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Investment Management Group

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Legal Update: *Reed Smith LLP* Investment Adviser News *2010 Quarterly Update*

The *Investment Adviser News* features regulatory and other news items of interest to the investment management industry and investment advisers. The items are summarized and, where possible, contain links to more information about the item.

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DATE	TOPIC	SUMMARY
JULY 2010		
7.1.2010	**"PAY TO PLAY" RULE** (Link to Release) (Link to Reed Smith Client Alert)	• *The Securities and Exchange Commission ("SEC") adopted a new rule under the Investment Advisers Act of 1940 ("Advisers Act") that will restrict an investment adviser from providing advisory services for compensation to a government client for two years after the adviser, its executives or employees make a contribution to elected officials or candidates.* • *The new rule prohibits an adviser from agreeing to provide, directly or indirectly, payment to any third party for a solicitation of advisory business, unless such third parties are registered broker-dealers or registered investment advisers, in each case themselves subject to "pay to play" restrictions.* • *The new rule also prohibits an adviser from soliciting from others, or coordinating, contributions to certain elected officials or candidates or payments to political parties where the adviser is providing or seeking government business.* • *The SEC is also adopting rule amendments that require a registered adviser to maintain certain records of the political contributions made by the adviser or certain of its executives or employees. The new rule and rule amendments address "pay to play" practices by investment advisers.*
7.2.2010	**ELIMINATION OF FLASH ORDER EXCEPTION FROM RULE 602 OF REGULATION NMS** (Link to Release 1) (Link to Release 2)	• *The SEC reopened the public comment period on the proposal for elimination of the flash order exception from Rule 602 of regulation NMS. Rule 602 deals with the dissemination requirements for national securities exchanges and national securities associations.* • *The proposal was originally published in September 2009 in a Securities Exchange Act of 1934 ("Exchange Act") Release.*
7.2.2010	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE EXCHANGE ACT AND SECTION 203(E) OF THE ADVISERS ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE AND-DESIST ORDER** (Link to Release)	• *Respondent was an investment adviser to four investment funds, two of which were involved in the following proceedings described herein, and had combined assets of approximately $7 billion.* • *Between October and November 5, 2008, the investment adviser sold short approximately 1.03 million shares of common stock of a company on behalf of the two investment funds.* • *The company whose stock was in question announced a follow-on offering of common stock November 5, 2008, after which the investment adviser purchased additional shares November 6, and did not use them to "cover" its short position in the company. The adviser then sold the shares purchased in the offering, making a profit for the two funds.* • *The SEC imposed the following sanctions: the investment adviser shall (i) cease and desist in violations of Rule 105 of Regulation M of the Exchange Act; and (ii) pay a penalty of $421,250, and repay profits of $842,500 that the investment adviser made for the funds, and an interest payment of $40,773 to the U.S. Treasury.*

7.13.2010	***FINRA TO MAKE ADDITIONAL INFORMATION ABOUT BROKERS, FORMER BROKERS PUBLICLY AVAILABLE THROUGH BROKERCHECK*** ***(Link to Release)***	• *The changes will increase the number of customer complaints reported publicly; extend the public disclosure period for the full record of a broker who leaves the industry from two years to 10 years; and make certain information, such as sanctions and criminal convictions, permanently available.* • *The changes will allow the brokers to dispute the accuracy of information pertaining to them.*
7.14.2010	***ADOPTION OF SUPPLEMENTAL STANDARDS OF ETHICAL CONDUCT FOR MEMBERS AND EMPLOYEES OF THE SEC AND REVISIONS TO THE SEC'S ETHICS RULES*** ***(Link to Release)***	• *The SEC adopted supplemental standards of ethical conduct for the SEC's members and employees.* • *The new supplemental standards give guidance to SEC members and employees on permitted, prohibited, and restricted financial interests and transactions, and on engaging in outside employment and activities.* • *In addition, the SEC has revised its ethics rules to make them compatible with the Office of Government Ethics' government-wide ethics provisions, and to reflect current SEC policies.*
7.15.2010	***FINRA WARNS INVESTORS OF SOCIAL MEDIA-LINKED PONZI SCHEMES, HIGH-YIELD INVESTMENT PROGRAMS*** ***(Link to Release)***	• *FINRA is combating the growing danger of Internet-based Ponzi schemes called High-Yield Investment Programs. The programs have proliferated over the past few years and have defrauded more than 40,000 customers of more than $70 million.* • *The programs promise investors outsized returns and use different types of social media to target investors.*
7.21.2010	***PROPOSAL OF RULE 12b-2*** ***(Link to Release)***	• *The SEC is proposing to adopt a new rule and rule amendments to replace Rule 12b-1 under the Investment Company Act of 1940 ("1940 Act") with a new Rule 12b-2.* • *Some elements of the new rule would remain the same with respect to promotional costs borne by a fund. Funds would also still be able to provide investors with alternatives for paying sales charges.* • *Under the proposed rule, the cumulative charges paid by an investor would be limited, and clearer disclosure about all sales-charges in the fund would be required in prospectuses, and semi-annual and annual reports, as well as in investor confirmation statements.*
7.21.2010	***ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 203(f) OF THE ADVISERS ACT, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS*** ***(Link to Release)***	• *Respondent and another individual allegedly sold approximately $52 million of securities, offered as PIPEs, to approximately 150 investors.* • *It is alleged that Respondent also represented that the second individual was an experienced securities attorney with access to investment opportunities through brokers that the attorney controlled, and promised guaranteed returns between 19 and 54 percent.* • *Under the order, the Respondent is barred under Section 203(f) of the Advisers Act from association with any investment adviser.*

