

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 23-cv-2000

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

CHAD STICKFORTH

Defendant.

COMPLAINT

Plaintiff United States Securities and Exchange Commission, for its Complaint against Chad Stickforth (“Stickforth” or “Defendant”), alleges as follows:

SUMMARY OF ALLEGATIONS

1. Chad Stickforth misused and misappropriated millions of dollars that he raised from investors in a hedge fund, RSF Capital, LP (“RSF”). Between December 2016 and September 2021, Stickforth, through RSF, raised over \$5 million from approximately twenty investors. By April 2022, the investors’ funds were gone.

2. Stickforth told investors that RSF would use their investment to trade futures contracts, commodity interests and options on their behalf. However, Stickforth only used a small portion of that money to trade, most of which he lost, and he did not deposit any funds into the trading account after May 2017. Rather, Stickforth misappropriated or otherwise misused most of the investors’ funds, using them for personal expenses, payments to his

business partner (the “RSF Partner”), and Ponzi-like payments to investors to keep up the appearance of profitable trading.

3. As a result of the conduct described in this Complaint, Stickforth 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 thereunder [17 C.F.R. § 240.10b-5]; and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

4. The SEC brings this action pursuant to authority conferred on it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)], and Sections 209(d) and 209(e) of the Advisers Act [15 U.S.C. §§ 80b-9(d) and 80b-9(e)] to restrain and enjoin Stickforth from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint and from violating, directly or indirectly, the laws and rules alleged in this Complaint.

5. The SEC seeks permanent injunctions against Stickforth; disgorgement of all ill- gotten gains from the unlawful activity set forth in this Complaint, together with prejudgment interest; civil penalties pursuant to Section 21(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 20(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and an order barring Stickforth from serving as an officer or director of a public company pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)(2)] .

DEFENDANT

6. **Chad Stickforth** is a resident of Asheville, North Carolina. He is a former managing member of RSF’s general partner entity and the former managing director of RSF.

RELATED ENTITY

7. **RSF Capital, LP (“RSF”)** is a Delaware partnership that, until approximately May 2022, operated in North Carolina and Colorado. RSF purported to be a hedge fund managed, indirectly through LLCs, by Stickforth and the RSF Partner.

JURISDICTION AND VENUE

8. The Court has subject matter jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14], as well as Sections 20(b) and 20(d)(1) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)(1)], and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)].

9. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14], because certain of the transactions, acts, practices, and courses of business constituting violations of the federal securities laws occurred within this district, including that Stickforth made the false and misleading statements alleged in this Complaint from this district to certain investors while they were also located in this district. In addition, one of RSF’s principal places of business was in this district.

FACTS

I. RSF Background

10. Stickforth and the RSF Partner formed RSF in 2016.

11. Stickforth was solely responsible for advising RSF, including managing funds received from RSF investors and conducting all trading. Stickforth created RSF's trading strategy and directed its use of investor funds—as communicated to investors.

12. In November 2016, Stickforth opened an account on behalf of RSF, purportedly to trade investor funds, with an online futures brokerage (the “Futures Brokerage”).

II. RSF's Securities Offerings

13. Between December 2016 and September 2021, Stickforth raised approximately \$5 million from approximately twenty investors for RSF. In connection with these offerings, Stickforth made statements to potential investors through Confidential Offering Memoranda (collectively, the “Offering Memos”) and an investor presentation.

14. Stickforth drafted the Offering Memos.

15. Between December 2016 and June 2020, numerous versions of the Offering Memos were issued and distributed to potential investors. The June 2020 version of the Offering Memo was provided to investors through August 2021. Over the years, the Offering Memos' content was nearly identical, including the description of RSF's “Investment Program and Use of Proceeds.”

16. The Offering Memos' cover pages stated that RSF was offering securities in the form of limited partnership interests. The Offering Memos were emailed to potential investors, including investors located in this district.

