

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

CASE NO.: 8:14-cv-02427-JDW-TGW

SECURITIES AND EXCHANGE)
COMMISSION,)
)
Plaintiff,)
)
v.)
)
WEALTH STRATEGY PARTNERS, LLP,)
HARVEY ALTHOLTZ,)
STEVENS RESOURCE GROUP, LLC, AND)
GEORGE Q. STEVENS,)
)
Defendants.)
_____)

SECOND AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. From no later than October 2008 through April 2010, Defendants Wealth Strategy Partners, LLP, Harvey Altholtz, Stevens Resource Group, LLC, and George Q. Stevens engaged in fraudulent conduct by, among other things, making a series of misstatements and omissions to investors in offering materials and newsletters for two private investment funds, The Adamas Fund, LLLP and The Stealth Fund, LLLP (collectively the “Funds”), which they controlled.

2. Wealth Strategy’s principal, Altholtz, and Stevens Resource’s managing member, Stevens, raised approximately \$30.8 million from investors through private sales of limited partnership interests in the Funds. As part of a scheme to defraud investors, the Defendants

made misstatements and omissions to current and potential investors concerning the Funds' use of investor proceeds and the financial strength of the companies in which the Funds invested.

3. Specifically, the Defendants failed to disclose to investors that they used Stealth Fund's assets to guarantee certain loans Altholtz and his family's trusts made to two companies in Stealth Fund's investment portfolio.

4. The Defendants' misrepresentations concerning the guarantees were part of a scheme designed to mislead current and future investors about the financial strength of the Funds.

5. Ultimately, the Defendants used investor funds to guarantee loans made by Altholtz and his affiliates to the very companies that investors thought they were investing in, and the Defendants failed to fully disclose this conflict of interest from current and potential investors.

6. The Defendants also failed to disclose to investors that, on at least two occasions, Altholtz and his family's trusts made loans to the Adamas and Stealth Funds in violation of the Funds' operating agreements.

7. These omissions were also part of the Defendants' scheme to mislead investors and misrepresent the true financial health of the Funds. Ultimately, these loans artificially kept the Funds afloat, leading investors to believe the Funds were financially stronger than they actually were. Thus, these omissions misrepresented the true nature of the Funds' investment worth.

8. Moreover, Altholtz and his family trusts made these short term loans to the Funds and charged the Funds exorbitant interest rates, which brought him and his family trusts a quick profit while hiding this conflict of interest from current and potential investors.

9. As a result of, among other things, the misrepresentations about these loans, the Funds maintained operations based not on legitimate investment returns but on artificial, undisclosed, transfers of money.

10. In another instance, Wealth Strategy and Altholtz gave an Altholtz-family trust, which was an investor in the Adamas Fund, preferential treatment with regard to redemptions over other investors.

11. In fact, Altholtz told at least one other investor that he could not receive cash redemptions from the Fund, while at the same time, Wealth Strategy and Altholtz allowed redemptions by the Altholtz-family trust.

12. By favoring the Altholtz-family trust redemptions over the redemption requests of other investors, the Defendants essentially used the Funds as their own personal investment account without disclosing any of these facts and circumstances to the Funds' investors.

13. The Defendants also made false and misleading statements and omissions in newsletters to investors regarding the financial condition of some of the companies in which Adamas and Stealth invested.

14. These misstatements and omissions were also part of the Defendants' overarching scheme to mislead current and potential investors about the financial strength of the Funds and the companies, in which the Funds invested (the "Portfolio Companies").

15. As a result of the conduct described in this Second Amended Complaint, the Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b); Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5; and Section 206(4) and Rule 206(4)-8(a) of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. § 80b-6(4)

and 17 C.F.R. § 275.206(4)-8. Additionally, Stevens and Stevens Resource aided and abetted Wealth Strategy's and Altholtz's violations of Section 10(b) and Rule 10b-5 of the Exchange Act and Altholtz aided and abetted Wealth Strategy's violations of Section 206(4) and Rule 206(4)-8(a) of the Advisers Act.

16. The Commission requests that the Court enter: (1) a permanent injunction restraining and enjoining the Defendants from violating the federal securities laws; (2) an order directing the Defendants to disgorge all profits or proceeds they received as a result of the acts and/or courses of conduct complained of, with prejudgment interest; (3) an order directing the Defendants to pay civil money penalties; and (4) an order permanently barring Altholtz and Stevens from serving as an officer or director of a public company.

