

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4156 / August 5, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16723

In the Matter of

Charles K. Mosley,

Respondent.

ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Charles K. Mosley (“Respondent” or “Mosley”).

II.

After an investigation, the Division of Enforcement alleges that:

A. Respondent

1. Mosley, age 50, was the senior vice-president and portfolio manager for Sentinel Management Group, Inc. (“Sentinel”), an investment adviser registered with the Commission, from October 2002 until August 2007, which includes the period of the conduct underlying the criminal Plea Agreement described below. He resides in Vernon Hills, Illinois.

B. Respondent’s Criminal Guilty Plea

2. On May 31, 2012, Mosley was indicted in the United States District Court for the Northern District of Illinois, alleging that he engaged in wire fraud in violation of 18 U.S.C. §1343 and investment adviser fraud in violation of 15 U.S.C. §§80b-6(1) and (2), and 80b-17 and 15

U.S.C. §2, based on Mosley's participation in a scheme to defraud Sentinel's investment advisory clients. *United States v. Charles K. Mosley*, Case No. 12 CR 409 (N.D. Ill.).

3. On October 8, 2013, Mosley pled guilty to two counts of investment adviser fraud in violation of 15 U.S.C. §§80b-6(1) and (2), and 80b-17 and 15 U.S.C. §2, and admitted that: (1) on July 25, 2007, Mosley misrepresented to a prospective Sentinel customer the risks of investing with Sentinel and Sentinel's financial condition; and (2) on August 1, 2007, Mosley caused a false and misleading Sentinel daily account statement to be sent to a Sentinel customer.

4. In his Plea Agreement, Mosley further admitted, among other things, that, during the period from 2003 and August 10, 2007, Mosley:

a. was senior vice-president and portfolio manager of Sentinel;

b. used securities belonging to Sentinel customer portfolios as collateral for a loan from the Bank of New York ("BoNY") that Sentinel obtained to purchase millions of dollars of high-risk, illiquid collateralized debt obligations for the benefit of Sentinel's House Portfolio, without disclosing to Sentinel's customers that securities in their portfolios were being used in this manner. This strategy of using more and more borrowed money to purchase securities affected all customers, regardless of the portfolio in which they were invested, because the use of the customers' securities as collateral allowed Mosley to borrow more money than Sentinel otherwise could, and subjected customer securities to potential legal claims by creditors, and allowed Mosley to employ leverage to the extent that Sentinel itself, and all of the customer portfolios, were at increased risk of adverse market movements and insolvency;

c. traded the Sentinel House Portfolio for the benefit of Sentinel officers, including himself, defendant Bloom, certain Bloom family members, and corporate entities owned and controlled by the Bloom family. In March 2007, Mosley received a bonus of more than \$400,000 for the 2006 profits his trading generated in the Sentinel House Portfolio; and

d. at the end of 2006, entered into a sham transaction solely for the purpose of temporarily reducing the balance of Sentinel's loan from BoNY, so that Sentinel's financial statements for the year ending December 31, 2006 would show a lower BoNY loan balance, thereby concealing Sentinel's true loan balance from its regulators and customers.

5. On January 30, 2015, Mosley was sentenced in *U.S. v. Mosley* to 8 years in prison and ordered to pay approximately \$666 million in restitution, jointly and severally.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II. hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission

Brent J. Fields
Secretary