UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

November 4, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11728

In the Matter of **LARRY ADAMS,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Larry Adams ("Respondent" or "Adams").

II.

After an investigation, the Division of Enforcement alleges that:

Summary

1. This matter involves an improper market timing agreement entered into by Fremont Investment Advisors, Inc. ("Fremont"), a small San Francisco-based investment adviser that manages the Fremont Mutual Funds (the "Funds"). In late 2001, notwithstanding prospectus language and internal policies prohibiting market timing, Fremont struck a deal with a brokerage firm allowing a large investor to execute frequent exchanges in one of the Funds; in exchange, the investor deposited $3.7 million in long-term (or "sticky") assets with another Fremont mutual fund. Larry Adams, Fremont's then-senior vice president of institutional sales, negotiated the market-timing agreement.

2. The Funds' prospectus stated that Fremont did not permit short-term trading, market timing, or other abusive trading practices, and defined abusive trading as making six or more complete exchanges – into and out of – one fund within a twelve-month period. In addition, Fremont had a policy of blocking shareholders who attempted to time Fremont's Funds. Adams, though aware of these prohibitions, authorized this particular investor to time the Fund. The arrangement increased Fremont's advisory fees and helped boost the assets under management of one of Fremont's newer Funds, while exposing other Fremont shareholders to potential costs.

Respondent

3. Larry Adams, age 58, is a resident of Danville, California. Adams was employed by Fremont Investment Advisors, Inc., a registered investment adviser, from around February 2001 through May 2003, when he left the firm. Beginning in around August 2001, he served as vice president of institutional sales for the firm.

Other Relevant Entity

4. Fremont Investment Advisors, Inc., a Delaware corporation with headquarters in San Francisco, California, became registered with the Commission as an investment adviser effective February 26, 1987. Fremont is a majority-owned subsidiary of Fremont Investors, Inc. During the relevant time period, Fremont served as an investment adviser to the Fremont Mutual Funds. The Fremont Mutual Funds are composed of 13 portfolios: nine equity funds, three fixed income funds and one money market fund. As of March 31, 2004, the Funds held total net assets of approximately $3 billion. Besides managing the Funds, Fremont also provides investment management services to individuals, pension and profit sharing plans, limited partnerships, charitable organizations and corporations. As of March 31, 2004, Fremont's assets under management including both the Funds and the management services totaled approximately $5.1 billion.

Background

5. Market timing includes (a) frequent buying and selling of shares of the same mutual fund, or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because it can dilute the value of their shares, if the market timer is exploiting pricing inefficiencies, or disrupt the management of the mutual fund's investment portfolio and can cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling or shares by the market timer, or can cause shareholders to lose the opportunity for potential price increases in the underlying share prices and the fund's daily net asset value.

6. From at least 2000 through October 2002, the Fremont Mutual Funds' prospectus represented that the Funds did not permit "excessive short-term trading, market-timing, or other abusive trading practices in our Funds." In addition, the Funds reserved the right to reject any purchase order (including exchanges) from any investor who had a history of abusive trading or

traded in a disruptive manner in the Fund. Abusive trading was defined as "making six or more complete exchanges – into and out of – one fund within a 12-month period." Adams knew, should have known, or was reckless in not knowing of this prospectus language.

7. Fremont also employed an individual whose primary responsibility was to identify and block all market timers in the Funds. This individual, referred to as Fremont's "timing cop," blocked timers on a daily basis. Adams knew, should have known, or was reckless in not knowing about Fremont's practices to prevent market timing.

Adams Negotiates a Market Timing Agreement

8. In or about October 2001, Fremont entered into a written market timing arrangement with brokerage firm Brean Murray & Co., Inc. (the "broker") that allowed the broker's client Canary Capital Partners, Ltd. ("Canary Capital" or the "customer") to time the Fremont U.S. Micro Cap Fund. Adams negotiated the agreement on behalf of Fremont. The arrangement provided that the customer could make up to three round trip securities trades per *month* (in contrast with the five per *year* maximum set forth in the Funds' prospectus). As part of the arrangement, the customer agreed to invest $10 million in the New Era Value Fund, a Fremont Fund founded a short time before and co-managed by Fremont's then-CEO.

9. Shortly thereafter, the customer began timing the U.S. Micro Cap Fund. From October 19, 2001, through October 25, 2002, the customer made twenty complete exchanges between the U.S. Micro Cap Fund and Fremont's money market fund, well in excess of the five-exchange limitation set forth in the prospectus. The amount of each exchange varied from between $13 million to $17 million. The total amount traded over the course of the year was in excess of $600 million. These investments generated approximately $104,000 in advisory fees for Fremont.

10. As had been agreed, the customer made a long-term investment (the so-called "sticky" asset) in the New Era Value Fund (though only $3.7 million was ultimately invested, rather than the full $10 million set forth in the written agreement). The customer maintained this investment in the New Era Value Fund from October 15, 2001 until November 19, 2002. The "sticky" asset generated an additional $27,000 in advisory fees for Fremont.

11. At no time did Fremont or Adams notify the Funds' shareholders that Fremont was permitting a favored investor to time the Funds while excluding others from exceeding the five-exchange limitation. Nor did Fremont or Adams disclose Fremont's potential conflict of interest as a result of the increased fees and assets under management the deal generated.

Violations

12. As a result of the conduct described above, Adams willfully aided and abetted and caused Fremont's violation of Sections 206(1) and 206(2) of the Advisers Act in that Fremont, while acting as investment adviser, employed devices, schemes, or artifices to defraud clients or prospective clients; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. Specifically, Adams

negotiated an agreement whereby, in exchange for “sticky” assets, Canary Capital was permitted to engage in market timing notwithstanding a prohibition on market timing in the Funds’ prospectus and an internal policy of barring investors from timing the Funds, and he failed to disclose the special arrangement and Fremont’s conflict of interest to the Funds’ shareholders.

13. As a result of the conduct described above, Adams willfully aided and abetted and caused Fremont’s violations of Section 34(b) of the Investment Company Act, in that Fremont made an untrue statement of material fact in a registration statement, application, report, account, record, or other document filed or transmitted pursuant to the Investment Company Act, or omitted to state therein any fact necessary in order to prevent the statement made herein, in the light of the circumstances under which they were made, from being materially misleading.

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 and cease-and-desist proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, civil penalties and disgorgement pursuant to Sections 203(i) and Section 203(j) of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, civil penalties and disgorgement pursuant to Sections 9(d) and 9(e) of the Investment Company Act; and

D. Whether, pursuant to Section 203(k) of the Advisers Act, and Section 9(f) of the Investment Company Act, Respondent should be ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act and Section 34(b) of the Investment Company 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 not earlier than 30 days and not later than 60 days from service of this Order 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), 221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 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.

Jonathan G. Katz
Secretary