II. DEFENDANTS AND RELATED ENTITIES

A. Defendants

17. Altholtz, age 66, is a resident of Sarasota, Florida, and is the principal of Wealth Strategy. Since January 2010, he has acted as an unregistered investment adviser to the Adamas and Stealth Funds or has been associated with Wealth Strategy, the unregistered investment adviser, to the Adamas and Stealth Funds. In March 2008, the Colorado Securities Commission issued a cease-and-desist order against Altholtz, Wealth Strategy, and Adamas for selling unregistered securities in that state. Altholtz also served as chairman of the board of ICC Worldwide, Inc. ("ICCW"), a portfolio company in which the Funds invested.

18. Wealth Strategy is a Florida limited liability partnership with a principal place of business in Sarasota, Florida. Wealth Strategy is the general partner of both the Adamas and Stealth Funds. Since January 2010, Wealth Strategy has been acting as an unregistered

investment adviser to the Adamas and Stealth Funds. Wealth Strategy has never been registered with the Commission in any capacity.

19. Stevens, age 67, resides in Lacey, Washington and is the managing partner of Stevens Resource. From October 2008 until January 2010, Stevens acted as an unregistered investment adviser to the Adamas and Stealth Funds. While Stevens was the investment adviser to the Adamas and Stealth Funds, he was also serving as CEO of AccessKey IP, Inc. (“AccessKey”), a portfolio company in which the Funds invested. Stevens also served as director of ICCW. Stevens has never been associated with a registered broker-dealer or investment adviser. Stevens previously entered into a consent judgment with the Commission based on the allegations of the original Complaint in this matter. On December 9, 2014, the Court entered a Judgment of Permanent Injunction and Other Relief against Stevens. (D.E. 17.) Accordingly, all issues of liability have been resolved as to Stevens. The amount of disgorgement and civil penalty, if any, to be paid by Stevens is yet to be determined.

20. Stevens Resource is an unregistered investment adviser with a principal place of business in Lacey, Washington. From October 2008 until January 2010, Stevens Resource acted as an unregistered investment adviser to the Adamas and Stealth Funds, both of which are private equity funds. Stevens Resource has never been registered with the Commission in any capacity. Stevens Resource previously entered into a consent judgment with the Commission based on the allegations of the original Complaint in this matter. On December 9, 2014, the Court entered a Judgment of Permanent Injunction and Other Relief against Stevens Resource. (D.E. 16.) Accordingly, all issues of liability have been resolved as to Stevens Resource. The amount of disgorgement and civil penalty, if any, to be paid by Stevens Resource is yet to be determined.

B. Related Entities

21. The Adamas Fund is a Minnesota limited liability limited partnership formed in April 2007 by Altholtz for the purpose of engaging in investment activities as an unregistered private investment fund.

22. The Stealth Fund is also a Minnesota limited liability limited partnership formed in December 2007 by Altholtz for the purpose of engaging in investment activities as an unregistered private investment fund.

III. JURISDICTION AND VENUE

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

24. This Court has personal jurisdiction over the Defendants and venue is proper in the Middle District of Florida because many of the Defendants' acts and transactions constituting violations of the Securities Act, the Exchange Act, and the Advisers Act occurred in the Middle District of Florida. For example, Wealth Strategy operated the Funds from the Middle District of Florida, and some of the Funds' investors reside within the District. Further, Altholtz currently resides in the District.

25. In connection with the conduct alleged in this Second Amended Complaint, the Defendants, directly and indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

IV. BACKGROUND OF THE FRAUD

A. Altholtz Creates the Adamas and Stealth Funds

26. In April and December 2007 respectively, Altholtz established the Adamas and Stealth Funds in order to invest primarily in small publicly-traded companies referred to as “nanocaps.” The Funds’ investments in these companies were made through private investments in public equity (“PIPE”) transactions ranging from \$25,000 up to \$4 million in any one portfolio company investment.

27. In total, the Adamas Fund invested in approximately 30 different portfolio companies. The Stealth Fund made investments in approximately 11 portfolio companies. The Funds’ investments in these companies usually took the form of promissory notes, convertible notes, convertible debentures, common stock, preferred stock, and warrants.

