

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ADMINISTRATIVE PROCEEDINGS RULINGS

Release No. 2779 / June 8, 2015

ADMINISTRATIVE PROCEEDING

File No. 3-16344

In the Matter of

EDGAR LEE GIOVANNETTI

POST-HEARING ORDER

The Securities and Exchange Commission issued an Order Instituting Proceedings (OIP) on January 16, 2015, which led to a hearing that concluded on May 29, 2015.

The Division of Enforcement called Vicki Munnerlyn Lawson as a witness in its direct case. Tr. 621.¹ Lawson's regulatory compliance firm was a consultant to CSG Holdings, LLC, the parent company of Consulting Service Group, LLC (CSG), formerly a Commission registered investment adviser. Tr. 26-28, 623. Edgar Lee Giovannetti owned approximately twenty percent of the holding company and the investment adviser. Tr. 25-28. During direct examination, Lawson described five or six loans to Giovannetti from current and former customers of the investment adviser in addition to the loan that is the subject of this proceeding, as well as his failure to report a judgment required by FINRA Form U4. Tr. 650-52. Counsel for Giovannetti moved to strike Lawson's testimony as going beyond the issues in the OIP. Tr. 653-55. I reserved ruling on the motion.

If the allegations in the OIP are shown to be true, then the issue becomes what Commission remedial action is appropriate in the public interest. The public interest standard is broad and matters outside the OIP may be relevant if it becomes necessary to decide whether it is in the public interest to impose any sanctions. *See Blinder, Robinson & Co. v. SEC*, 837 F.2d 1099, 1109 (D.C. Cir. 1988); *Don Warner Reinhard*, Exchange Act Release No. 63720, 2011 WL 121451, at *5 n.21 (Jan. 14, 2011); *Robert Bruce Lohmann*, Exchange Act Release No. 48092, 2003 WL 21468604, at *5 n.20 (June 26, 2003). Lawson's testimony that she learned, as part of her compliance duties in 2011, that Giovannetti had an undisclosed judgment and undisclosed loans from present and past customers is admissible in the event that a public interest determination becomes necessary. I do not accept the assertion by counsel for Giovannetti that he was "not prepared to deal with [these facts] because they're not part of the [OIP]." Tr. 653. There can be no reasonable dispute that counsel was aware of Giovannetti's background and could have cross-examined the witness about these issues. Accordingly, the motion to strike is DENIED.

¹ The citation is to the hearing transcript.

To reiterate and enlarge on what I stated at the conclusion of the hearing:

The parties shall file paper copies of the admitted exhibits with the Office of the Secretary and, if possible, will send to my office electronic copies of the exhibits.² *See* 17 C.F.R. §§ 201.350, .351.

The parties will send to my office a joint list describing the exhibits. This joint exhibit list should be in MS Excel or Word format and specify the exhibit number; a one line description of the exhibit; Bates-stamped numbers, if any; and page(s) in the hearing transcript at which the exhibit was offered and admitted. After review, I will send this joint exhibit list to the Secretary and it will be part of the Record Index that the Secretary will issue and to which the parties have fifteen days to offer corrections. *See* 17 C.F.R. § 201.351.

The Division's Proposed Findings and Supporting Brief is due on June 26, 2015, Respondent's Proposed Findings and Opposing Brief is due July 27, 2015, and the Division's Reply Brief is due August 14, 2015. *See* 17 C.F.R. § 201.340. It would be helpful if: proposed findings of fact were supported by record citations, and, if possible, that specific supporting language be quoted for a proposed finding; and electronic copies of proposed findings and briefs were emailed to alj@sec.gov in PDF text-searchable format or MS Word format.

Brenda P. Murray
Chief Administrative Law Judge

² No exhibits were offered and not admitted.