance data was false. Given that Hankins made all investment decisions for the fund, Hankins knew or was reckless in not knowing that such data was false.

30. In addition, in March 2005, the Convertible Opportunities Fund's auditor provided Hankins with its 2004 audited financial statements, which reported a 24% <u>loss</u> for 2004. Shortly after receiving the audited financial statements, Hankins discussed with the Convertible Opportunities Fund's auditor that the fund reported a loss in 2004.

31. On April 18, 2005, the Convertible Opportunities Fund's administrator, Olympia, warned Hankins in an email that the performance data in Tenet's marketing materials "do not reconcile with our numbers for the [Convertible Opportunities] Fund."

32. In and around April and May 2005, Hankins orally told several of the Funds' investors, and provided them with Tenet's marketing materials stating, that the Funds' investments were diversified because no one equity investment was comprised more than five percent of the Funds' assets. The marketing materials and Hankins also stated that the Funds held fully-hedged positions in their investments. These statements were false and misleading.

33. On May 16, 2005, Hankins sent to one investor certain marketing materials which stated, among other things, that the Funds had a positive return in April 2005. This statement

was false and misleading. On June 3, 2005, Hankins told the same investor that the Convertible Opportunities Fund had a positive return in May 2005.

34. Hankins knew or was reckless in not knowing that the statements above were false and misleading. At the time, the Funds' accounts held, and continue to hold, naked, un-hedged short positions in Google. On May 31, 2005, the Funds' positions in Google accounted for virtually all of the Funds' liabilities and represented more than 450% of the net market value of the Funds' equity. In April and May 2005, the Funds had approximate losses of 20% and 40%, respectively.

C. <u>Hankins Provided An Investor with Falsified Financial Records</u>

35. In approximately May 2005, Hankins fraudulently altered certain financial records of the Funds and provided those altered records to an investor.

i. Falsified May 10, 2005 Position Statement

36. On May 6, 2005, Lobdell Capital Management LLC ("Lobdell Capital") invested $3.6 million in the Convertible Opportunities Fund. On May 9, 2005, Martin Lobdell ("Lobdell"), Lobdell Capital's principal, requested that Hankins provide him with a copy of the Convertible Opportunities Fund's "portfolio snapshot," which is a listing of the fund's securities positions.

37. On May 16, 2005, Hankins sent Lobdell a copy of Offshore Capital Partners' "portfolio snapshot" as of May 10, 2005. Not only did Hankins send Lobdell the "portfolio snapshot" of a different fund, but he also altered the "portfolio snapshot" to delete reference to a 96,996 share short position in Google with a corresponding liability of approximately $22 million. In addition, Hankins altered the "portfolio snapshot" to delete reference to the total short equity position showing an approximate $24 million liability.

38. After Lobdell questioned Hankins about the document, Hankins said that the "portfolio snapshot" he sent was merely a representation of the larger positions in the fund. During this conversation, Hankins told Lobdell that all of the fund's positions were hedged.

39. As of May 10, 2005, Google was the largest short equity position in the Funds, and it was not hedged. Accordingly, Hankins knew or was reckless in not knowing that the "portfolio snapshot" he sent to Lobdell contained false and misleading representations about the fund's performance.

ii. Falsified Audited Financial Statements

40. During May 2005, Lobdell made repeated requests to Hankins for a copy of the Convertible Opportunities Fund's 2004 audited financial statements. On May 24 and 25, 2005, Hankins began faxing to Lobdell portions of the 2004 audited financial statements.

41. Rather than faxing Lobdell a complete copy of the actual 2004 audited financial statements of the Convertible Opportunities Fund, Hankins altered key portions of the 2004 audited financial statements and sent it to Lobdell and Lobdell Capital. Hankins did not disclose to Lobdell or Lobdell Capital that Hankins had altered the 2004 audited financial statements.

42. The altered audited financial statements: (a) concealed the fund's reported $1.4 million net loss; (b) falsely stated that the fund had net assets of $31.2 million when, in fact, it reported only $4.2 million; and (c) falsely stated that the fund earned 32.4% when, in fact, it reported a loss of 24.5%.

D. <u>Hankins' Other Recent False Statements to Investors</u>

43. In April, May and June 2005, Hankins made other false and misleading statements to existing investors about the Funds' performance for those months.

44. For example, Hankins made false and misleading statements to at least two of the

Funds' investors regarding the Funds' failure to distribute monthly account statements for April and May 2005.

