

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17506**

**SEC Charges Investment Adviser with Failing to Disclose Key Terms in Exemptive Order Application**

**Aug. 25, 2016** – The Securities and Exchange Commission today announced settled charges against California-based Orinda Asset Management, LLC (“Orinda”) for omissions of material fact in an application for exemptive relief and other disclosures filed with the SEC.

An SEC investigation found that, on April 7, 2011, Orinda and Advisors Series Trust (“AST”), an administrator-sponsored fund, filed an exemptive order application with the SEC seeking relief from the requirement to obtain shareholder approval to enter into or materially amend subadvisory agreements, as well as from certain disclosure requirements. This initial application disclosed that Orinda had entered into a side agreement with its lead subadvisor, providing for termination payments should Orinda recommend the subadvisor’s termination for something other than cause. After being informed by the staff of the SEC’s Division of Investment Management that it would not support the application with the termination payment provisions, Orinda and AST agreed to remove the provisions and filed an amended application on April 20, 2012. In the interim, however, Orinda had agreed with the subadvisor to waive its ability to terminate, or recommend the termination of, the subadvisor altogether. The termination waiver arrangement limited Orinda’s ability to oversee the subadvisor. Neither Orinda nor AST informed Investment Management staff of the revised side agreement. Pursuant to authority delegated by the SEC, Investment Management staff granted the exemptive order on May 21, 2012.

The SEC investigation also found that registration statements of each AST fund advised by Orinda filed with the Commission inaccurately stated that all of its subadvisory agreements could be terminated at any time by Orinda and failed to disclose the side agreement.

The SEC’s order instituting public administrative and cease-and-desist proceedings finds that Orinda willfully violated Section 34(b) of the Investment Company Act of 1940 and caused AST’s violations of Section 34(b) of the Investment Company Act. Without admitting or denying the findings in the SEC’s order, Orinda agreed to entry of a cease-and-desist order, a censure, and to pay a \$75,000 civil penalty.

The investigation was conducted by Paul M.G. Helms and supervised by Paul A. Montoya of the Enforcement Division’s Asset Management Unit.

**See also:** [Order](#)