

Judge Hellerstein

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

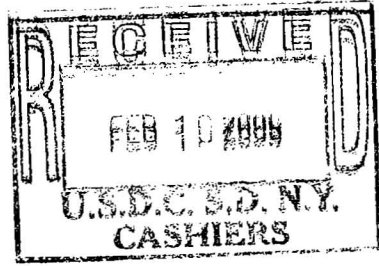
v.

GRANT IVAN GRIEVE;
FINVEST ASSET MANAGEMENT, LLC;
AND
FINVEST FUND MANAGEMENT, LLC,

Defendants.

09 CIV 1198
CIVIL ACTION NO.

ECF



COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY OF ALLEGATIONS

1. For the past four years, Defendants Grant Ivan ("Gad") Grieve, Finvest Asset Management, LLC ("FAM"), and Finvest Fund Management, LLC ("FFM") (collectively, "Defendants") have carried out a scheme to defraud current and prospective investors in two separate hedge funds, or pooled investment vehicles, called Finvest Primer, L.P. ("Primer Fund") and Finvest Yankee, L.P. ("Yankee Fund"). Primer Fund and Yankee Fund are managed by FAM and FFM, respectively, though Grieve himself is the sole and ultimate managing principal of all of the related Finvest entities.

2. From as early as 2004 through 2008, Defendants Grieve, FAM, and FFM have attracted more than twenty-five U.S. investors, who have entrusted him with more than \$11 million in investments. In order to attract and retain investors, the Defendants engaged in deliberate and deceptive misconduct to create the impression of profitable performance that they had not, in fact, achieved.

3. As least as early as mid-2006, Defendants Grieve and FAM began fabricating and disseminating financial information for the Primer Fund that was “certified” by two sham professional firms that Grieve himself created. Grieve and FAM sent various investors one, or both, of the following documents: (i) a purported confirmation of Primer Fund’s performance for fiscal years 2001 through 2005 issued by a supposedly independent back-office administrator called Global Hedge Fund Services (“GHFS”); and (ii) financial statements for fiscal year 2005 containing a purported audit opinion from an accounting firm called Kass Roland, LLC (“Kass Roland”).

4. In fact, Grieve had secretly formed GHFS and Kass Roland -- each with fictitious employees, phone numbers, websites, email addresses, automated voice messaging systems, and physical office addresses – as part of an overall effort to deceive current and prospective investors about his investing capabilities and track record.

5. The GHFS and Kass Roland materials were inherently false and materially misleading, as was the financial information upon which those sham professional firms “opined.” Moreover, because GHFS and Kass Roland were specifically identified in the Primer Fund Offering Memorandum that Grieve and FAM issued to prospective investors, that Offering Memorandum was also materially misleading.

6. In addition, from 2007 through mid-2008, Defendants Grieve, FAM, and FFM provided current and prospective investors in both Primer Fund and Yankee Fund with monthly account statements, newsletters, and “fact sheets” that materially overstated the funds’ performance and assets.

7. Beginning in late 2008, Defendants have been engaging in similar misconduct overseas, including luring new investors and/or placating existing European investors with newly-fabricated, fraudulent documents.

8. By their conduct alleged herein, Defendants engaged in and, unless restrained and enjoined by the Court, may continue to engage in, transactions, acts, practices, and courses of business that violate Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §

77q(a)]; Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Section 206(4) of the Investment Advisers Act of 1940 (the “Advisers Act”) [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

9. The Commission seeks a judgment from the Court: (a) enjoining the Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint and transactions, acts, practices, and courses of business of similar purport and object; (b) requiring Defendants to disgorge, with prejudgment interest, the illegal profits and proceeds they obtained as a result of their actions alleged herein; and (c) requiring Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, Section 21(d)(3) of the Exchange Act, and Section 209(e) of the Advisers Act [15 U.S.C. §§ 77t(d), 78u(d)(3), and 80b-9(e)].

JURISDICTION

10. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act, Sections 21(d), 21(e) and 27 of the Exchange Act, and Section 214 of the Advisers Act [15 U.S.C. §§ 77t(b), 77t(d), 77v(a), 78u(d), 78u(e), 78aa, and 80b-14].

11. The Defendants made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, practices, and courses of business alleged herein, certain of which occurred within the Southern District of New York. Venue is proper in this District pursuant to Section 22(a) of the Securities Act, Section 27 of the Exchange Act, and Section 214 of the Advisers Act [15 U.S.C. §§ 77v(a), 78aa, and 80b-14].

