

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

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**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**DONALD ANTHONY WALKER YOUNG,  
a/k/a D. A. WALKER YOUNG,  
ACORN CAPITAL MANAGEMENT, LLC and  
ACORN II, L.P.,**

**Defendants,**

**and**

**OAK GROVE PARTNERS, L.P.,  
NEELY YOUNG and  
W. B. DIXON STROUD, JR.,**

**Relief Defendants.**

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**Civil Action No.  
09-cv-01634-JRP**

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

**SUMMARY**

1. This matter involves an ongoing fraud being conducted by Donald Anthony Walker Young (“Young”) through Acorn Capital Management, LLC (“Acorn Capital”), a registered investment adviser controlled by Young. From at least mid-2005 through the present, Young and Acorn Capital have used Acorn II, L.P. (“Acorn LP”), a limited partnership they advise and control, to misappropriate at least \$23 million from investors in Acorn LP. Young has directly stolen some of these funds, and also has used investor monies to pay other investors in the nature of a Ponzi scheme.

2. Young has misappropriated investor funds for deposit in bank and brokerage accounts in his name and joint name with his wife, Neely Young, and used them to, among other things, purchase a home in Palm Beach, Florida, and support a lavish lifestyle for his family, including payments for expenses related to horse ownership and racing, construction, boats, limousines, chartered aircraft and other luxuries.

3. Young has also transferred Acorn LP investor funds to Oak Grove Partners, L.P. (“Oak Grove”), a separate limited partnership advised by Acorn Capital, and in 2008 transferred more than \$7 million to the benefit of W. B. Dixon Stroud, Jr. (“Stroud”), an individual connected to Young.

4. In order to perpetuate their scheme, Young and Acorn Capital provided false information to Acorn LP’s accountants, and false account statements and other records both to Acorn LP’s investors and to the introducing broker-dealer for the Acorn LP account. Although as of December 31, 2008, the Acorn LP brokerage account had assets valued at approximately \$4.4 million, and currently has assets valued at approximately \$3.3 million, Young and Acorn Capital have falsely reported to investors, through quarterly and annual statements, that their investment balances are much higher. In furtherance of the fraud, in February 2009, Young gave false documents to employees of the introducing broker-dealer to deceive them into believing that Acorn LP held assets at other entities in excess of \$23 million when, in fact, no such accounts exist.

5. In addition, despite repeated requests from the Commission’s compliance examiners, Young and Acorn Capital have refused to provide client files, account statements, general ledger details and other documents that are statutorily required to be maintained and produced by registered investment advisers, and that would have exposed defendants’ fraudulent acts.

6. As a result of the conduct described in this Complaint, all of the defendants have violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

7. In addition, as a result of the conduct described in this Complaint, defendant Acorn Capital has violated, and unless restrained and enjoined will continue to violate, Sections 204, 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-4, 80b-6(1), 80b-6(2), and 80b-6(4)] and Rules 204-2 and 206(4)-8 thereunder [17 C.F.R. §§ 275.204-2 and 275.206(4)-8].

8. Finally, as a result of the conduct described in this Complaint, defendant Young has violated, and unless restrained and enjoined will continue to violate, Sections 206(1), 206(2) and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)], and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8]; and has aided and abetted violations, and unless restrained and enjoined will continue to aid and abet violations of, Section 204 of the Advisers Act [15 U.S.C. § 80b-4], and Rule 204-2 thereunder [17 C.F.R. § 275.204-2].

### **JURISDICTION AND VENUE**

9. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Sections 209(d) and (e) of the Advisers Act [15 U.S.C. §§ 80b-9(d) and (e)], to enjoin such acts, transactions, practices, and courses of business; obtain disgorgement and civil penalties; and for other appropriate relief.

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

11. Certain of the defendants are inhabitants of, and certain of the acts, transactions, practices and courses of business constituting the violations alleged herein occurred within, the Eastern District of Pennsylvania.

