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UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA

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CLERK US DISTRICT COURT  
ALEXANDRIA, VIRGINIA

UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,  
100 F Street, N.E.  
Washington, DC 20549

Plaintiff,

v.

LONG TERM-SHORT TERM, INC. and  
FREDDIE RICK,

Defendants.

Civil Action No. 1:11cv 1127  
GBL/TRJ

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"), alleges as follows against defendants Long Term-Short Term, Inc. and Freddie Rick (collectively, the "Defendants"):

SUMMARY

1. Defendant Long Term-Short Term, Inc., d/b/a BetterTrades, (the "Company" or "BetterTrades") sells products designed to teach students how to trade options, including seminars, workshops and software that facilitates options trading. Defendant Rick is the founder, co-owner, and primary manager overseeing the operations of the Company. Beginning in 2007, the Company experienced rapid growth.
2. Beginning no later than 2007 and continuing through at least 2008, certain BetterTrades instructors falsely claimed to be highly successful options traders using the strategies taught by BetterTrades.
3. Company marketing materials claimed that certain Company instructors were successful, active traders using options trading strategies taught by BetterTrades from at least 2007 and continuing through at least 2008. Rick also claimed that certain Company instructors were successful, active traders using BetterTrades trading strategies from at least 2007 and continuing through at least 2008. Defendants

acted recklessly in making these claims without verifying their accuracy from trading records or brokerage statements.

4. Certain Company marketing materials claimed that Rick became wealthy through his options trading. The Company knew or was reckless in not knowing that Rick's wealth came primarily from Company operations.

5. The Commission asks this Court to permanently enjoin the defendants from violating federal securities laws and rules pursuant to Section 21(d)(1) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78u(d)(1)]; impose civil penalties on the defendants pursuant to Exchange Act Section 21(d)(3) [15 U.S.C. §78u(d)(3)].

#### **JURISDICTION**

6. This Court has jurisdiction over this action under Sections 21(d), 21e, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], to permanently enjoin the defendants from engaging in the acts, practices, and courses of business alleged herein, and to order other relief.

7. Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, or courses of businesses alleged herein, certain of which occurred in the Eastern District of Virginia. The Company advertised in, conducted seminars for customers in, and sold products in the Eastern District of Virginia.

8. Venue is proper in this district pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa].

#### **DEFENDANTS**

9. Long Term-Short Term, Inc., d/b/a BetterTrades, is a Nevada corporation based in Norcross, Georgia. From at least 2007 through at least 2009, the Company did business primarily under the BetterTrades brand name.

10. Freddie Rick of Mann, West Virginia, is the co-founder, President, and co-owner of the Company.

### **FACTS**

11. From at least 2007 through at least 2009, the Company sold products related to securities trading, including live and recorded classes on different options trading strategies and software to facilitate options trading, under the BetterTrades brand name. Beginning in 2007, the Company experienced a period of rapid growth.

12. During this time period, Rick was the primary manager overseeing the operations of BetterTrades, including sales operations.

13. Beginning no later than 2007 and continuing through at least 2008, certain BetterTrades instructors falsely claimed to be highly successful options traders using the strategies taught by the Company. For example, in a 2007 seminar that was recorded and sold as a boxed DVD set to customers, an instructor and top salesperson falsely claimed that she made her living trading in the stock market and had become a multimillionaire from her successful trading. Whether a trading instructor was a profitable options trader was material to prospective students. Defendants knew or were reckless in not knowing that some Company instructors made these and similar claims.

14. Certain Company marketing materials, including television infomercials, also claimed during this period that certain BetterTrades instructors were active, profitable traders, and Rick personally made similar claims.

15. BetterTrades had the contractual right to require trading documentation from its instructors, but did not do so. Defendants relied solely on false and unsubstantiated claims by certain instructors. Defendants' failure to obtain trading documentation to verify instructors claimed trading success was reckless.

16. Defendants ignored red flags that certain BetterTrades instructors were not currently trading

and were misrepresenting their past trading success. For example, Rick was warned that at least two instructors were not trading.

17. Defendants encouraged students and Company representatives to make unfunded paper trades to gain experience trading. Paper trading is a way to practice trading by simulating trading. In paper trading, would-be traders mimic trading without investing funds. Defendants took the position that all trades were real, whether funded or unfunded paper trades. Sometimes Company instructors highlighted to students what appeared to be a profitable “trade” without disclosing that it was an unfunded paper trade.

18. Company infomercials, which aired nationally, stated that BetterTrades options trading strategies had helped “thousands of people completely change their financial futures.” Those promotional statements implied to prospective students that thousands of BetterTrades’ students had become successful traders. The Company had no basis to create that impression because it did not track its students’ trading activity.

19. Certain Company marketing materials declared that the BetterTrades system was simple and easy, and that “when you follow these simple ABCs and 123s of trading, you will succeed.” Those statements created the impression that students following BetterTrades’ strategies had become successful options traders, even though the Company had no basis to create that impression because it did not track customer trading activity after customers completed BetterTrades coursework.

20. Certain Company marketing materials asserted that Rick became wealthy as a result of options trading. The Company knew, or was reckless in not knowing, that Rick’s wealth came primarily from Company operations and that its statements about the source of Rick’s wealth were false.

21. As head of the Company, defendant Rick allowed infomercials to air which incorrectly implied that his wealth came from trading.

22. Defendants expected that many BetterTrades students would trade options after taking BetterTrades classes and buying BetterTrades products. The Company required customers to trade options as

a precondition of a money-back guarantee.

23. Beginning in 2008, Defendants adopted compliance policies and subsequently began work on compliance guidelines. Among other things, the current compliance guidelines establish rules regarding statements made by or about Company representatives; require instructors to provide their trading records to the Company; require verification of student testimonials; and forbid Company representatives from suggesting that making money through trading is simple or easy.

### **FIRST CLAIM FOR RELIEF**

#### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

24. The Commission realleges and incorporates by reference paragraphs 1 through 23, above.

25. By engaging in the conduct set forth above, Defendants, directly or indirectly, individually and together, by use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national security exchange, with scienter: (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 light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons, in connection with the purchase or sale of securities.

26. By reason of the foregoing, Defendants violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. §§ 240.10b-5] and unless restrained and enjoined will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5.

### **RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that this Court:

#### **I.**

Permanently restrain and enjoin Defendants, their agents, servants, employees, 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 violating Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5;

**II.**

Order that Defendants pay civil money penalties pursuant to Exchange act Section 21(d)(3) [15 U.S.C. §§ 78u(d)(3)];

**III.**

Grant such other relief as the Court may deem just and proper; and

**IV.**

Retain jurisdiction over this action to enforce any Orders or Final Judgments issued by this Court.

Dated: October 18, 2011

Respectfully submitted,



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