THE PARTIES

12. The plaintiff is the **Securities and Exchange Commission**, which brings this civil action pursuant to authority conferred on it by Section 20(b) of the Securities Act, Section 21(d)(1) of the Exchange Act, and Section 209 of the Advisers Act [15 U.S.C. §§ 77t(b), 78u(d)(1), and 80b-9].

13. Defendant **Grant Ivan Grieve, a/k/a Gad Grieve**, age 47, is a citizen of South Africa and has retained residences in Israel and the United States. He is the founder and ultimate managing principal of Finvest Asset Management, LLC, and the ultimate managing member of Finvest Fund Management, LLC.

14. Defendant **Finvest Asset Management, LLC** is a Delaware limited liability company with its principal place of business in New York, New York. FAM is the general partner of, and investment adviser to, Primer Fund. Grieve is the sole and ultimate managing member of FAM.

15. Defendant **Finvest Fund Management, LLC** is a Delaware limited liability company with its principal place of business in New York, New York. FFM serves as the general partner of, and investment adviser to, Yankee Fund. FAM is the sole managing member of FFM.

RELATED ENTITIES

16. **Finvest Primer, L.P. (“Primer Fund”)** is a Delaware limited liability company with its principal place of business in New York, New York. Primer Fund is an options-trading hedge fund that Grieve and FAM formed in 2004.

17. **Finvest Yankee, L.P. (“Yankee Fund”)** is a Delaware limited liability company formed in June 2007 with its principal place of business in New York, New York. Yankee Fund is a multi-strategy hedge fund that allocated capital to approximately twenty distinct, independent investment advisers known as “sub-advisers.”

FACTS

18. Grieve began managing an investment portfolio for a family office in the mid-1990s. Grieve founded an offshore version of FAM and Primer Fund in or about 2001, and, in or about July 2004, he established operations for FAM in New York, formed a U.S. entity for Primer Fund, and began promoting the fund to U.S. investors. Although he spent considerable time in New York from 2004 through October 2008, Grieve kept his primary residence in Israel and split his time between the two countries.

19. At its peak, in or about mid-2007, Primer Fund had approximately twenty-five U.S. investors and approximately \$10 million in U.S. investor assets, and an unknown number of non-U.S. investors. During this same time, Grieve started Yankee Fund, a more ambitious, multi-strategy investment vehicle that allocated investor capital to numerous independent sub-advisers, who then directed investments on behalf of the fund. Grieve started Yankee Fund in or about June 2007, and, by January 2008, had attracted at least two U.S. investors and several millions of dollars in assets.

20. At all relevant times, Grieve and FAM provided investment advice to Primer Fund, were responsible for the fund's trading activities, and provided periodic account and fund performance information to the fund's investors.

21. At all relevant times, Grieve and FFM provided investment advice to Yankee Fund, were responsible for the fund's trading activities, and provided periodic account and fund performance information to the fund's investors.

22. In an effort to attract and retain investors in Primer Fund, and to attract investors into the emerging Yankee Fund, Grieve, FAM, and FFM engaged in deliberate deceptive misconduct to give the impression of profitable performance that they had not, in fact, achieved.

A. Creation and Dissemination of Fraudulent Back-Office Confirmation and Audit Report

23. At least as early as mid-2006, Grieve and FAM fabricated and disseminated financial information for the Primer Fund that they claimed was "certified" by two different sham professional firms that Grieve himself created.

24. The first sham professional firm that Grieve created was a supposedly independent back-office administrator called Global Hedge Fund Services, or GHFS ("GHFS").

25. In response to a request by certain Primer Fund investors, Grieve provided those investors with a purported "confirmation" of Primer Fund's trading performance that had been issued by GHFS. This "confirmation" appeared on GHFS letterhead and provided a New York address and contact information.

26. In the body of the document, GHFS purported to verify Primer Fund's past performance for fiscal years 2001 through 2005, "based on brokerage statements from trading operations," in a table appearing as follows:

YEAR	YTD
2001	18.73%
2002	21.66%
2003	53.68%
2004	39.58%
2005	16.64%

27. The GHFS "confirmation" was signed by a "David Brown, Managing Director."

28. GHFS held itself out as a Delaware limited liability company with a website, a company brochure, an office address in New York, telephone and fax numbers, and several email addresses.