28. Altholtz formed, controlled, and operated Wealth Strategy, which served as general partner to both the Adamas and Stealth Funds. As the Funds’ general partner, Wealth Strategy was responsible for providing all administrative and managerial services to the Funds, including seeking investor capital, drafting and distributing offering documents, and communicating with investors.

29. Between April 2007 and February 2008, Wealth Strategy and Altholtz raised about \$18.1 million from 86 investors through private placement sales of limited partnership interests in the Adamas Fund. Between December 2007 and November 2009, they raised another \$12.7 million from about 57 investors through private sales of limited partnership interests in the Stealth Fund.

30. All told, Wealth Strategy and Altholtz raised about \$30.8 million through sales of securities in the Funds. After November 2009, the Defendants continued to offer interests in the

Stealth and Adamas Funds until at least April 2010.

B. Altholtz Hires Stevens and Stevens Resources to Be the Funds' Investment Adviser

31. In October 2008, Altholtz recruited Stevens and his company, Stevens Resource, to take over as investment adviser for the Adamas and Stealth Funds, replacing the Funds' prior investment adviser, Nutmeg Group, LLC. As the Funds' new investment adviser, Stevens and Stevens Resource assumed responsibility for their investment strategy and decisions. Altholtz also tasked them with negotiating the most favorable investment terms with the portfolio companies in which the Funds invested.

32. During the same time period, Altholtz and Stevens also held key positions at two of the Funds' portfolio companies. While Stevens was investment adviser to the Adamas and Stealth Funds, he was also serving as CEO of portfolio company AccessKey, a position he had held since July 2006. In addition, both Altholtz and Stevens served as chairman of the board and director, respectively, of another portfolio company, ICCW.

C. Adamas' and Stealth's Offering Materials

33. Beginning in 2007, the Adamas Fund began distributing its private placement memorandum ("PPM") to investors, which was dated April 2007. The Stealth Fund distributed two versions of its PPM to investors – one dated December 2007 and a second dated December 2008.

34. The Adamas Fund PPM and both versions of the Stealth Fund PPMs were substantially identical, except that the 2008 Stealth Fund PPM included information about its new investment adviser Stevens and his background and experience.

35. Along with the PPMs, Altholtz also provided investors with the Funds' "operating agreements." As with its 2008 PPM, Altholtz also amended the Stealth Fund's operating

agreement when Stevens took over as the Fund's investment adviser.

36. The offering materials stated that Wealth Strategy and Stevens Resource were entitled to an annual management fee of 2.5%, paid monthly based on the Adamas and Stealth Funds' month-end net asset values. This fee was to be divided equally between Wealth Strategy and Stevens Resource. Wealth Strategy and Stevens Resource were also entitled to collect an "incentive fee" of 30% of each of the Funds' quarterly net profit, divided equally. Stevens and Altholtz received a portion, if not all, of those fees.

37. Altholtz prepared and distributed the Adamas and Stealth Fund's offering materials, including the PPMs and operating agreements. Stevens provided Altholtz with some of the information that went into the Stealth Fund's 2008 PPM and operating agreement. Working in concert with Altholtz, Stevens also reviewed the final drafts of those offering materials before Altholtz sent them to investors.

Adamas' and Stealth's Newsletters

38. The Defendants also provided investors with quarterly, and later bi-annual, newsletters updating them on the Funds' performance and the status of the underlying portfolio companies. Some investors made additional investments in the Funds after receiving these newsletters.

39. Stevens wrote four of the earlier newsletters, two for the Adamas Fund and two for the Stealth Fund, as the Funds' investment adviser. Altholtz reviewed and approved them before he sent them to investors. The newsletters were dated December 2008 and March 2009, but the Defendants issued them in February 2009 and April 2009, respectively. Stevens' name and title were included as the person responsible for each of these newsletters.

40. Stevens and Altholtz together prepared, and were both listed as authors of, the two later newsletters, one for each of the Funds; both dated September 2009 but issued in October 2009.

V. THE DEFENDANTS' MISREPRESENTATIONS AND OMISSIONS

41. From October 2008 through April 2010, the Defendants made a number of material false statements and omissions in the Funds' offering materials to investors.

42. These statements and omissions were at the heart of the Defendants' scheme to misrepresent the Funds' financial health to current and potential investors.

43. By misrepresenting the true value of the Funds and their investment holdings, the Defendants received management fees and incentives fees based not on the true value of the Funds' holdings but on the inflated, misstated, or mischaracterized nature of the Funds' financial health and net worth.

