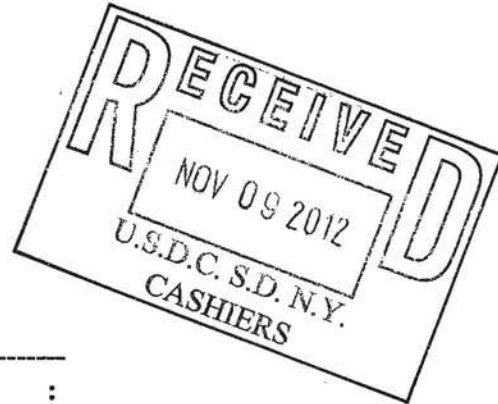


JUDGE FURMAN

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

ANAND SEKARAN
and
WASSON CAPITAL ADVISORS LTD.,

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Anand Sekaran ("Sekaran") and Wasson Capital Advisors Ltd. ("Wasson") (Sekaran and Wasson collectively, "Defendants"), alleges as follows:

SUMMARY OF ALLEGATIONS

1. This action involves the fraudulent concealment of trading losses and misappropriation of client funds by investment advisers Sekaran and Wasson. Through their conduct, Defendants misled and deceived advisory clients concerning material facts surrounding their investments.

2. As sole director and president of Wasson, an unregistered investment adviser, Sekaran managed and controlled Wasson's operations. Sekaran also advised separately managed

accounts for non-Wasson clients. In exchange for the advisory services provided, Sekaran and Wasson earned a performance fee that was subject to a high-water mark, which prohibited them from collecting the fee until the returns exceeded the prior maximum value of a client's account.

3. Wasson's core strategy, which Sekaran implemented, was to generate income through the sale of near expiry, out-of-the-money, exchange-traded options. Beginning in 2008, the trading strategy became unprofitable and Sekaran's and Wasson's clients incurred substantial losses. To conceal the losses, Defendants engaged in fraudulent conduct, including making material misrepresentations to clients and providing them with fabricated and misleading documents and account statements. To make up for the impact the losses had on Defendants' advisory business, Defendants also misappropriated client funds.

4. By virtue of their conduct, Defendants violated Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] ("Exchange Act") and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 [15 U.S.C. §§ 80b-6(1) and 80b-6(2)] ("Advisers Act"). Unless enjoined, Defendants are likely to commit such violations again in the future.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], and Sections 209 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14].

6. The Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], and Sections 209 and 214 of the Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14]. Defendants, directly or indirectly, have made

use of the means or instrumentalities of interstate commerce or of the mails, or the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged herein.

7. Venue is proper pursuant to Section 27 of the Exchange Act and Section 214 of the Advisers Act [15 U.S.C. §§ 78aa and 80b-14] because certain acts constituting the violations of law alleged in this Complaint occurred in the Southern District of New York.

DEFENDANTS

8. **Anand Sekaran**, age 44, currently resides in Miami, Florida. During the relevant time period, Sekaran was the sole director and president of Wasson. He managed and controlled its operations from offices located in New York, New York and Miami, Florida. In addition to being associated with Wasson, Sekaran also advised separately managed accounts for non-Wasson clients. From approximately March 2011 to July 2011, Sekaran was associated with a registered broker-dealer. Sekaran previously held Series 3, 7, 63, and 65 licenses with FINRA.

9. **Wasson Capital Advisors Ltd.** is a British Virgin Islands ("BVI") limited company that was incorporated on April 10, 2007. Prior to 2007, Wasson was organized as a New York corporation. Wasson was originally based in New York, New York but moved its operations to Miami, Florida in or around February 2010. Wasson is an unregistered investment adviser.

BACKGROUND

10. In 1997, Sekaran formed Wasson and began soliciting friends and family members to become advisory clients. Sekaran raised at least \$16.2 million from twenty-five investors over the course of several years and used some of the investment proceeds to establish

Wasson master trading accounts (“Master Trading Accounts”). As part of an options trading strategy, Defendants effected options transactions through the Master Trading Accounts. The profits and losses from such transactions were intended to be shared among Defendants’ clients.

11. Sekaran and Wasson primarily utilized an “Options Overlay” trading strategy on behalf of their clients, but also made other investments. The primary objective of the Options Overlay strategy was to generate cash on the monthly options expiration dates without incurring margin costs. One aspect of the strategy involved selling an option contract near expiry to collect a small premium with the hope that the option would never be exercised. In those instances, Wasson was required to post collateral in the event the option was exercised at a price that exceeded the initial premium collected. Defendants’ clients’ funds served as the required collateral.

12. In 2008, Sekaran and Wasson began to experience significant losses in executing the Options Overlay strategy. To conceal these losses from clients, Defendants knowingly made material misrepresentations to clients and provided them with fabricated and misleading documents and account statements. To make up for the impact the losses had on Defendants’ advisory business, Defendants also misappropriated client funds.

FACTUAL ALLEGATIONS

Misrepresentations Concerning Performance and the Value of Client Accounts

13. Defendants’ trading strategy resulted in realized and unrealized losses of nearly \$1.1 million in 2008 that included losses for each month of that year.

14. Despite these losses, Sekaran distributed a spreadsheet to clients and potential clients with performance information showing that Wasson was profitable during the period. The spreadsheet contained gross inaccuracies concerning monthly trading activity. For example, the spreadsheet asserted that Wasson gained 1.37% in March 2008; however, Wasson incurred realized and unrealized losses of almost \$400,000. Similarly, for November 2008, the spreadsheet claimed Wasson returns of 3.13% while realized and unrealized losses for the month totaled about \$360,000. Likewise, in April 2010, Wasson experienced realized and unrealized trading losses of approximately \$736,000. Notwithstanding these losses, Sekaran falsely claimed that Wasson gained 1.66% for the month.