17. Stickforth also drafted an “Investor Presentation” that was provided to potential investors.

III. Stickforth Made False and Misleading Statements

A. False and Misleading Statements about the Use of Investor Funds

18. Stickforth made false and misleading statements about the use of investor funds.

19. Among other things, the Offering Memos stated:

- a. “The Partnership’s assets will be used for the trading of futures contracts, commodity interests and options with the focus on the E-mini S&P 500 futures (“E-mini”).”
- b. “All of the proceeds from the sale of the Interests will be maintained in segregated accounts with brokers and will be invested in securities and commodity interests and otherwise applied to the business of the Partnership, including payment of fees to the General Partner.”
- c. “All funds received for the purpose of trading U.S. regulated commodities will be segregated.... Funds held for the purpose of trading non-U.S. regulated commodity interests will also be held by brokers in conformance with their usual procedures.”
- d. RSF anticipates “investing the Fund’s investment capital approximately as follows: 95% on U.S. futures exchanges, 1% on U.S. stock exchanges, 1% on foreign futures exchanges, 1% on foreign stock exchanges, and 1% on over-the-counter products.”

20. The Investor Presentation described RSF’s trading strategy as “intraday

futures trading using a discretionary system with rule based signals for entries and exits.”

21. These statements regarding the use of investor funds were false and misleading. Rather than maintaining the funds in segregated accounts and investing as described, Stickforth used a majority of the funds to pay himself, the RSF Partner, and make Ponzi-like payments to investors to keep up the appearance of returns on their investments.

22. Investments in RSF were sent to an RSF bank account (the “RSF Account”) over which Stickforth had sole access and control. Stickforth initially used a portion of the investor funds to trade in RSF’s Futures Brokerage account, incurring losses of approximately \$570,000.

23. After May 2017, Stickforth never deposited any investor funds into brokerage accounts. Instead, Stickforth misappropriated or otherwise misused the funds from the RSF Account by taking approximately \$1.5 million for himself, paying approximately \$2 million to investors in Ponzi-like payments (which Stickforth falsely represented were trading proceeds and/or funds withdrawn from brokerage accounts), and paying over \$1 million to the RSF Partner (which Stickforth falsely represented to the RSF Partner were payments for fees and trading profits).

24. Stickforth knew or was reckless in not knowing, and should have known, that his statements concerning the intended use of investor funds were false and misleading at the time they were made to investors and potential investors.

25. The statements about the use of investor funds were material to investors because reasonable investors would consider it important that Stickforth did not intend to use their funds to invest but, instead, to misappropriate their funds for personal use and otherwise misuse the funds.

B. False and Misleading Account Statements

26. Beginning in at least May 2017, Stickforth, directly and indirectly, made materially false and misleading statements and omissions to investors concerning the results of RSF's trading activity.

27. At the end of each month, Stickforth created a falsified spreadsheet to purportedly show the results of RSF's trading for the month. The spreadsheet listed each supposed trade, the win and loss percentage, and the profits and losses for each supposed trade during the month. In these statements, Stickforth falsely claimed that RSF was earning profits.

28. Stickforth also created falsified copies of each investor's purported account statement, which contained false information purporting to show each investor's monthly returns, historical returns, and other trading information.

29. These false account statements and performance returns were sent to investors each month in the form of a monthly update, which Stickforth signed. This monthly update was used to solicit additional investments from existing investors, and one or more investors made an additional investment in RSF after receiving the monthly update.

30. The statements in the monthly updates regarding investor performance were false and misleading because, contrary to the positive trading performance conveyed in the statements, Stickforth did not use most of the investors' money for trading and, instead, misused and misappropriated the investor funds to pay himself and the RSF Partner, and to make Ponzi-like payments to investors to keep up the appearance of returns on their investments.

31. For instance, a report sent to an investor ("Investor 1") in February 2021

and signed by Stickforth stated that RSF “achieved a 2.2% Gross Return (1.7% Net Return) during January 2021.” The individualized account summary provided to Investor 1 stated that the investment had gained 5.4% since initial investment in October 2020 and 1.7% in the month of January 2021.

32. All of these statements to Investor 1 were false. Stickforth had not traded any of Investor 1’s funds in the RSF’s Futures Brokerage account (or any other brokerage account). Instead, from the time when Investor 1 initially transferred funds to RSF in October 2020, Stickforth used the funds to pay personal expenses, make payments to the RSF Partner, and to make Ponzi-like payments to other investors.

33. Stickforth knew or was reckless in not knowing, and should have known, that his statements concerning the historic use of investor funds and trading performance were false and misleading at the time they were made to investors and potential investors.