A. The Defendants' Failure to Disclose the Stealth Fund's Guarantees of Altholtz's Personal Loans to two of the Fund's Portfolio Companies

44. In 2009, the Defendants failed to disclose to the Stealth Fund's investors that the Fund's assets were used by them to guarantee loans that Altholtz's family's trusts made to two of the Fund's portfolio companies, AccessKey and ICCW.

45. The Altholtz family trusts were both affiliates of Wealth Strategy.

46. In April 2009, the Stealth Fund guaranteed a \$200,000 short-term loan that an Altholtz-family trust made in AccessKey. According to the terms of the note, the Stealth Fund would be fully liable for the \$200,000, plus any accrued interest, in the event AccessKey was unable to repay the loan. The note carried a 12% annual interest rate and was signed by Stevens on behalf of the Stealth Fund as the guarantor.

47. In September 2009, the note was superseded by another note for the same amount that the Stealth Fund again guaranteed, but which now bore interest at a compounded rate. Stevens again signed the superseding note on behalf of the Stealth Fund as guarantor.

48. Similarly, in June 2009, the Stealth Fund partially guaranteed two other loans that this trust and another Altholtz-family trust made to another Portfolio Company, ICCW.

49. Based on the terms of the two notes memorializing those loans, which originally totaled \$825,000, Stealth would be liable for half of the face value of the notes plus accrued interest if ICCW defaulted. Both notes had a four year maturity date and carried an annual interest rate of 10%.

50. The Defendants failed to disclose to investors this additional liability for the Stealth Fund. Such a liability directly impacts the future health of the Stealth Fund. Ultimately, the Defendants were using investor funds to guarantee the Altholtz Family Trusts' loans to the Stealth Fund's Portfolio Companies.

51. Moreover, the Defendants failed to properly disclose the guarantees, which represented a conflict of interest for the Stealth Fund, because it used investor funds in an undisclosed way.

52. In particular, the Defendants' acts constituted an undisclosed attempt to bolster the Stealth Fund's Portfolio Companies without properly disclosing this fact to investors. As a result, the Defendants hid from investors: (1) the true financial health of the Stealth Fund; (2) the true financial strength of certain of the Portfolio Companies; and/or (3) the actual use of investor funds.

53. Neither of the Funds' operating agreements made any disclosures indicating that investor funds would be used to guarantee outside loans, let alone loans made by the Defendants or their affiliates to the Fund's Portfolio Companies.

54. Because the Defendants used the guarantees to support two of the Stealth Fund's Portfolio Companies, the Defendants knew, but did not disclose to investors, how investor funds were being used to guarantee loans to the very Portfolio Companies in which they were investing.

55. In fact, while not specifically discussing guarantees, both the Adamas and Stealth Funds' operating agreements specifically stated that the general partner, Wealth Strategy, and its affiliates, were prohibited from making loans to the Funds. In other words, the Stealth Fund's operating agreement prohibited the Fund from being indebted to Wealth Strategy, or its affiliates such as the Altholtz family trusts.

56. The Defendants knew as early as April 2009, when the first guarantee was made, that they intended to use the Stealth Fund's assets to guarantee Altholtz's family's investments, but continued to distribute the Stealth Fund's offering materials and raise money from investors until at least November 2009.

57. The Defendants never disclosed, in offering materials or otherwise, that the Stealth Fund's assets could be used to guarantee the personal loans of Altholtz or his family's trusts.

58. Defendants failed to fully disclose to investors that they were using investor funds to support and guarantee loans made by Altholtz to "prop up" these Portfolio Companies.

59. Ultimately, the failure to disclose these guarantees hid how the Defendants used investor funds and masked the true strength of the Stealth Fund and the Portfolio Companies in which it invested.

60. Without prior notice to existing or potential investors, the Defendants approved the guarantees.

61. In fact, in July 2009, about a month after the last guarantee had already occurred, Altholtz sent an email to investors asking permission to execute the guarantees. In this email, Altholtz indicated that he was merely considering the guarantee and that he would need their approval. Altholtz did not disclose to investors that Stealth had already issued loan guarantees.

62. In response, at least one investor objected to the “proposed” guarantee and found it “insulting” that Altholtz would seek to give himself a windfall despite the Fund’s performance.