7.22.2010	***ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 15B(c) OF THE EXCHANGE ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS*** ***(Link to Release)***	• *Respondent was a registered broker-dealer and registered municipal securities dealer, and was employed as a CEO and Chairman of a bond underwriting corporation.* • *Between 2002 and 2004, Respondent is alleged to have provided more than $150,000 to a friend who was the president of a County Bond Commission responsible for awarding that county's bond underwriting and swap agreement business.* • *To conceal the payments to the County Bond President, Respondent allegedly employed another person to act as a registered political lobbyist and funneled the payments to the president through this person. In exchange, the Respondent's company was selected to participate in every bond offering or swap agreement for this county between March 2003 and December 2004, and received more than $6 million in fees from participating in these offerings.* • *Under the order, the Respondent is barred from any association with any broker, dealer or municipal securities dealer pursuant to Sections 15(b)(6) and 15B(c)(4) of the Exchange Act.*
7.23.2010	***NO-ACTION LETTER: SECTION 12(d)(3)*** ***(Link to No-Action Letter)***	• *The SEC granted no-action relief under Section 12(d)(3) of the 1940 Act to an internally managed, closed-end fund that intends to organize a wholly owned subsidiary that would enable the investment professionals currently advising the fund to expand their advisory activities.* • *The closed-end fund invests primarily in the stocks of companies engaged in exploration, mining and the processing of gold, silver, platinum, diamonds or other precious minerals, and endeavors to organize a wholly owned adviser subsidiary in order to offer investors additional investment options in these sectors through an expansion of advisory personnel and adviser activities. Establishing a subsidiary would also afford the closed-end fund protection against conflicts and liabilities generally connected to such advisory activities.* • *The closed-end fund explained that the proposed subsidiary would not expose its shareholders to the entrepreneurial risks of the advisory business or to any conflicts of interest, which Section 12(d)(3) deems unlawful consequences. By organizing the subsidiary as a limited liability company, such a structure would provide a layer of liability protection between the closed-end company and the subsidiary, and serve as greater protection than would exist if the closed-end company engaged directly in these activities. Furthermore, the company represented that it would adopt and implement policies and procedures to safeguard against potential conflicts of interest and reciprocal practices between investment companies and securities-related businesses, which would be board-reviewed and approved annually.*
7.26.2010	***RULE AMENDMENTS RELATED TO PCAOB*** ***(Link to Release)***	• *The SEC amended its Informal and Other Procedures to add a rule to facilitate interim SEC review of the Public Company Accounting Oversight Board ("PCAOB") inspection reports under Section 104(h) of the Sarbanes-Oxley Act of 2002.* • *The SEC is also establishing a subpart in its Informal and Other Procedures—Regulation P—to include procedural rules relating to the PCAOB.*