45. In May 2005, Steve Dabbah ("Dabbah"), representing himself and another investor, requested copies of the Funds' net asset value calculations for April 2005. On June 6, 2005, Hankins told Dabbah that he could not provide monthly account statements for April and May 2005 because: (i) the Funds had recently changed prime brokers; (ii) there was a problem regarding the transfer of certain assets of the Funds; and (iii) the net asset value calculation could not be computed. In particular, Hankins explained that there was a problem with respect to the transfer of a 3,800 share short position in Google stock in Offshore Partners Capital and a 6,200 short position in Google stock in the Convertible Opportunities Fund. Hankins also said that these transfer problems made it difficult to calculate the Funds' net asset values. Hankins knew or was reckless in not knowing that these statements were false and misleading.

46. First, although the Convertible Opportunities Fund changed prime brokers in April 2005, neither the old nor the new prime broker had any problem or issue concerning the transfer of any of that fund's assets.

47. Second, Offshore Capital Partners only had one prime broker; it never changed.

48. Third, while Olympia prepared to distribute account information to investors of the Funds showing their net asset values and, consequentially, large losses in April 2005, Hankins refused to authorize Olympia to distribute the performance numbers.

49. In addition to making false statements about his failure to provide account statements, on June 7, 2005, Hankins falsely assured Dabbah that the Funds had a positive gain in both April and May 2005. As of June 7, 2005, however, Hankins knew that the Funds had suffered substantial losses in both April and May 2005.

50. On June 9, 2005, when Hankins discussed the purported problems transferring Google short positions from one prime broker to another, Hankins falsely told Dabbah that the Funds had "closed out" their positions in Google in the middle of May 2005. Hankins knew or was reckless in not knowing that this statement was false and misleading. In fact, the Funds had not closed out their positions in Google. As of May 31, 2005, the Funds held a combined short position of 260,091 shares in Google stock.

E. <u>Hankins Made False Statements About Investments For the Cascade Fund</u>

51. Hankins also made false and misleading statements to Charles Bernard ("Bernard"), the President of Cascade, about Tenet's investment management of that fund.

52. Bernard had access to Cascade's daily positions, and he quickly realized that Tenet's strategy of being short approximately 6,000 shares in Google was losing money. On or around May 17, 2005, Bernard contacted Hankins to question how a 6,000 share Google short position fit into Hankins' investment strategy, given that it was not hedged against the risk of any increase in Google's stock price. Hankins told Bernard that Cascade's account inaccurately reflected the true value of Cascade's investments. Specifically, Hankins stated that: (i) the trade blotter at the prime broker was allocated incorrectly between Cascade's account and the Funds' accounts, and instead of being short approximately 6,000 shares of Google, Cascade's account should be short only 500 shares and the other short shares properly belonged to the Funds; (ii) a call option in Google that would hedge against the risk that Google's price would increase should have been allocated to Cascade's account; and (iii) Cascade's account had actually gained between one and two percentage points since Tenet began managing Cascade. Hankins knew or was reckless in not knowing that these statements were false.

53. Instead of gaining one to two percent as Hankins stated, Cascade lost

approximately $310,000, or 29% of its initial $1.05 million investment. On June 6, 2005, Bernard revoked Hankins' trading authority in Cascade.

F. Hankins' Recent Request For Redemption

54. On May 26, 2005, Lobdell Capital requested to redeem its interest in the Convertible Opportunities Fund as of May 31, 2005. In early June 2005, in a conversation regarding Lobdell Capital's redemption request, Lobdell told Hankins that, if Lobdell Capital did not have all of its investment returned, then Lobdell would immediately pursue his concern that Hankins had provided him with altered documents.

55. Hankins then requested a redemption from the Funds' prime broker that would disadvantage the Funds' other investors. Specifically, on or around June 8, 2005, Hankins requested that the Funds' prime broker redeem $3 million from the Convertible Opportunities Fund as a redemption of Lobdell Capital's $3.6 million investment. This redemption request represents 83% of Lobdell Capital's $3.6 million investment. As noted above, however, the Convertible Opportunities Fund lost approximately 40% of its value during May 2005. Accordingly, the value of Lobdell Capital's net investment as of the end of May 2005 was approximately $2.16 million. A redemption of $3 million of Lobdell Capital's investment would disadvantage other investors by allowing Lobdell to take out of the fund more money than its investment is currently worth. This would leave less available funds in the Convertible Opportunities Fund's portfolio for the redemption of other investors, who have already suffered significant losses to their investments. Accordingly, the prime broker has not acted on Hankins' request.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act
(All Defendants)

56. Paragraphs 1 through 55 are realleged and incorporated by reference as if fully set forth herein.

57. From at least February 2005 to the present, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have employed, and are employing, devices, schemes and artifices to defraud.