12. In connection with the conduct alleged in this Complaint, the defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

#### DEFENDANTS

13. **Acorn Capital Management, LLC**, a Pennsylvania limited liability company, is registered with the Commission as an investment adviser. It is located in Kennett Square, Pennsylvania. In addition to advising separately managed accounts, Acorn Capital is the investment adviser to two limited partnerships, Acorn LP and Oak Grove. On April 1, 2009, Acorn Capital filed a Form ADV reporting assets under management of approximately \$122.4 million. Acorn Capital also reported that it managed 12 individual accounts and had discretionary authority over all of these accounts.

14. **Donald Anthony Walker Young, a/k/a D. A. Walker Young**, age 38, resides in Coatesville, Pennsylvania and has a home in Palm Beach, Florida. According to Acorn Capital's most recent Form ADV, Young is the President, Chief Investment Officer, Chief Compliance Officer, Managing Member and sole owner of Acorn Capital.

15. **Acorn II, L.P.**, is a Pennsylvania limited partnership established by Young in 2001.

In addition to being its investment adviser, Acorn Capital is the general partner of Acorn LP and shares the same address with Acorn LP.

### **RELIEF DEFENDANTS**

16. **Oak Grove Partners, L.P.** is a Delaware limited partnership organized in July 2006. Its principal office is located at the same address as Acorn Capital and Acorn LP. Oak Grove GP, LLC, a Delaware limited liability company, serves as the general partner for Oak Grove. Acorn Capital serves as Oak Grove's investment manager. In its Form ADV filed on April 1, 2009, Acorn Capital reported that the current value of the total assets of Oak Grove was \$40,383,000. Oak Grove received funds from Acorn LP during the course of the fraud alleged in this Complaint.

17. **Neely Young**, who resides in Coatesville, Pennsylvania, is Young's wife and a joint holder with Young on financial accounts that received millions of dollars from Acorn LP.

18. **W. B. Dixon Stroud, Jr.** resides in West Grove, Pennsylvania, and is an individual known to Young who received at least \$7 million of investor funds from the Acorn LP account in 2008. Upon information and belief, Stroud owns or owned office space occupied by Acorn Capital, invested with Acorn Capital, and has, or has had, business affiliations with Young.

### **FACTS**

#### **Acorn LP's Structure**

19. At all times relevant to the facts alleged in this Complaint, defendants Acorn Capital and Acorn LP acted by and through Young.

20. Young established Acorn LP in 2001, purportedly to invest in a wide range of securities, primarily publicly traded equity securities.

21. According to an Acorn LP Confidential Memorandum and an Amended Limited Partnership Agreement (“Acorn LP Partnership Documents”), Acorn Capital, as general partner of Acorn LP, is responsible for, among other things, providing potential investors with offering documents, sending out quarterly account investor statements and audited financial reports, “setting forth a balance sheet of the Partnership,” and executing portfolio transactions.

22. Under the Acorn LP Partnership Documents, as investment adviser to Acorn LP, Acorn Capital is in charge of the Acorn LP investment strategy, and the limited partners (investors) cannot have any role in the management or operation of the partnership. Acorn Capital receives a management fee of one percent (1%) per year of the net asset value of the partnership.

23. As the sole member of Acorn Capital, Young has control over all aspects of the operations of Acorn LP, including but not limited to managing its brokerage accounts and making all investment decisions, reporting to its accountants, communicating with investors, soliciting investments, and directing distributions from its brokerage account.

24. The Acorn LP Partnership Documents identify an accounting firm that serves as Acorn LP’s accountant (“Accountants”).

### **Investment and Distribution of Funds**

25. At all times relevant to this Complaint, Young has had sole authority to order the disbursement or transfer of funds out of the Acorn LP brokerage account.

26. An introducing broker-dealer for Acorn LP accepts investment instructions and direction regarding disbursements from Acorn LP’s brokerage account, but does not have custody of Acorn LP’s assets (“Introducing Broker”).

27. A registered broker-dealer and clearing firm for the Introducing Broker serves as the custodian of the assets of Acorn LP (“Clearing Firm”).

28. Funds invested in Acorn LP are directed to the Clearing Firm where they are pooled in one brokerage account in the name of “Acorn II, LP/Acorn Capital Mgmt LLC, GP” (“Acorn LP Account”).

