

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

ADMINISTRATIVE PROCEEDINGS RULINGS

Release No. 2061/November 28, 2014

ADMINISTRATIVE PROCEEDING

File No. 3-15617

In the Matter of

LARRY C. GROSSMAN and
GREGORY J. ADAMS

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POSTHEARING ORDER

The Securities and Exchange Commission instituted this proceeding on November 20, 2013. The hearing concluded on April 8, 2014. The last filing occurred on November 18, 2014. An Initial Decision is due by December 29, 2014.

At the conclusion of the examination of Larry C. Grossman (Grossman) at the hearing, his counsel attempted to ask Grossman questions and introduce evidence concerning a check Grossman wrote to the IRS in connection with the transfer of funds into the country and “settlement payments” he made to a client who filed a complaint against Grossman and Sovereign International Asset Management, Inc. Tr. 772-81. Grossman’s counsel stated that the proposed evidence would show a prior payment that would serve as an offset against any potential disgorgement order against Grossman in this proceeding. Tr. 772-81. The Division of Enforcement (Division) objected on grounds of relevancy based on case law purportedly disqualifying payments made in private litigation from offsetting disgorgement in a Commission proceeding and Grossman’s failure to raise setoff, recoupment, or offset as an affirmative defense. I ruled for the Division and did not allow the questions or material into evidence, but allowed Grossman to make an offer of proof that, if permitted, he would introduce a wire transfer to a private litigant for settlement in the amount of \$403,385. I also allowed a check from Grossman to the IRS for \$1,373,289.47, to be marked for identification as Grossman Exhibit 91. Tr. 779-81. At the hearing, I stated that if after determining liability, I reached the issue of sanctions, I would call for an additional filing. Tr. 778.

Ruling

I ORDER that Grossman supply for the record by December 12, 2014, a copy of the complaint in the private litigation resulting in the \$403,385 settlement, the wire transfer of \$403,385 to a complainant, and what was marked as Grossman Exhibit 91. The Division’s opposition to the introduction of these materials into evidence is already a matter of record.

Brenda P. Murray
Chief Administrative Law Judge