34. The statements about the historic use of investor funds and trading performance were material to investors because reasonable investors would consider it important that Stickforth did not use previously invested funds to invest but, instead, misappropriated their funds for personal use and otherwise misused the funds.

C. False and Misleading Statements Regarding RSF’s Historical Performance and Strategy

35. Stickforth also made false and misleading statements regarding RSF’s historical trading performance and strategy.

36. The Investor Presentation stated that:

- a. RSF had a “[p]roven track record [of] managing discretionary trading systems in commodity futures.”
- b. RSF’s trading strategy was intended to “generate above market return

of greater than 35% with minimum variance and limited drawdowns.”

37. In addition, as alleged above, through the monthly updates, Stickforth made false and misleading statements regarding each investors’ performance.

38. These statements were false and misleading because Stickforth only traded using funds sent from RSF investors between December 2016 and April 2017, never invested the rest of the investor funds, and ultimately lost much of the funds actually transferred into RSF’s Futures Brokerage account.

39. Stickforth knew or was reckless in not knowing, and should have known, that his statements concerning the historic performance and strategy of RSF were false and misleading at the time they were made to investors and potential investors.

40. The statements about RSF’s historic performance were material to investors because reasonable investors would consider it important that RSF had no positive historic performance, was not following its purported trading strategy, and that Stickforth misappropriated investors’ funds for personal use and otherwise misused the funds.

IV. Stickforth Engaged in Fraudulent and Deceptive Acts

41. In addition to the false and misleading statements described above, Stickforth engaged in additional deceptive conduct, including misappropriating investor funds for personal use, making Ponzi-like payments, and engaging in lulling conduct.

A. Stickforth Misappropriated Investor Money for Personal Use

42. Stickforth misappropriated investor money by never depositing it into RSF’s Futures Brokerage account (after April 2017) and by diverting approximately \$1.5 million in investor funds from the RSF Account to his personal bank accounts. From at

least April 2017 through the April 2022, Stickforth pooled and commingled investor money with his personal funds in various banks and entities under his control.

B. Stickforth Made Ponzi-like Payments

43. Stickforth engaged in fraudulent and deceptive conduct by using new investor funds to make payments to existing investors, purportedly as payment of principal and interest owed to those investors.

44. For example, in January 2018, an investor (“Investor 2”) requested a return of his profits from an initial \$100,000 investment before investing further in RSF. Stickforth wrote back to Investor 2: “We will be addressing all partner decisions regarding profits from 2017 over the course of the next 10 days. We have your standing wire instructions and will proceed with those unless otherwise notified.”

45. Stickforth then wired \$12,102.15 of purported profits to Investor 2.

46. In reality, Stickforth had not withdrawn Investor 2’s 2017 profits from RSF’s Futures Brokerage account to pay him. Instead, Stickforth wired Investor 2 money received from another RSF investor.

47. Stickforth ultimately paid investors approximately \$2 million from funds not derived from investors’ own capital contributions or trading returns.

C. Stickforth Lulled Investors With False and Misleading Account Statements and Monthly Updates.

48. As alleged above, Stickforth, through RSF, made false and misleading statements in investor account statements and monthly updates that purported to show the investors’ trades and profits or losses. In addition to containing false and misleading statements made in connection with the solicitation of new investments as described above, the distribution of account statements and monthly updates was deceptive conduct intended

to lull investors and thereby conceal and prolong his deceptive scheme.

V. The RSF Limited Partnership Interests were Securities.

49. Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act define “security” as including “any investment contract[.]” An investment contract involves: (i) an investment of money, (ii) in a common enterprise, (iii) with an expectation of profits derived from the efforts of others.

50. The RSF limited partnership interests are investment contracts: (i) investors made an investment of money in exchange for the interests; (ii) the RSF limited partnership interests involved a common enterprise because, as represented to investors, investor money would be pooled (i.e., commingled) in RSF’s bank account and then used by Stickforth to generate profits through “futures contracts, commodity interests and options” trading; and (iii) investors were entirely reliant on RSF to generate returns.

VI. Stickforth’s Conduct was in the Offer, Purchase, and Sale of Securities and Done Using Interstate Commerce

51. The misstatements alleged herein were made by Stickforth and disseminated to induce investors to buy the securities alleged above.