29. In marketing and other materials, GHFS purported to offer independent back office services to the financial industry, touted its expertise, listed its employees' names and titles, and otherwise held itself out as a legitimate business. In one brochure, GHFS expressly stated that it was "a completely independent fund administrator . . . [that is] never distracted by conflicting interests."

30. In Primer Fund's formal Offering Memorandum that was provided to prospective investors in the fund, Grieve and FAM specifically identified GHFS as Primer Fund's back-office administrator.

31. In fact, Grieve was the sole owner of GHFS. Grieve formed GHFS in Delaware, established and paid for the company's telephone numbers and the virtual office address in New York, and also established and paid for the company's web domain name, website, and email addresses. Grieve and FAM failed to disclose this relationship to investors in any manner.

32. The second sham professional firm that Grieve created was a purportedly independent accounting firm called Kass Roland, LLC ("Kass Roland").

33. In or about June 2007, Grieve and FAM provided at least one prospective investor with a document that purported to be the financial statements of Primer Fund for fiscal year 2005. The financial statements contained a purported unqualified audit opinion from Kass Roland. The audit report was entitled, "Report of Independent Auditors," and appeared on Kass Roland letterhead, which represented Kass Roland as "Accountants and Auditors" with an address and telephone numbers in Jersey City, New Jersey.

34. In addition, in Primer Fund's formal Offering Memorandum that was provided to prospective investors in the fund, Grieve and FAM specifically identified Kass Roland as Primer Fund's independent auditor.

35. In fact, as with GHFS, Kass Roland was a complete fabrication by Grieve and FAM. Kass Roland has never been a registered legal entity in New Jersey, or anywhere else in the U.S., nor had such a firm ever been registered with the New Jersey State Board of Accountancy or the Public Company Accounting Oversight Board. Grieve himself registered the domain name www.kassroland.com in February 2007. Kass Roland's listed telephone numbers belonged to an account in Grieve's name.

36. Remarkably, the signature appearing at the bottom of the Kass Roland "audit report" was *identical* to the signature of "David Brown" appearing at the end of the GHFS "confirmation."

37. Grieve's and FAM's actions were nothing more than a brazen attempt to deceive current and prospective investors by creating a false badge of credibility, through purportedly-independent professional verification, that Grieve was a profitable trader worthy of client investment.

B. False and Misleading Performance Information

38. Not surprisingly, the financial information contained in the GHFS and Kass Roland documents was false and materially misleading, overstating Primer Fund's performance to investors.

39. For example, for fiscal year 2005, the GHFS “confirmation” stated that Primer Fund’s trading operations gained 16.64%. Indeed, Primer Fund had several months of losses in 2005, and failed to generate the year-end trading profits asserted in the GHFS “confirmation.”

40. In addition, from at least mid-2007 through June 2008, Grieve, through his alter-ego investment advisers, FAM and FFM, provided current and prospective investors in both Primer Fund and Yankee Fund with monthly account statements, newsletters, and “fact sheets” that materially overstated the funds’ performance.

41. For example, in or about January 2008, Primer Fund investors received a newsletter from Grieve stating that “Primer Fund has achieved 54 consecutive months of positive returns,” which was accompanied by monthly “fact sheets” showing that Primer Fund had not sustained a single monthly loss from July 2003 through January 2008.

42. In fact, however, Primer Fund sustained numerous unprofitable trading months during that 54-month period. Many reported gains in Primer Fund’s “fact sheets” and newsletters may have been the result of capital infusions, not profitable trading. Grieve and FAM did not disclose whether, and when, reported monthly performance may have included capital contributions/withdrawals, as opposed to trading profits/losses. As a result, the Primer Fund “fact sheets” and newsletters were materially misleading.

43. With respect to Yankee Fund, Grieve and FFM also issued “fact sheets” that were highly misleading. For example, although investors received a “fact sheet” stating that, as of January 2008, Yankee Fund’s assets totaled \$250 million, in reality, Yankee Fund’s assets, including securities purchased on margin, were less than \$15 million that month.

44. In addition, as late as April 2008, Grieve and FFM touted publicly that Yankee Fund’s assets exceeded \$236 million, when in fact the fund’s true assets had dwindled to less than \$10 million during April 2008.

45. Defendants’ representations about Yankee Fund’s assets were materially misleading, and gave investors the misimpression that Yankee Fund was a much more established and substantial hedge fund than it actually was.