29. When disbursing funds from the Acorn LP Account, Young generally provides the Introducing Broker with written wire transfer or journal instructions. The funds are then transferred out of the Acorn LP Account in accordance with those instructions.

30. Each month, the Clearing Firm provides a statement of the Acorn LP Account which it sends to the Introducing Broker (“Acorn LP Account Statements”). The Introducing Broker, in turn, then sends copies of the Acorn LP Account Statements to Acorn LP and Acorn Capital, as well as to the Accountants. The Acorn LP Account Statements are not sent to investors in Acorn LP.

31. The Acorn LP Account Statements reflect the activity in the Acorn LP Account as a whole, without detail as to specific investors and their individual investment. Further, in most instances the statements do not reflect the source of funds coming into the Acorn LP Account, or the beneficiary of funds transferred out of that account.

32. There are no sub-accounts within the Acorn LP Account by which individual investor balances are tracked. Instead, the Accountants track the value of each Acorn LP investor’s investment by maintaining books and records that purport to reflect the value of the investor’s capital interest in the partnership. These values are reflected on the books and records of the Accountants as individual accounts for each investor (“Capital Account”). The Accountants keep records for each investor’s Capital Account, which consists of contributions and withdrawals adjusted for market performance.

33. The Accountants keep track of each investor’s Capital Account by extracting information from the Acorn LP Account statements and by obtaining information from Young.

Young provides the Accountants with the individual investor and transaction details necessary to keep track of the individual Capital Accounts. He provides the Accountants with the individual investor information reflected in each investor's Capital Account balance, including all contributions and withdrawals. Using this information, and performance results provided by Young, the Accountants prepare partnership tax information on Form K-1 for each limited partner.

34. For example, if the Acorn LP Account Statement reflects a wire transfer to a bank account on a certain date for a certain amount, the Accountants ask Young for the name of the recipient, and then reflect a withdrawal on that investor's Capital Account. The same is true for deposits into the Acorn LP brokerage account. A specific investor will be credited by the Accountants with a contribution to his or her Capital Account, based on information supplied by Young.

35. Young controlled the information provided to both the Accountants and the limited partners. Ultimately, Young used this control to provide false information about investor deposits and withdrawals to the Accountants, and investors, and to perpetuate the scheme. As a result of this complete control over the Acorn LP funds as well as the reporting of investment performance to the limited partners, Young was able to withdraw and convert to his own use at least \$13 million and misuse an additional \$10 million in investor funds.

## **THE SCHEME TO DEFRAUD**

### **Conversion of Investor Funds**

36. Young misappropriated investor funds for his own use primarily by two methods: he converted checks written for investment in Acorn LP by instructing the Accountants to credit an Acorn LP Capital Account in his name; and he withdrew funds from the Capital Accounts of other



investors and transferred the funds directly into his personal accounts held individually or jointly with his wife, Neely Young.

### **Conversion of New Investor Funds**

37. Between July 2005 and November 2008, in at least seven (7) instances, investors who sent funds to Young and Acorn Capital to invest in Acorn LP were not credited with an investment in the partnership. Rather, these funds, totaling \$7,630,000, were, at Young's direction, credited to Young's Capital Account, with no record of the contributions in the proper investor's Capital Account. In this way Young established a purported investment in the partnership valued at millions of dollars from which he ultimately withdrew more than \$6 million.

38. For example, in 2001, Investor A invested \$50,000 in Acorn LP and that investment is properly reflected in the Accountant's records of Investor A's Capital Account. On March 20, 2007, Investor A wrote a check to Acorn LP in the amount of \$100,000 as an additional investment in the partnership, and the funds were deposited into the Acorn LP Account the next day. On March 20, 2007, Investor A signed a Subscription Agreement for \$100,000 and Young signed an Acknowledgment of the receipt of Investor A's \$100,000 investment in Acorn LP. However, the Accountants' records reflect only the initial \$50,000 investment in December 2001.