7.28.2010	***AMENDMENTS TO FORM ADV*** *(Link to Release)* *(Link to Reed Smith Client Alert)*	• *The SEC adopted amendments to Part 2 of Form ADV, and related rules under the Advisers Act, to require registered investment advisers to provide new and prospective clients with a brochure and brochure supplements written in plain English.* • *These amendments were intended to provide new and prospective advisory clients with clearly written, meaningful, current disclosure of the business practices, conflicts of interest, and background of the investment adviser and its advisory personnel. Advisers must file their brochures through the IARD and the SEC will make them available to the public through its website.* • *The SEC also withdrew an Advisers Act rule that requires advisers to disclose certain disciplinary and financial information, as this information is required to be included in the brochure.*
7.28.2010	***NO-ACTION LETTER: 1940 ACT (SECTION 17(j) AND RULE 17j-1) AND ADVISERS ACT (SECTION 204A AND RULE 204A-1)*** *(Link to No-Action Letter)*	• *The SEC granted no-action relief to an investment adviser under Section 204A of the Advisers Act and Rule 204A-1 thereunder, whose code of ethics does not include 529 plans as "reportable securities" in connection with transactions by access persons and their holdings in such plans. The SEC further granted relief under Section 204 of the Advisers Act (and Rule 204-2(a)(13) thereunder), excusing the investment adviser from obligation to create or maintain records of such transactions or holdings.* • *Section 204A of the Advisers Act and Rule 204A-1 thereunder require an adviser to have a code of ethics that reports securities transactions made by its access persons. Access persons must also provide the adviser's chief compliance officer with reports of their transactions and holdings in relation to "reportable securities" as defined under the rule. Other sections of the Advisers Act contain recordkeeping requirements for such transactions and holdings.* • *The investment adviser argued that investments in the 529 Plans, (described in their letter as college savings plans and prepaid college tuition plans), present little opportunity for improper trading to occur with respect to the interests of the 529 Plans or interests held indirectly in the underlying investments of the Plans, which are events that would be identified under a report of access persons.* • *In addition to not recommending enforcement action under the Advisers Act, the SEC provided its views on how the 529 Plans would be treated under Rule 17j-1 of the 1940 Act, which addresses the requirement of access persons of registered investment company advisers to report their personal transactions and holdings in covered securities as defined under Rule 17j-1. The Rule 204A-1 requirements under the Advisers Act are based on those requirements of Rule 17j-1.*
7.29.2010	***FORMER PRINCIPAL OF REGISTERED BROKER DEALER SETTLES CHARGES RESULTING FROM MASSIVE MISAPPROPRIATION OF INVESTOR ASSETS*** *(Link to Release)*	• *The SEC announced that the U.S. District Court for the Southern District of New York entered a judgment against a former principal of a registered broker-dealer allegedly involved in the misappropriation of approximately $554 million.* • *The complaint alleged that for more than 10 years, the defendants promised investors that their funds would be invested in a stock index arbitrage, but instead the defendants allegedly used the funds for personal gain including homes, luxury vehicles, a horse farm and rare collectibles.* • *The judgment provides for a permanent injunction against violating Section 17(a) of the 1933 Act, and Section 10(b) of the Exchange Act and*