B. The Defendants’ Undisclosed Loans to the Adamas and Stealth Funds

63. The Defendants also made misstatements and omissions regarding loans that Wealth Strategy and Altholtz’s family made directly to the Adamas and Stealth Funds.

64. Both the Adamas and Stealth Funds’ operating agreements specifically stated that the general partner, Wealth Strategy, and its affiliates, were prohibited from making loans to the Funds.

65. However, on at least two occasions, Wealth Strategy and two Altholtz family trusts made loans totaling \$550,000 directly to the Adamas and Stealth Funds.

1. Wealth Strategy Loan Made to the Adamas Fund In Violation of the Fund’s Operating Agreement

66. In January 2009, Wealth Strategy made a \$250,000 loan, comprised of two payments, to the Adamas Fund. The promissory note memorializing the loan was later

reassigned to an Altholtz family trust. The promissory note, which was signed by Stevens as investment adviser to the Fund, carried an 18% annual interest rate and had a very short maturity date of March 2009, just two months. It also called for a default interest rate at the greater of 18% per year or the appreciation of the Standard & Poor's 500 stock index from the time of maturity through the date of repayment. More than a year went by before the Adamas Fund could repay this loan.

67. Despite knowing of the short maturity date and exorbitant interest rate of the loan, the Defendants agreed to this loan to the Adamas Fund without properly disclosing any of these facts to current and future investors.

68. In April 2010, while the Adamas Fund had virtually no cash in its bank accounts, Altholtz sold more than \$325,000 worth of money market securities out of the fund's brokerage account and issued a check for \$391,005 to his family's trust as repayment on the loan. This amount constituted the full repayment (principal, interest, and default interest) of the loan. Notably, with the 18% interest carried on the note and the S&P 500 having appreciated at the rate of 50.7% during the default period, the trust earned \$141,005 in interest alone on a \$250,000 loan with a 15-month term.

**2. Altholtz Family Trust Loan Made to the Stealth Fund
In Violation of the Fund's Operating Agreement**

69. In December 2008, another Altholtz family trust made a \$300,000 loan to the Stealth Fund. From all indications, there was no loan agreement or promissory note for this loan.

70. In April 2010, as he did with the Adamas Fund, Altholtz sold what little assets the Stealth Fund had at the time in order to repay this loan to the trust.

71. Specifically, records show that Altholtz sold stock totaling approximately \$303,400 out of the Stealth Fund's brokerage account and used the proceeds to issue a check for \$300,000 to the trust.

72. Again, Altholtz never disclosed the existence of this loan or the fact that he was using investor funds to pay off this loan.

**C. Misstatements and Omissions
in the Adamas and Stealth Funds' Newsletters**

73. From February 2009 through October 2009, in newsletters issued to the Adamas and Stealth Funds' investors, the Defendants also made misrepresentations and omissions about certain of the Funds' portfolio companies.

74. Stevens prepared the newsletters by doing on-line research and using internal information he already had about the portfolio companies. He also spoke directly with a representative from the portfolio company, such as an executive officer or director, to obtain more information about the company.

75. Altholtz personally reviewed and approved the statements contained in all of the newsletters before they went out to investors. According to Altholtz, "anything of significance" that was happening with the funds would be included in the newsletters.

76. Certain of the newsletters, however, contained misleading information and omissions with regard to several of the Funds' portfolio companies.

**1. The Defendants' Misrepresentations and Omissions Concerning
Apple Rush Company, Inc. and Physician Healthcare Management Group, Inc.**

77. The Stealth Fund's December 2008 newsletter claimed one of the Fund's portfolio companies, Apple Rush Company, Inc., generated "profitability from a line of energy drinks." This was a false statement. In truth, Apple Rush was far from profitable, having

reported a net loss of about \$1.25 million for that same quarter.

78. In the Adamas and Stealth Funds' December 2008 and March 2009 newsletters, the Defendants told investors that another portfolio company, Physician Healthcare Management Group, Inc., had a "substantial amount of cash" and held a "\$4 million in a cash position." This was a misleading statement. Those newsletters failed to disclose that this cash was the same \$4 million the Stealth Fund had recently invested in the company.

2. The Defendants' Misrepresentations Concerning AccessKey

79. The Defendants also made misrepresentations concerning portfolio company AccessKey. In referring to an outstanding note with AccessKey, the Stealth Fund's December 2008 newsletter also falsely stated there was "no issue with repayment" with that company because of its profitability.