39. In direct contradiction to the Accountants' books and records regarding Investor A's Capital Account, Young and Acorn Capital provided Investor A with an Acorn LP statement for the fourth quarter of 2007 that reflected his second \$100,000 investment. Accordingly, Investor A remained unaware of any discrepancy.

40. While the Accountants' books and records do reflect a \$100,000 investment in Acorn LP on March 21, 2007, they maintain that Young directed them to credit the \$100,000

investment to Young's Capital Account and that investment is reflected in the Capital Account records for Young maintained by the Accountants.

41. In a more recent example, on or about November 3, 2008, Investor B executed an Acorn LP Limited Partnership Agreement and invested \$1.2 million, which was deposited into the Acorn LP Account on November 11, 2008.

42. According to the Accountants, Young directed that the \$1.2 million deposit was a contribution to Young's Capital Account and an investment of \$1.2 million is credited to Young's Capital Account in the Accountants' records on that date.

43. Conversely, Investor B's name does not appear in any of the Accountants' records as an investor in Acorn LP.

44. In early April 2009, Young met with Investor B, and informed Investor B that Acorn LP had only lost 5.8% for all of 2008, and that the partnership was currently invested 70% in cash, and had been for some time. Young further showed Investor B what purported to be a summary of Acorn LP's performance over the previous seven years, reflecting outperformance of other benchmarks in each one of those years.

45. According to fourth quarter 2008 performance statements prepared by the Accountants at the end of 2008, Acorn LP was down 37.07% for the year.

#### **Misappropriation from Investor's Capital Accounts**

46. In addition to converting new investments, Young withdrew investors' funds and transferred the funds directly into personal financial accounts held jointly with his wife, Neely Young. Ultimately, he was able to misappropriate approximately \$5.4 million from Acorn LP's Account, misrepresenting to the Accountants the disbursements as withdrawals by Acorn LP

investors. The misappropriated funds were used, in part, for the purchase by Young of a house in Palm Beach, Florida.

47. In or about May 2002, Investor C made an initial investment in Acorn LP of \$2 million. On April 4, 2006, the Accountants' records reflect a withdrawal from Investor C's Capital Account of \$1.9 million.

48. In a letter dated April 4, 2006, on Acorn Capital letterhead, Young sent a wire transfer instruction to the Introducing Broker, requesting the transfer of \$1.9 million from the Acorn LP Account to a bank in West Palm Beach, Florida, for an account in the name of a real estate lawyer in West Palm Beach. The \$1.9 million was wired as instructed on April 4, 2006.

49. On April 5, 2006, one day later, Young purchased a home in his name in Palm Beach, Florida for \$2.1 million and paid cash.

50. By way of another example, the Accountants' records reflect six separate Capital Accounts for Investor D (collectively "Investor D's Accounts") which were the subject of a significant misappropriation. Between April 2007 and December 2007, through twenty-four (24) separate transactions, Young transferred \$2,380,000 out of the Acorn LP Account to a brokerage account held by Young jointly with Neely Young and a bank account held by Young individually, instructing the Accountants to record these disbursements as withdrawals from Investor D's Capital Accounts.

51. Moreover, in 2008, after the value of Investor D's Capital Account had been largely liquidated, Young misappropriated funds by attributing disbursement from the Capital Accounts of Investor E in much the same manner as that described above. Between April 2008 and August 2008, in 15 separate transactions, Young misappropriated \$1,080,00 by falsely characterizing the disbursements as withdrawals for the benefit of Investor E.

52. Investor E's investment adviser has stated that his client never withdrew any funds from Acorn LP. The investment adviser also stated that, in late February 2009, he received a performance statement for the year ended December 31, 2008, from Young and Acorn Capital, which reflected Investor E's investments adjusted for performance, with no record of any withdrawals.

53. In contrast, the Accountants' performance statements for Investor E's Capital Accounts for the year ending December 31, 2008, sent to Young and not to Investor E or Investor E's investment adviser, reflect Young's withdrawals, but characterizes them as withdrawals by Investor E.

54. In each of the twenty-four (24) instances, Young sent wire transfer instructions to the Introducing Broker to send funds from the Acorn LP Account either to the referenced brokerage or bank accounts.