		Rule 10b-5 thereunder, and violating or aiding and abetting violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, as well as payment plus interest and other monetary penalties to be determined.
AUGUST 2010		
8.6.2010	***SEC ANNOUNCES FRAUD CHARGES AND ASSET FREEZE AGAINST A FINANCIAL FIRM AND MICHIGAN RESIDENT THAT FALSELY PORTRAYED THEMSELVES TO BE AN "INDEPENDENT INVESTMENT FIRM"*** ***(Link to Release)***	• *On August 6, 2010, the U.S. District Court for the Eastern District of Michigan issued, at the SEC's request, an emergency restraining order and asset freeze against the defendants.* • *The SEC alleged that the defendants portrayed themselves to potential investors through their website to be an "independent investment firm," made false claims of 10 percent returns on investments, no loss of initial capital, and no penalties or taxes. They used the investors' funds for personal gain including travel, vehicles, jewelry, sporting goods and furniture.* • *The complaint further alleges that the defendants tried to conceal their scheme with claims of an SEC investigation and asset freeze.* • *The defendants are charged with violations of Section 17(a)(1), 17(a)(2), and 17(a)(3) of the 1933 Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.*
8.20.2010	***ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE EXCHANGE ACT AND SECTION 203(f) OF THE 1940 ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS*** ***(Link to Release)***	• *Respondent was an unregistered investment adviser and broker-dealer, working for an unregistered adviser and broker-dealer limited liability company, and acted as the managing director of the limited liability company.* • *Respondent, along with others associated with the broker-dealer, raised approximately $28 million from clients, and claimed that the funds were generating profits by investing in securities and futures.* • *In fact, Respondent was incurring trading losses, and using funds to pay others and expenses of the broker-dealer, and to fund other business ventures.* • *The SEC charged the Respondent and the broker-dealer with violations of Section 10(b) of the Exchange Act and Rule 10b-5, and Sections 206(1) and 206(2) of the Advisers Act for its actions. Respondent has been barred from any association with any broker, dealer or investment adviser.*
8.25.2010	***PROPOSED PROXY RULES*** ***(Link to Release)***	• *The SEC is adopting changes to the federal proxy rules to facilitate the effective exercise of shareholders' traditional state law rights to nominate and elect directors to company boards of directors (including investment company boards of directors).* • *The new rules will require, under certain circumstances, a company's proxy materials to provide shareholders with information about, and the ability to vote for, a shareholder's, or group of shareholders', nominees for director. The SEC believes that these rules will benefit shareholders by improving corporate suffrage, the disclosure provided in connection with corporate proxy solicitations, and communication between shareholders in the proxy process.* • *The new rules apply only where, among other things, relevant state or foreign law does not prohibit shareholders from nominating directors. The new rules will require that specified disclosures be made concerning nominating shareholders or groups and their nominees.* • *The new rules also provide that companies must include in their proxy materials, under certain circumstances, shareholder proposals that seek to establish a procedure in the company's governing documents for the inclusion of one or more shareholder director nominees in the company's proxy*

		materials. • *The SEC is also adopting related changes to certain other rules and regulations, including the existing solicitation exemptions from our proxy rules and the beneficial ownership reporting requirements.*
8.25.2010	***ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 203(e) OF THE ADVISERS ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS*** ***(Link to Release)***	• *Respondent was a registered investment adviser that managed seven accounts, including two hedge funds that were part of this action.* • *During August 2007, the two hedge funds collapsed allegedly because of a high-risk investment strategy the Respondent employed that was contrary to the much more conservative strategy the Respondent had represented to the investors in the hedge funds.* • *As a result of the high-risk strategy, the value of the hedge funds went from approximately $54 million in July 2007 to approximately $200,000 by the end of August 2007. The SEC charged that the Respondent violated Section 17(a)(2) and (3) of the 1933 Act and Section 206(2) of the Advisers Act, because of employing this much riskier investment strategy.* • *The SEC ordered that the Respondent's registration with the SEC be revoked.*
8.26.2010	***ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO RULE 102(E) OF THE SEC'S RULES OF PRACTICE, MAKING FINDINGS, AND IMPOSING REMEDIAL ACTIONS*** ***(Link to Release)***	• *Respondent was an attorney licensed in the state of New Jersey. Between 2006 and fall 2007, while a partner with an auditing firm, Respondent allegedly violated Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder by tipping a friend on at least seven occasions of acquisition targets of clients of the auditing firm.* • *The friend allegedly used this information to trade securities in the target companies identified by the Respondent.* • *The SEC ordered the Respondent to be suspended from appearing or practicing before the SEC and to pay approximately $250,000 in disgorgement and interest.*
8.30.2010	***EXTENSION OF FILING ACCOMMODATION FOR STATIC POOL INFORMATION IN FILINGS WITH RESPECT TO ASSET-BACKED SECURITIES*** ***(Link to Release)***	• *The SEC proposes to further extend the temporary filing accommodation in Rule 312 of Regulation S-T, which allows static pool information, required to be disclosed in a prospectus of an asset-backed issuer, to be provided on an Internet website under certain conditions.* • *Under this rule, such information is deemed to be included in the prospectus included in the registration statement for the asset-backed securities.* • *This rule currently applies to filings of asset-backed securities filed on or before December 31, 2010.* • *The SEC is proposing to extend the application of the rule for an additional 18 months, and therefore, the rule would apply to filings of asset-backed securities filed on or before June 30, 2012.*