58. From at least February 2005 to the present, the Defendants, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, directly and indirectly, have obtained, and are obtaining, money and property by means of untrue statements of material fact or 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 have engaged, and are engaging, in transactions, practices or courses of business which have operated, and will operate, as a fraud and deceit upon investors.

59. The Defendants knew, or were reckless in not knowing, that the representations and omissions set forth herein were false and misleading.

60. By reason of the activities described herein, the Defendants have violated, and are violating, Sections 17(a) of the Securities Act, 15 U.S.C. §77q(a).

SECOND CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(All Defendants)

61. Paragraphs 1 through 55 are realleged and incorporated by reference as if fully set forth herein.

62. From at least February 2005 to the present, the Defendants, in connection with the purchase and sale of securities, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, or of the mails, have employed, and are employing, devices, schemes and artifices to defraud; have made, and are making, untrue statements of material fact, and have omitted, and are omitting, 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 have engaged, and are engaging, in acts, practices, and courses of business which operate as a fraud and deceit upon investors.

63. Defendants knew, or were reckless in not knowing, that the representations and omissions set forth herein were false and misleading.

64. By reason of the activities described herein, the Defendants have violated, and are violating, Section 10(b) of the Exchange Act, 15 U.S.C. §§78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated thereunder.

THIRD CLAIM FOR RELIEF
Violations of Sections 206(1) and 206(2) of the Advisers Act
(Hankins and Tenet)

65. Paragraphs 1 through 55 are realleged and incorporated by reference as if fully set forth herein.

66. Hankins and Tenet, as investment advisers, directly and indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails, have employed, and are

employing, devices, schemes and artifices to defraud investors of the Funds, and have engaged, and are engaging, in transactions, practices and courses of business which operate as a fraud and deceit upon the Funds' investors.

67. Hankins and Tenet knew, or were reckless in not knowing, that the representations and omissions set forth herein were false and misleading.

68. By reason of the activities described herein, Hankins and Tenet have violated, and are violating, Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining the Defendants, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

II.

An Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Hankins and Tenet, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

III.

An Order directing each of the Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees to, a verified written accounting, signed by each Defendant under penalty of perjury, setting forth:

(1) All assets, liabilities and property currently held directly or indirectly by or for the benefit of such Defendant, including, but not limited to, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, its current location and amount;

(2) All money, property, assets, and other income received by such Defendant, or for his or its direct or indirect benefit, in or at any time from April 1, 2004 to the date of the accounting, describing the source, amount, disposition and current location of each of the items listed;

(3) All assets, funds, securities, real or personal property of customers of such Defendant, transferred to or for the benefit of such Defendant in or at any time from April 1, 2004 to the date of the accounting, and the disposition by such Defendant of such assets, funds, securities, real or personal property;

(4) All money, property, assets and other income transferred from such Defendant, including transfers to any bank account, brokerage account or other account, or to any individual, or entity, in or at any time from April 1, 2004 to the date of the

accounting; and

(6) The names and last known addresses of all bailees, debtors, and other persons and entities which are currently holding the assets, funds or property of such Defendant.

IV.

An Order appointing a temporary and preliminary receiver over Tenet and the Convertible Opportunities Fund to, among other things: (1) preserve the status quo; (2) ascertain the financial condition of Tenet and the Convertible Opportunities Fund; (3) prevent further dissipation of the Convertible Opportunities Fund's assets, to prevent loss, damage, and injury to investors; (4) preserve Tenet's and the Convertible Opportunities Fund's books, records and documents; and (5) be available to respond to investor inquiries.

V.

An Order permitting expedited discovery.

VI.

An Order enjoining and restraining each of the Defendants, and any person or entity acting at their direction or on their behalf, from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VII.

A Final Judgment ordering each of the Defendants to disgorge their ill-gotten gains, plus prejudgment interest, and such other and further amount as the Court may find appropriate.

VIII.

A Final Judgment ordering each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and ordering the Hankins and Tenet to pay civil money penalties pursuant to Section 209 of the Advisers Act, 15 U.S.C. § 80b-9.

IX.

Such other and further relief as this Court deems just and proper.

Dated: New York, New York
June 22, 2005

By: ______________________

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