55. Young used the funds he misappropriated for personal living expenses. The great majority of funds deposited into the Youngs' joint brokerage account came directly from the Acorn LP Account. From 2006 to 2008, Young paid at least \$11.8 million in personal expenses, including expenses related to credit cards, horse ownership and racing, construction, boats, limousines, private jet charters and other luxuries, from this account.

#### **Use of Investor Funds to Pay Other Investors – the Ponzi Aspect of the Scheme**

56. In thirty (30) separate transactions during 2007, Young directed the distribution of \$3,014,000 in cash from Acorn LP to investors and other individuals and falsely attributed those withdrawals to investors who had not requested, and did not receive, the proceeds.

57. In forty-one (41) separate transactions in 2008, Young directed the payment of at least an additional \$7,145,817 in this fashion.

58. For example, after misappropriating \$2,380,000 attributed to Investor D's Capital Accounts in 2007, as described in paragraphs 50 through 51 above, it appears that Young was faced with a liquidation request by Investor D in early 2008.

59. In or about February 2008, Young directed disbursements totaling \$11,462,115 to Investor D from Acorn LP. At least \$4,389,909 of this \$11,462,115 was falsely attributed to other Acorn LP investors' Capital Accounts. Specifically, \$4,387,909 was wired out of the Acorn LP Account into bank accounts of Investor D, and charged to the Capital Accounts of other investors, as set forth below:

<b>Date</b>	<b>Amount</b>	<b>Wired To</b>	<b>Capital Acct. Debited</b>
2/5/08	\$1,759,874	Investor D Bank Account	Investor F
2/5/08	660,469	Investor D Bank Account	Investor G
2/6/08	1,319,566	Investor D Bank Account	Investor H
2/29/08	295,000	Investor D Bank Account	Investor F
2/29/08	320,000	Investor D Bank Account	Investor I
7/29/08	33,000	Investor D Bank Account	Investor I

60. Young also directed funds out of the account of Investor B to the accounts of other investors and also to the benefit of Relief Defendant Oak Grove.

**Young Transfers \$7 Million of Investor Funds to W. B. Dixon Stroud, Jr.**

61. Between January 31, 2008 and March 27, 2008, Young transferred at least \$7 million from the Acorn LP account to Relief Defendant Stroud. The Accountants' records reflect that these payments were for a "Note Receivable 8.75% - Due 12/31/08."

62. Stroud apparently was an investor in Acorn LP. According to the Accountants' records, at the end of 2007, Stroud had a Capital Account balance of \$13,893, which at the end of March 30, 2008 had declined to \$11,849.

63. On information and belief, Stroud has made no repayment of this money.

**YOUNG'S EFFORTS TO CONCEAL THE ONGOING FRAUD**

**Misstatements to Investors**

64. As discussed above, Young provided information to the Accountants to correspond with the various transactions in the Acorn LP account that the Accountants saw on the Acorn LP Account Statements. However, because investors did not authorize the actions that Young reported to the Accountants, Young created and provided very different information to investors, thereby concealing his misappropriation.

65. The Commission has received from investors in Acorn LP, and others, copies of performance statements that Young sent to investors.

66. For example, performance statements for the quarter ending June 30, 2008, created by Young for Investors K, I, L and F reflect balances totaling \$6,342,259. However, the Accountants' records for this same time period reflect Capital Accounts for only Investors I, L, and F, with balances totaling only \$190,634.

67. Investor K's investments in Acorn LP do not appear at all in the records provided to the Commission by the Accountants despite a performance statement created by Young for Investor

K reflecting an investment of \$1,350,000 in Acorn LP, and a corresponding deposit of \$1,350,000 into the Acorn LP Account.

68. Moreover, a performance statement created by Young for Investor F for the quarter ended June 30, 2008 reflects a balance in one of Investor F's Capital Accounts of \$3,667,559, with a gain since inception in 2002 of \$1,075,291. It further reflects only one transaction – an initial contribution of \$2,592,268.

69. In contrast, the Accountants' records for Investor F's Capital Account show a balance of \$88,008 and 13 withdrawals from 2007 through 2008 of \$3,378,874, including the withdrawals that went to Investor D rather than Investor F, as described above.