SEPTEMBER 2010		
9.1.2010	DELEGATION OF AUTHORITY TO THE DIRECTOR OF ITS DIVISION OF ENFORCEMENT (Link to Release)	• The SEC is amending its rules to delegate authority to the Director of the Division of Enforcement, in connection with the collection of delinquent debts arising from actions to enforce the federal securities laws, to terminate collection activity or discharge debts, to accept or reject offers to compromise debts, and to accept or reject offers to enter into payment plans. • These new rules are intended to facilitate the SEC's debt resolution process.
9.2.2010	SEC ADOPTS TEMPORARY RULE REQUIRING MUNICIPAL ADVISORS TO REGISTER WITH AGENCY (Link to Release) (Link to Reed Smith Client Alert)	• The municipal advisor registration requirements under Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") became effective October 1, 2010. • Generally, absent an exclusion, individuals and entities that provide advice to or on behalf of municipal entities or certain obligors, such as state and local governments, public pension funds, local government investment pools and 529 Plans, that constitutes municipal advisory services (i.e., advice with respect to municipal financial products, the issuance of municipal securities or the solicitation of a municipal entity as further discussed below) can be swept up into the municipal advisor registration requirements, depending upon their activities. • On September 1, 2010, the SEC promulgated Interim Final Temporary Rule 15Ba2-6T ("IFTR 15Ba2-6T"), and Form MA-T,1, to create a means for municipal advisors to temporarily register with the SEC.
9.2.2010	SEC CHARGES INVESTMENT ADVISER IN NEW JERSEY WITH OPERATING A MULTIMILLION-DOLLAR FRAUD SCHEME (Link to Release)	• The SEC filed a complaint against a New Jersey investment adviser and three firms founded by the adviser for operating a multimillion-dollar fraud scheme. • The complaint alleges that the adviser sold phony promissory notes raising approximately $11 million from retired or unsophisticated investors. • The complaint further alleges that the defendant made claims of inflated tax-exempt returns and investments being made in loans to doctors that were reimbursed by Medicare. • The complaint charges the defendant with violations of Sections 5(a), 5(c) and 17(a) of the 1933 Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and violations of Sections 206(1) and 206(2) of the Advisers Act.
9.9.2010	ADOPTION OF UPDATED EDGAR FILER MANUAL (Link to Release)	• The SEC is adopting revisions to the Electronic Data Gathering, Analysis, and Retrieval System (EDGAR) Filer Manual to reflect updates to the EDGAR system. • The revisions are being made primarily to support the electronic filing of Form N–MFP (Monthly Schedule of Portfolio Holdings of Money Market Funds) and any amendments to the form. • The revisions to the Filer Manual reflect changes within Volume II, Version 15 (August 2010). The updated manual will be incorporated by reference into the Code of Federal Regulations.

9.14.2010	***HEDGE FUND MANAGER FOUND LIABLE FOR SECURITIES FRAUD*** ***(Link to Release)***	• *On September 13, 2010, following a three-day trial, a federal court found a hedge fund manager, along with several investment advisory entities he managed, liable for securities fraud.* • *The original complaint alleged that the hedge fund manager made material false statements to issuers in connection with two unregistered private investments in public equities (PIPES).* • *In both scenarios, the defendant allegedly represented in the purchase agreement that he did hold a position directly or indirectly in a particular security; however, defendant had established an option on a basket of securities, which included that particular security.* • *The court found the defendant in violation of Section 10(b), the antifraud provision of the Exchange Act, and Rule 10b-5 thereunder.*
9.15.2010	***RESCISSION OF RULES PERTAINING TO THE PAYMENT OF BOUNTIES FOR INFORMATION LEADING TO THE RECOVERY OF CIVIL PENALTIES FOR INSIDER TRADING*** ***(Link to Release)***	• *The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") repealed former Section 21A(e) of the Exchange Act, which previously authorized the SEC to make monetary awards to persons who provided information leading to the recovery of civil penalties for insider trading violations.* • *Because the statutory basis for the insider trading bounty program has been removed, the SEC is rescinding rules promulgated to administer the program.*
9.15.2010	***INTERNAL CONTROL OVER FINANCIAL REPORTING IN EXCHANGE ACT PERIODIC REPORTS OF NON-ACCELERATED FILERS*** ***(Link to Release)***	• *The SEC is adopting amendments to its rules and forms to conform them to Section 404(c) of the Sarbanes-Oxley Act, as added by Section 989G of the Dodd-Frank Act.* • *Section 404(c) provides that Section 404(b) of the Sarbanes-Oxley Act shall not apply to any audit report prepared for an issuer that is neither an accelerated filer nor a large accelerated filer as defined in Rule 12b–2 under the Exchange Act.*
9.16.2010	***JUDGMENT OF PERMANENT RELIEF ENTERED AGAINST DEFENDANT*** ***(Link to Release)***	• *The U.S. District Court for the Southern District of Florida entered a judgment of permanent injunction and other relief against the defendant, enjoining him from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(a) of the Exchange Act, and Sections 206(1) and 206(2) of the Advisers Act.* • *In addition to injunctive relief, the judgment orders the defendant to pay disgorgement and a civil penalty, in an amount to be determined at a later date.* • *In June 2010, the SEC had charged an investment adviser and two of its managing members with fraud, alleging that the defendants convinced three private investment clubs to invest with them based on promises of significant returns, but then used the funds to pay their own salaries, and to cover business and other unrelated expenses.* • *Certain of the defendants had previously agreed to settle the charges, freeze assets and disgorge funds deemed by the court to have resulted from the scheme.*