80. This statement is contradicted by AccessKey's own outside auditors, who concluded, in their audit report as of the same time period, that they could give "no assurance" that the company would be capable of sustaining profitable operations or paying its notes when they become due.

81. Moreover, even before the Defendants issued this newsletter, it was clear AccessKey would not be able to repay an outstanding note to the Stealth Fund.

82. At the time, AccessKey's financial statements for that quarter show the company did not have sufficient cash on hand (at the time totaling only about \$228,000) to repay the \$1.4 million in outstanding notes plus accrued interest it owed to the Stealth Fund.

83. As a result, all of the notes were superseded and combined into a new note that extended the maturity dates by two years.

84. The Defendants discussed AccessKey again in two later Stealth Fund newsletters. The Stealth Fund's March 2009 newsletter claimed that AccessKey "will do twelve million plus in revenue this year." This statement lacked any basis in fact. In fact, by the date of this newsletter, AccessKey had only generated revenue of about \$60,000.

85. The Stealth Fund's September 2009 newsletter similarly represented that the company "continues to do quite well even during these depressed economic times." This statement was false because, among other reasons, AccessKey's financial position had further deteriorated. By this point, on less than \$1 million in revenues, AccessKey had already reported a net loss of about \$3.3 million so far for the year.

86. Stevens and Altholtz together prepared and were both listed as authors of the September 2009 newsletter.

87. Stevens, while serving as CEO of AccessKey, knew or should have known the true financial status of AccessKey.

3. The Defendants' Misrepresentations Concerning ICCW

88. Some of the Adamas and Stealth Funds' newsletters also misled investors by falsely touting ICCW, another Fund portfolio company, and the growth of its Voice Over Internet Protocol (VoIP) business.

89. One newsletter (The Adamas Fund's March 2009 newsletter) discussed the "substantial growth" of ICCW's business in Italy and Belgium, and its "inroads" in Spain. Another newsletter (The Stealth Fund's December 2008 newsletter) claimed ICCW "partners with some of the biggest names in VoIP in Europe" and that it "currently has 100 plus call shops" on its VoIP system. These newsletters also discussed ICCW's purported relationships and deals with other large carriers in the industry such as "TeaNet," "VodaPhone," and "IDT."

90. In reality, at the time both newsletters were sent to investors, ICCW had only generated about \$180,000 and \$245,000 in revenues for December 2008 and March 2009 respectively, the two quarters for which the newsletters were issued.

91. Moreover, ICCW's financials show that it had been operating at a significant net loss since inception and had very little cash on hand.

92. Altholtz, while serving as chairman of the board of ICCW, knew or should have known the true financial status of ICCW.

93. The descriptions of ICCW's business provided in these newsletters misled investors into believing that the company was growing rapidly and generating substantial revenues.

94. Based on what the newsletters stated, some investors made additional investments in the Funds.

D. Wealth Strategy and Altholtz Orchestrated a Preferential Redemption Payment to the Altholtz-Family Trust over Other Investors

95. In early 2010, Wealth Strategy and Altholtz gave an Altholtz family trust, which was an investor in the Adamas Fund, preferential treatment over other investors also seeking redemptions. The Altholtz family trust had invested \$100,000 in the Adamas Fund and was seeking to cut its losses.

96. During that same time, as the Adamas Fund continued to deteriorate, more and more investors were also asking to withdraw from the Fund. In response, Altholtz told them either the Adamas Fund did not have sufficient cash on hand or that doing so would harm the other investors.

97. In particular, one investor had made several redemption requests. Altholtz told him the fund was “struggling” and was not able to liquidate enough shares to cash out investors. By February 2010, that investor had still not received his redemption.

98. Notwithstanding what he was telling this investor and others, Altholtz proceeded to sell stock and other securities held in the Adamas Fund’s brokerage account and used a portion of those proceeds to make a redemption payment of \$60,200 to his own family’s trust. The payment represented the net residual value of his family trust’s original \$100,000 investment.

99. At the time of the redemption, Altholtz and Wealth Strategy knew Adamas’ assets were nearly depleted and that they had already denied redemption requests from other investors.