#### **Misrepresentation of Acorn LP's Assets**

70. Over the course of several years, the Introducing Broker referred six investors to Acorn LP, with total investments of at least \$7.6 million. The Introducing Broker received duplicate performance statements from Young and Acorn Capital with respect to these six investors.

71. The Introducing Broker also received the Acorn LP Account Statements from the Clearing Firm and was aware of the total holdings of Acorn LP in the brokerage account maintained with the Clearing Firm and the fact that there were additional investors in Acorn LP other than the six investors the Introducing Broker had referred.

72. In August 2008, the Acorn LP Account Statements reflected the Acorn LP account value at \$6,418,731. The Introducing Broker received from Young and Acorn Capital performance statements for the second quarter of 2008 for at least four of the referred investors, and the statements provided to the Introducing Broker indicated that these four investors had investments valued at just over \$6.3 million, or approximately the entire holdings of the partnership in the Acorn LP Account.

73. On or about September 3, 2008, in response to the Introducing Broker's concerns regarding the value of Acorn LP's assets as compared with its clients' known investments, Young informed a representative of the Introducing Broker that Acorn LP held assets of approximately \$27 million at custodians including, but not limited to, the Clearing Firm.

74. Further, in early 2009, Young provided to the Introducing Broker documents purporting to be January 31, 2009 Acorn LP monthly account statements from a bank and a brokerage firm, reflecting approximately \$24 million in assets. When added to the value of the Acorn LP Account as of the same time, January 31, 2009, \$4,019,305, the implication of these additional custodial account balances is a total Acorn LP asset value of, approximately, \$27.8 million.

75. In fact, however, the two identified entities held no Acorn LP assets. Young falsified the documents he provided to the Introducing Broker. The first identified account belongs to an individual client of Acorn Capital over whose account Young exercises control, but all other information, including the account balance, does not correspond to that account. The second identified account number belonged to an account opened by Acorn Capital and used only in July 2008 to execute one trade, and which holds no assets.

76. In sum, Young created these false custodial statements to allay the Introducing Broker's concerns regarding Acorn LP's assets, and to enable him to continue with his fraud.



**Refusal to Provide Required Documents to the Commission**

77. In January 2009, the examination staff of the Philadelphia Regional Office of the Commission conducted an examination of Acorn Capital. Before, during and after the examination, the Commission staff provided Young and his counsel with written requests for documents and information to be provided for the period January 1, 2006 through December 31, 2008. Many of the items requested have not yet been provided.

78. The documents that the defendants have refused to produce include, but are not limited to, 2008 quarterly performance reports for Acorn LP that were sent to limited partners, cash receipts and disbursement journals for 2008, the names of all investors in Acorn LP and their investment amounts as of the end of 2008 and currently, and Young's e-mail files for 2006 through 2008.

79. These items are critical in determining the safety of funds invested in the partnerships and Young and Acorn Capital are required to maintain and provide such documents upon demand by the Commission.

80. In connection with the conduct described herein, and as further set forth above, the defendants acted knowingly and/or recklessly.

81. In connection with the conduct described herein, the defendants made material misrepresentations and omissions to, among others, the investors in Acorn LP, the Accountants, and the Introducing Broker, including regarding their misuse and conversion of investment funds, the asset value of Acorn LP, and the status of investment accounts.

## **FIRST CLAIM FOR RELIEF**

### **Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by all Defendants**

82. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 81, inclusive, as if the same were fully set forth herein.

83. From at least mid-2005 through the present, as a result of the conduct alleged herein, defendants Young, Acorn Capital, and Acorn LP, knowingly or recklessly, in connection with the offer, purchase, or sale of securities, directly or indirectly, by the use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- (a) employed devices, schemes or artifices to defraud;
- (b) obtained money or property by means of, or 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, transactions, practices, or courses of business that operated as a fraud or deceit upon offerees, purchasers, and prospective purchasers of securities.