52. For example, the misstatements and omissions described above were made in written communications soliciting investments and contained in performance updates provided to investors in connection with their investments.

53. As such, Stickforth’s conduct, including his material misstatements and omissions and his deceptive conduct, were in the offer or sale of securities as defined in Section 2(a)(1) of the Securities Act and in connection with the purchase or sale of securities as defined in Section 3(a)(10) of the Exchange Act.

54. In connection with the conduct alleged in this Complaint, Stickforth, directly

or indirectly, singly or in concert with others, made use of the means or instruments of transportation or communication in interstate commerce, the means or instrumentalities of interstate commerce, or of the mails, including soliciting investors located in Colorado and other states by telephone, providing documents containing false and misleading statements to investors via email, and obtaining funds from those investors through interstate commerce.

VII. Stickforth Violated the Advisers Act.

55. Stickforth provided investment advisory services to RSF. Stickforth, for compensation, purported to advise RSF regarding securities. Stickforth was responsible for managing funds RSF received from investors, including determining the investment of those funds. Additionally, Stickforth received compensation from the RSF assets.

56. As an investment adviser, Stickforth was a fiduciary to his client, RSF, and owed his client an affirmative duty of utmost good faith, was obligated to provide full and fair disclosure of all material facts, and had a duty to act in his client's best interests.

57. By the conduct alleged above, Stickforth knowingly or recklessly, and negligently, breached those fiduciary duties.

CLAIMS FOR RELIEF

First Claim for Relief

Section 17(a) of the Securities Act

58. The SEC realleges and incorporates by reference paragraphs 1 to 57 as though fully set forth herein.

59. By virtue of the foregoing, Stickforth, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, knowingly, recklessly, and negligently: employed

devices, schemes, or artifices to defraud; obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

60. By engaging in the conduct described above, Stickforth violated and, unless restrained and enjoined, will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

Second Claim for Relief
Section 10(b) and Rule 10b-5 of the Exchange Act

61. The SEC realleges and incorporates by reference paragraphs 1 to 57, as though fully set forth herein.

62. By virtue of the foregoing, Stickforth, directly or indirectly, in connection with the purchase or sale of a security, and by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, knowingly and recklessly: employed devices, schemes, or artifices to defraud; made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

63. By engaging in the conduct described above, Stickforth violated and, unless restrained and enjoined, will again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

Third Claim for Relief
Sections 206(1) and 206(2) of the Advisers Act

64. The SEC realleges and incorporates by reference paragraphs 1 to 57, as though fully set forth herein.

65. At all times relevant to the Complaint, Stickforth was an investment adviser as defined by Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

66. Stickforth, while acting as investment adviser, directly or indirectly, by use of the mails or means and instrumentalities of interstate commerce, acting with the requisite state of mind: (a) employed devices, schemes or artifices to defraud clients or prospective clients; and (b) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients.

67. By engaging in the conduct described above, Stickforth violated, and unless restrained and enjoined, will again violate, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

RELIEF SOUGHT

WHEREFORE, the SEC respectfully requests that this Court:

I.

Find that the Defendant committed the violations alleged in this Complaint;

II.

Enter an injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining the Defendant from violating, directly or indirectly, the laws and rules he is alleged to have violated in this Complaint;

III.

Order that the Defendant disgorge any and all ill-gotten gains, together with pre-judgment interest, derived from the improper conduct set forth in this Complaint, plus post-judgment interest;

IV.

Order that the Defendant pay civil penalties pursuant to Section 21(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 20(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)], in an amount to be determined by the Court, plus post-judgment interest;

V.

Order that the Defendant be prohibited from acting as an officer or director of a public company pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)(2)]; and

VI.

Grant such other relief as this Court may deem just or appropriate.

JURY DEMAND

The SEC demands a trial by jury on all claims so triable.

Respectfully submitted this 8th day of August, 2023.

By: /s/ Terry R. Miller
Terry R. Miller
Attorney for Plaintiff
UNITED STATES SECURITIES AND
EXCHANGE COMMISSION
Denver Regional Office
1961 Stout Street, 17th Floor
Denver, Colorado 80294
(303) 844-1041
millerte@sec.gov