9.17.2010	***SHORT-TERM BORROWINGS DISCLOSURE*** ***(Link to Release)***	• *The SEC is proposing amendments relating to disclosure that registrants provide about short-term borrowings, which would require a registrant to provide, in a separately captioned subsection of Management's Discussion and Analysis of Financial Condition and Results of Operations, a comprehensive explanation of its short-term borrowings, including both quantitative and qualitative information.* • *The proposed amendments would be applicable to annual and quarterly reports, proxy or information statements that include financial statements, registration statements under the Exchange Act and the 1933 Act.* • *The SEC is also proposing conforming amendments to Form 8–K so that the Form would use the terminology contained in the proposed short-term borrowings disclosure requirement.* • *In a companion release, the SEC provides interpretive guidance that is intended to improve overall discussion of liquidity and capital resources in Management's Discussion and Analysis of Financial Condition and Results of Operations in order to facilitate understanding by investors of the liquidity and funding risks facing the registrant.*
9.29.2010	***MASSACHUSETTS INVESTMENT ADVISER CHARGED WITH FRAUD*** ***(Link to Release)***	• *The SEC filed charges against a Massachusetts investment adviser for fraud based on material misrepresentations and omissions allegedly made by the adviser to his brokerage customers.* • *The complaint alleges that the defendant was a registered representative of a broker-dealer and controlled more than 300 accounts that represented approximately $100 million in assets.* • *The defendant resigned and opened his own investment advisory firm and proceeded to inform his previous clients that their accounts were being transferred at the request of the original broker-dealer. He allegedly doubled the investment advisory fee and requested investors to sign new advisory and custodian agreements to avoid any disruption in service.* • *The complaint alleges the defendant violated Sections 17(a) of the 1933 Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 204A, 206, 207 of the Advisers Act and Rules 204A-1 and 206(4)-7 thereunder. The SEC seeks the entry of a permanent injunction, disgorgement of ill-gotten gains plus pre-judgment interest, and the imposition of civil monetary penalties.*
9.29.2010	***REMOVAL FROM REGULATION FD OF THE EXEMPTION FOR CREDIT RATING AGENCIES*** ***(Link to Release)***	• *The SEC adopted amendments that implement Section 939B of the Dodd-Frank Act, which requires that the SEC amend Regulation FD to remove the specific exemption for disclosures made to nationally recognized statistical rating organizations and credit rating agencies for the purpose of determining or monitoring credit ratings.*
9.30.2010	***DEFENDANT SENTENCED TO SIX YEARS' IMPRISONMENT AND $1 MILLION IN RESTITUTION IN CONNECTION WITH MAIL FRAUD AND FALSE TAX RETURN CHARGES***	• *An Ohio resident acting as an unregistered investment adviser was convicted in connection with a fraudulent offering scheme that targeted approximately 26 retired fireman and police officers.* • *The complaint alleged that the defendant informed investors that the monies invested would be used for stocks and options, when, instead, the defendant used the almost $620,000 for personal business ventures.* • *The complaint alleged violations of Section 17(a) of the 1933 Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and*

	(Link to Release)	*Sections 206(1) and 206(2) of the Advisers Act.* • *The order required the defendant to pay disgorgement in the amount of $621,000, plus prejudgment interest of $95,406. The defendant was also ordered to pay a civil penalty in the amount of $130,000, and an administrative order was issued barring the defendant from association with any investment adviser.*