C. Continuing Misconduct Overseas

46. In the fall of 2008, Grieve closed his New York office and terminated his staff.

47. Upon information and belief, Grieve is currently living in Israel.

48. Upon information and belief, Grieve and his affiliated Finvest entities are currently conducting business operations from Israel.

49. Grieve has started two analogously-named offshore hedge funds, Finvest Primer, Ltd. and Finvest Yankee, Ltd. By their descriptions, these new funds are poised to mimic their U.S. predecessor funds in structure and strategy.

50. In press releases issued in late 2008 and early 2009, Grieve claims to have left the U.S. markets “to expand European operations” and “solidify” his European base in accordance with “a management decision ... made over a year ago.” Grieve also claims to have been “awarded a \$300 million mandate from a European high-net-worth individual for investment in hedge funds,” and to have been “allocated \$2.5 billion (€1.9 billion) for direct private equity investment by an unnamed European family office.” Grieve has also announced that Finvest was in the process of opening offices in Zurich, London, and Cypress.

51. Upon information and belief, Grieve has been engaging in similar misconduct overseas, including luring and/or placating existing European investors with fabricated documents.

52. In particular, in or about January 2009, Grieve provided a European institutional investor with a suspicious U.S. brokerage statement for Primer Fund in an effort to demonstrate that Primer Fund was actively trading. The statement purported to show that, as of December 31, 2008, Grieve had \$118 million in a U.S.-based trading account in the name of Primer Fund. In fact, that same Primer Fund account had a *negative* \$65.00 balance as of the same date, December 31, 2008.

FIRST CLAIM FOR RELIEF

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

53. The Commission realleges and reincorporates paragraphs 1 through 52 as if fully set forth herein.

54. From as early as 2006 to the present, the Defendants, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the offer or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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 transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities offered and sold by the Defendants.

55. At all times, the Defendants acted knowingly, deliberately, and/or recklessly.

56. By reason of their actions alleged herein, the Defendants each violated Section 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 [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

57. The Commission realleges and reincorporates paragraphs 1 through 56 as if fully set forth herein.

58. From as early as 2006 to the present, the Defendants, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (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.

59. At all times, the Defendants acted knowingly, deliberately, and/or recklessly.

60. By reason of their actions alleged herein, the Defendants each violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

THIRD CLAIM FOR RELIEF

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

61. The Commission realleges and reincorporates paragraphs 1 through 60 as if fully set forth herein.

62. From as early as 2006 to the present, Defendants (a) made untrue statements of material fact and omitted to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to investors and/or prospective investors in pooled investment vehicles; and (b) engaged in acts, practices, and/or courses of business that were fraudulent, deceptive, and manipulative with respect to investors and/or proposed investors in pooled investment vehicles.

63. By reason of their actions alleged herein, Defendants each violated Section 206(4) of the Investment Advisers Act and Rule 206(4)-8 thereunder [15 U.S.C. § 80b-6(4); 17 C.F.R. §275.206(4)-8].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enter judgment in favor of the Commission finding that the Defendants each violated the securities laws and rules promulgated thereunder as alleged herein;

II.

Permanently enjoin each of the Defendants from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder [15 U.S.C. §§ 77q(a), 78j(b), 80b-6(4); 17 C.F.R. §§ 24010b-5, 275.206(4)-8];

III.

Order Defendants jointly and severally to disgorge the profits and proceeds they obtained as a result of their actions alleged herein, and to pay prejudgment interest thereon;

IV.

Order Defendants each to pay civil money penalties pursuant to Section 20(d) of the Securities Act, Section 21(d)(3) of the Exchange Act, and Section 209(e) of the Advisers Act [15 U.S.C. §§ 77t(d), 78u(d)(3), 80b-9(e)];

V.

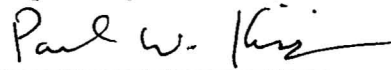
Grant such other relief as this Court may deem just and proper.

Date: February 10, 2009

Of Counsel:

Scott W. Friestad, Esq.
Robert B. Kaplan, Esq.
Scott F. Weisman, Esq.
Darren E. Long, Esq.

Respectfully submitted,



Paul W. Kisslinger, Esq. (PK0764)
Attorney for Plaintiff
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549
(202) 551 4427 (direct)
(202) 772-9246 (fax)
e-mail: kisslingerp@sec.gov