15. To cover up losses in order to continue operations, Defendants provided certain clients with a document that included fabricated account returns and balances. Specifically, one longtime client of Sekaran invested approximately \$700,000. Sekaran misled the client about the true extent of the account losses suffered in 2008 and led the client to believe that the client's investment was worth over \$2 million as of April 2010 based on a false spreadsheet generated by Wasson and on fake account statements Sekaran created on the letterhead of a New Zealand firm. In fact, by 2010, the client's assets under management were worth less than \$100,000.

Fabricated and Misleading Account Statements

16. Separately, over a three year period, Sekaran created fictitious monthly account statements for another client. In this particular instance, the client entrusted his stock portfolio to Sekaran but with the request that Sekaran not engage in any trading activity unless instructed to do so by the client. Sekaran nevertheless lost most of the client's money. To conceal the losses, Sekaran created fictitious monthly account statements on the letterhead of a purported BVI trust

company. The purported BVI trust company identified in the letterhead was struck from the BVI corporate registry in 2008 and was last licensed as a trust company in 2002.

17. From at least 2009 through February 2011, several Wasson clients received account statements that purportedly represented their account values. Unbeknownst to those Wasson clients, however, Sekaran occasionally and fraudulently augmented the value of their accounts by journaling in funds from the Master Trading Accounts. Sekaran lied to the clients, telling them that the journals represented trading profits from Wasson's trading strategy when in fact they were simply transfers from the Master Trading Accounts.

18. Sekaran also failed to disclose that the balances in the clients' account statements were being offset by large debits in the Master Trading Accounts. The debits – and their impact on the clients' balances – were not reflected on client statements. For example, four clients understood that their cumulative account balance was \$574,390 as of August 31, 2011 when, in fact, the cumulative net balance of the Master Trading Accounts and all Wasson client accounts was only \$13,180.

Misappropriation of Client Funds

19. Sekaran misappropriated client funds to pay for a variety of personal and business expenses. For example, despite incurring losses in each month of 2008, Sekaran used – i.e., misappropriated – approximately \$370,000 of client funds to pay for various personal and business expenses, including personal mortgage and maintenance payments, restaurant and travel expenses, entertainment and event tickets, employee salaries and health insurance, and rent and office expenses.

20. Although 2009 proved to be a better year, yielding nearly \$188,000 in realized and unrealized profits, Sekaran's ability to collect fees on those profits was constrained by two factors. First, Defendants' fee arrangements with clients were often subject to a high-water mark that prohibited profit-sharing until clients' investment balances exceeded their prior maximum values. Second, pursuant to these fee arrangements, Sekaran was entitled to only a portion of the profits. Sekaran, however, disregarded these aspects of the fee arrangements and withdrew \$355,000 – almost twice the total profits for that year – to pay for various personal and business-related expenses.

21. From April 2010 to June 2011, Wasson client accounts incurred realized and unrealized trading losses of approximately \$760,000. Nonetheless, Sekaran misappropriated client funds by withdrawing more than \$160,000. He wrote checks worth approximately \$111,000 and made \$53,000 in debit card transactions to pay for various personal and business-related expenses.

22. Finally, Sekaran indiscriminately misappropriated client funds to cover trading losses. For example, one client invested \$300,000 in Wasson with the intention of participating in the options trading strategy. Sekaran instead invested the proceeds in U.S. Treasury Notes. After the notes matured five months later, Sekaran used the funds to cover a debit balance that Wasson incurred as a result of substantial trading losses.

CLAIMS FOR RELIEF

FIRST CLAIM

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

23. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 22.

24. By engaging in the conduct described above, Defendants, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities.

25. By engaging in the foregoing conduct, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15. U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5].

SECOND CLAIM
[Defendant Sekaran]

**Aiding and Abetting and Control Person Liability for 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]**

26. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 25.

27. By engaging in the conduct described above, Wasson, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities.

28. Sekaran, knowingly or recklessly, provided substantial assistance to Wasson in connection with its 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].

29. Sekaran was a control person of Wasson for the purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

30. Sekaran exercised actual power and control over Wasson, including through serving as its president and sole director, managing its operations, directing its investment strategy, and possessing authority to execute documents on its behalf.

31. By reason of the foregoing, (a) Sekaran aided and abetted Wasson's 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] and (b) as Wasson's control person under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Sekaran is liable for Wasson's 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].

THIRD CLAIM

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

32. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 31.

33. By engaging in the conduct described above, Defendants, while acting as investment advisers, through the use of the mails or the means or instrumentalities of interstate commerce, directly or indirectly:

- a. knowingly or recklessly, employed devices, schemes, or artifices to defraud clients and/or prospective clients; and/or
- b. engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients and/or prospective clients.

34. By engaging in the foregoing conduct, Defendants violated 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 this Court enter a Final Judgment:

I.

Finding that the Defendants violated the securities laws alleged herein;

II.

Permanently enjoining Defendants from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)];

III.

Ordering Defendants to disgorge all of the ill-gotten gains obtained from the violations alleged herein, plus prejudgment interest thereon;

IV.

Ordering Defendants to pay civil money penalties pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and

V.

Granting such other relief as the Court deems appropriate.

Dated: New York, New York
November 9, 2012

SECURITIES AND EXCHANGE COMMISSION



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