84. By engaging in the foregoing conduct, defendants Young, Acorn Capital, and Acorn LP have violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

## **SECOND CLAIM FOR RELIEF**

### **Violations of Sections 206(1) and 206(2) of the Advisers Act by Young and Acorn Capital**

85. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 84, inclusive, as if the same were fully set forth herein.

86. From at least mid-2005 through the present, as a result of the conduct alleged herein, defendants Young and Acorn Capital, while acting as investment advisers, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, knowingly or recklessly have employed and are employing devices, schemes and artifices to defraud their clients and prospective clients; and have engaged and are engaging in transactions, practices and courses of business which operate as a fraud or deceit upon their clients and prospective clients.

87. By engaging in the foregoing conduct, defendants Young and Acorn Capital have violated, and unless restrained and enjoined will continue to violate, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. § 80b-6(1) and 80b-6(2)].

## **THIRD CLAIM FOR RELIEF**

### **Violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 by Young and Acorn Capital**

88. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 87, inclusive, as if the same were fully set forth herein.

89. From at least mid-2005 through the present, as a result of the conduct alleged herein, defendants Young and Acorn, while acting as investment advisers in connection with a pooled investment vehicle, have made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to an investor or prospective investor in the pooled investment vehicle or otherwise

engaged in acts, practices, or courses of business that are fraudulent, deceptive or manipulative with respect to an investor or prospective investor in the pooled investment vehicle.

90. By reason of the foregoing, defendants Young and Acorn Capital have violated Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

#### **FOURTH CLAIM FOR RELIEF**

##### **Violations of Section 204 of the Advisers Act and Rule 204-2 Thereunder by Acorn Capital**

91. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 90, inclusive, as if the same were fully set forth herein.

92. Defendant Acorn Capital, while acting as an investment adviser who makes use of the mails or any instrumentality of interstate commerce, failed to make and keep true, accurate and current records including, but not limited to, the general ledger and financial statements relating to its business as an investment adviser and accurate records of each investor's investment and documenting each fund's performance.

93. By reason of the foregoing, defendant Acorn Capital violated Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 C.F.R. § 275.204-2].

#### **FIFTH CLAIM FOR RELIEF**

##### **Aiding and Abetting Violations of Section 204 of the Advisers Act and Rule 204-2 Thereunder by Young**

94. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 93, inclusive, as if the same were fully set forth herein.

95. Defendant Young has knowingly failed to ensure that Acorn Capital made and kept true, accurate and current records including, but not limited to, the general ledger and financial

statements relating to its business as an investment adviser and accurate records of each investor's investment and documenting each fund's performance.

96. By reason of the foregoing, defendant Young has aided and abetted Acorn Capital's violations of Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 C.F.R. § 275.204-2].

### **SIXTH CLAIM FOR RELIEF**

#### **Relief Defendant Claims against Oak Grove Partners, L.P., Neely Young, and W. B. Dixon Stroud, Jr.**

97. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 96, inclusive, as if the same were fully set forth herein.

98. Relief Defendants Oak Grove, Neely Young, and Stroud received proceeds of the fraud described herein, over which they each have no legitimate claim.

99. By reason of the foregoing, Relief Defendants Oak Grove, Neely, and Stroud have been unjustly enriched and must be compelled to disgorge the amount of their unjust enrichment.

**WHEREFORE**, the Commission respectfully requests that this Court enter a final judgment:

#### **I.**

Permanently restraining and enjoining defendants Young, Acorn Capital and Acorn LP from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b5], thereunder.

#### **II.**

Permanently restraining and enjoining defendants Acorn Capital and Young from violating Sections 204, 206(1), 206(2) and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-4, 80b-

6(1), 80b-6(2) and 80b-6(4)] and Rules 204-2 and 206(4)-8 thereunder [17 C.F.R. §§ 275.204-2 and 275.206(4)-8].

**III.**

Ordering the defendants and the relief defendants to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint.

**IV.**

Ordering defendants Young, Acorn Capital and Acorn LP to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and, with respect to defendants Young and Acorn Capital, also pursuant to Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

**V.**

Granting such other and further relief as the Court may deem just and appropriate.

Dated: April 17, 2009

Respectfully submitted,

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