COUNT I

Fraud in the Offer or Sale of Securities in Violation of Section 17(a)(1) of the Securities Act (Against All Defendants for Their Actions Regarding Guarantees and Loans)

100. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

101. From October 2008 through April 2010, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly or recklessly employed devices, schemes or artifices to defraud.

102. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

**Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act
(Against All Defendants for Their Actions
Regarding Portfolio Company Newsletters)**

103. The Commission realleges and incorporates Paragraphs 1-43 and 73-94 of this Second Amended Complaint.

104. From October 2008 through April 2010, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly or recklessly employed devices, schemes or artifices to defraud.

105. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

**Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act
(Against Wealth Strategy and Altholtz for Their Actions
Regarding Preferential Redemptions)**

106. The Commission realleges and incorporates Paragraphs 1-37, 41-43, and 95-99 of this Second Amended Complaint.

107. From October 2008 through April 2010, Wealth Strategy and Altholtz, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly or recklessly employed devices, schemes or artifices to defraud.

108. By reason of the foregoing, Wealth Strategy and Altholtz, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT IV

**Fraud in the Offer or Sale of Securities in Violation of
Sections 17(a)(2) and 17(a)(3) of the Securities Act
(Against All Defendants for Their Actions
Regarding Guarantees and Loans)**

109. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

110. From October 2008 through April 2010, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities:

- (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers of such securities.

111. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

COUNT V

**Fraud in the Offer or Sale of Securities in Violation of
Sections 17(a)(2) and 17(a)(3) of the Securities Act
(Against All Defendants for Their Actions
Regarding Portfolio Company Newsletters)**

112. The Commission realleges and incorporates Paragraphs 1-43 and 73-94 of this Second Amended Complaint.

113. From October 2008 through April 2010, the Defendants, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities:

- (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers of such securities.

114. By reason of the foregoing, the Defendants, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

COUNT VI

**Fraud in the Offer or Sale of Securities in Violation of
Sections 17(a)(2) and 17(a)(3) of the Securities Act
(Against Wealth Strategy and Altholtz for
Their Actions Regarding Preferential Redemptions)**

115. The Commission realleges and incorporates Paragraphs 1-37, 41-43, and 95-99 of this Second Amended Complaint.

116. From October 2008 through April 2010, Defendants Wealth Strategy and

Altholtz, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities:

- (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers of such securities.

117. By reason of the foregoing, Wealth Strategy and Altholtz, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

COUNT VII

Fraud in Connection with the Purchase or Sale of Securities in Violation of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c) (Against Defendants Wealth Strategy and Altholtz for Their Actions Regarding Guarantees and Loans)

118. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

119. From October 2008 through April 2010, Wealth Strategy and Altholtz, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and 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; or

(c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

120. By reason of the foregoing, Wealth Strategy and Altholtz, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5(a), (b), and (c).

COUNT VIII

Fraud in Connection with the Purchase or Sale of Securities in Violation of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c) (Against All Defendants for Their Actions Regarding Portfolio Company Newsletters)

121. The Commission realleges and incorporates Paragraphs 1-43 and 73-94 of this Second Amended Complaint.

122. From October 2008 through April 2010, the Defendants, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and 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; or
- (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

123. By reason of the foregoing, the Defendants, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5(a), (b), and (c).

COUNT IX

**Fraud in Connection with the Purchase or Sale of Securities in
Violation of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c)
(Against Wealth Strategy and Altholtz for Their Actions
Regarding Preferential Redemptions)**

124. The Commission realleges and incorporates Paragraphs 1-37, 41-43, and 95-99 of this Second Amended Complaint.

125. From October 2008 through April 2010, Wealth Strategy and Altholtz, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and 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; or
- (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

126. By reason of the foregoing, Wealth Strategy and Altholtz, directly or indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5(a), (b), and (c).

COUNT X

**Aiding and Abetting Fraud Violations of Section 10(b) and
Rule 10b-5(a), (b), and (c) of the Exchange Act
(Against Stevens Resource and Stevens for Their Actions
Regarding Guarantees and Loans)**

127. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

128. From October 2008 through April 2010, Defendants Wealth Strategy and Altholtz, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and 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; or
- (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

129. Defendants Stevens Resource and Stevens, from no later than October 2008 through January 2010, knowingly or recklessly substantially assisted Wealth Strategy's and Altholtz's violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a), (b) and (c) thereunder, 17 C.F.R. § 240.10b-5.

130. By reason of the foregoing, Defendants Stevens Resource and Stevens assisted violations and, unless enjoined, are reasonably likely to continue to assist 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.

COUNT XI

Fraud by Investment Advisers in Violation of Section 206(4) and Rule 206(4)-8(a) of the Advisers Act (Against Stevens Resource and Stevens for Their Actions Regarding Guarantees, Loans, and Portfolio Company Newsletters)

131. The Commission realleges and incorporates Paragraphs 1-94 of this Second Amended Complaint.

132. During the relevant time period, Defendants Stevens Resource and Stevens were investment advisers within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(11).

133. From October 2008 through January 2010, Defendants Stevens Resource and Stevens, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, while acting as an investment advisers to a pooled investment vehicle:

- (a) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, to investors and prospective investors in a pooled investment vehicle; or
- (b) engaged in acts, practices, or courses of business that were fraudulent, deceptive, or misleading upon investors and prospective investors in a pooled investment vehicle.

134. By reason of the foregoing, Defendants Stevens Resource and Stevens, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 206(4) and Rule 206(4)-8(a) of the Advisers Act, 15 U.S.C. 80b-6(4) and 17 C.F.R. § 275.206(4)-8.

COUNT XII

Fraud by Investment Advisers in Violation of Section 206(4) and Rule 206(4)-8(a) of the Advisers Act (Against Wealth Strategy and Altholtz for Their Actions Regarding Guarantees and Loans)

135. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

136. During the relevant time period, Defendants Wealth Strategy and Altholtz were investment advisers within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(11).

137. From January 2010 through April 2010, Defendants Wealth Strategy and Altholtz, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, while acting as an investment adviser to a pooled investment vehicle:

- (a) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, to investors and prospective investors in a pooled investment vehicle; or
- (b) engaged in acts, practices, or courses of business that were fraudulent, deceptive, or misleading upon investors and prospective investors in a pooled investment vehicle.

138. By reason of the foregoing, Defendants Wealth Strategy and Altholtz, directly and indirectly, violated and, unless enjoined, are reasonably likely to continue to violate, Section 206(4) and Rule 206(4)-8(a) of the Advisers Act, 15 U.S.C. 80b-6(4) and 17 C.F.R. § 275.206(4)-8(a).

COUNT XIII

Aiding and Abetting Fraud in Violation of Section 206(4) and Rule 206(4)-8(a) (Against Altholtz for His Actions Regarding Guarantees and Loans)

139. The Commission realleges and incorporates Paragraphs 1-37 and 41-72 of this Second Amended Complaint.

140. From January 2010 through April 2010, Defendant Altholtz, directly and indirectly, while acting as an investment adviser to a pooled investment vehicle:

- (a) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, to investors and prospective investors in a pooled investment vehicle; or
- (b) engaged in acts, practices, or courses of business that were fraudulent, deceptive, or misleading upon investors and prospective investors in a pooled investment vehicle.

141. Altholtz, by engaging in the conduct described above, knowingly or recklessly substantially assisted Wealth Strategy's violations of Section 206(4) and Rule 206(4)-8(a) of the Advisers Act.

142. By reason of the foregoing, Altholtz violated and, unless enjoined, is reasonably likely to continue to, assist violations of Section 206(4) and Rule 206(4)-8(a) of the Advisers Act, 15 U.S.C. 80b-6(4) and 17 C.F.R. § 275.206(4)-8.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court find that the Defendants committed the violations alleged, and:

I.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (i) Section 17(a)(2) of the Securities Act; (ii) Sections 17(a)(1) and 17(a)(3) of the Securities Act; (iii) Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and (v) Section 206(4) of the Advisers Act and Rule 206(4)-8.

II.

Disgorgement

Issue an Order directing the Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the acts or courses of conduct alleged in this Second Amended Complaint.

III.

Penalties

Issue an Order directing 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) 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).

IV.

Officer or Director Bars

Issue an Order barring Defendants Altholtz and Stevens from acting as an officer or director of a public company pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act.

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Respectfully submitted,

March 18, 2016

By: /s James M. Carlson

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CERTIFICATE OF SERVICE

I hereby certify that on March 18, 2016, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that on March 18, 2016, I had the foregoing document and the notice of electronic filing served via CM/ECF or mailed to the following non-CM/ECF participants:

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