

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 8847 / September 26, 2007

SECURITIES EXCHANGE ACT OF 1934

Release No. 56539 / September 26, 2007

INVESTMENT ADVISERS ACT OF 1940

Release No. 2661 / September 26, 2007

INVESTMENT COMPANY ACT OF 1940

Release No. 27996 / September 26, 2007

ADMINISTRATIVE PROCEEDING

File No. 3-12837

In the Matter of

**MUTUALS.COM, INC.,
CONNELY DOWD
MANAGEMENT, INC.,
MTT FUND CORP, INC.,
RICHARD SAPIO,
ERIC MCDONALD and
MICHELE LEFTWICH,**

Respondents.

**: ORDER INSTITUTING
: ADMINISTRATIVE AND CEASE-AND-
: DESIST PROCEEDINGS, MAKING
: FINDINGS AND IMPOSING
: REMEDIAL SANCTIONS AND CEASE-
: AND-DESIST ORDERS PURSUANT TO
: SECTION 8A OF THE SECURITIES
: ACT OF 1933, SECTIONS 15(b) and 21C
: OF THE SECURITIES EXCHANGE
: ACT OF 1934, SECTIONS 203(e) AND
: 203(f) 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 Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Mutuals.com, Inc., Connely Dowd Management, Inc., MTT Fundcorp, Inc. (collectively, the “Corporate Respondents”), Richard Sapio, Eric McDonald and Michele Leftwich (collectively, the “Individual Respondents”); Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against the Corporate Respondents; and Section 203(f) of the Advisers Act and

Section 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against the Individual Respondents.

II.

In anticipation of the institution of these proceedings, the Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction and the subject matter of these proceedings, which are admitted, the Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Orders Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e) and 203(f) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and the Respondents’ Offer, the Commission finds¹ that:

Summary

1. From at least July 2001 until September 2003 (the “relevant period”), Mutuals.com, and two affiliated broker-dealers, Connely Dowd Management, Inc. (“CDM”) and MTT Fundcorp, Inc. (“MTT”), provided market timing and late trading services to at least 11 institutional clients and customers, including various hedge funds or their advisers. The Corporate Respondents, and the firms’ three principals, Sapio, McDonald and Leftwich, defrauded hundreds of mutual funds and their shareholders by engaging in a series of deceptive activities designed to circumvent the restrictions on market timing imposed by those mutual funds. In addition, the Respondents defrauded some of the same mutual funds and their shareholders by systematically engaging in late trading in the mutual funds’ shares.

2. The Respondents caused harm to mutual fund companies and their shareholders by diluting the value of the mutual fund shares and increasing the transaction costs associated with the management of the mutual funds. As a result, the Respondents violated and aided and abetted and caused violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; the Corporate Respondents violated and the Individual Respondents aided and abetted and caused violations of Section 15(c)(1) of the Exchange Act; and the Respondents aided and abetted and caused violations of Rule 22c-1 promulgated under the Investment Company Act.

¹ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondents²

3. **Mutuals.com, Inc.** (“Mutuals.com”) of Dallas, Texas was dually registered with the Commission as a broker-dealer (since August 8, 1994) and investment adviser (since November 9, 1999). During the relevant period, Mutuals.com was wholly owned by Mutuals.com Holding Corp., Inc., a private corporation that changed its name to Mutuals Capital Alliance, Inc (“MCA”). In its role as a broker-dealer, Mutuals.com assisted hedge funds and other institutional investors in purchasing shares of unrelated, third-party mutual funds. Mutuals.com filed a Form BDW with the NASD on or about June 15, 2005.

4. **Connely Dowd Management, Inc.** (“CDM”) registered with the Commission as a broker-dealer on March 31, 2003. CDM was wholly owned by MCA. During the relevant period, CDM assisted hedge funds and other institutional investors in purchasing shares of unrelated, third-party mutual funds. CDM filed a Form BDW with the NASD on or about July 6, 2004.

5. **MTT Fundcorp, Inc.** (“MTT”) registered with the Commission as a broker-dealer on March 31, 2003. MTT was wholly owned by MCA. During the relevant period, MTT assisted hedge funds and other institutional investors in purchasing shares of unrelated, third-party mutual funds. MTT filed a Form BDW with the NASD on or about July 6, 2004.

6. **Richard Sapio**, age 52, was the Chief Executive Officer of Mutuals.com and its affiliated broker-dealers and a 57% shareholder of MCA. Sapio is an officer of MCA, a holding company that owns an investment adviser to two registered investment companies and is a 57% shareholder of MCA. During the relevant period, as defined below, Sapio had the following NASD licenses: General Securities Representative (Series 7), General Securities Principal (Series 24), Financial and Operations Principal (Series 27), Municipals Securities Representative (Series 52), Municipals Securities Principal (Series 53), and Registered Investment Adviser (Series 65).

7. **Eric McDonald**, age 34, was President of Mutuals.com and CDM. In that capacity, McDonald was responsible for all mutual fund trading at Mutuals.com and CDM and served as Mutuals.com’s Assistant Supervisory Officer. During the relevant period, as defined below, McDonald had the following NASD licenses: General Securities Representative (Series 7), General Securities Principal (Series 24), Options Principal (Series 4), and Registered Investment Adviser (Series 65).

8. **Michele Leftwich**, age 37, was Mutuals.com’s Compliance Officer and President of MTT. She also served as Mutuals.com’s Chief Supervisory Officer and oversaw all trading activities at Mutuals.com. During the relevant period, as defined below, Leftwich had the

² The Commission filed suit against the Respondents on December 4, 2003, alleging violations of the federal securities law relating to market timing and late trading of mutual fund shares. *SEC v. Mutuals.com, Inc., et al.*, Civ. No. 303-CV-2912 (NDTX, December 4, 2003); Lit. Rel. No. 18489 (December 4, 2003). At the request of the Commission and the Respondents, the Commission’s action was dismissed, and the Respondents agreed to the entry of this Order.

following NASD licenses: General Securities Representative (Series 7), General Securities Principal (Series 24), and Investment Company Products/Variable Contracts Representative (Series 6).

Background

9. “Market timing” includes: (i) frequent buying and selling of shares of the same mutual fund or (ii) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing can harm other mutual fund shareholders because it can dilute the value of their shares. Market timing, while not illegal per se, can also disrupt the management of the mutual fund’s investment portfolio and cause the targeted mutual fund to incur considerable extra costs associated with excessive trading and, as a result, cause damage to other shareholders in the funds. Market timing may be illegal, for example, if deception is used to induce a mutual fund to accept trades that it otherwise would not accept under its own market timing policies.

10. “Late trading” is the practice of placing orders to buy, redeem, or exchange mutual fund shares after the time as of which mutual funds calculate their net asset value (“NAV”), typically 4 p.m., but receiving the price based on the prior NAV already determined as of 4 p.m. Rule 22c-1(a) under the Investment Company Act (the “forward pricing rule”) prohibits late trading. Late trading enables the trader improperly to obtain profits from market events that occur after 4 p.m., such as earnings announcements and futures trading, that are not reflected in that day’s NAV. By being able to late trade, Respondents’ clients and customers obtained trading advantages over the other shareholders of the targeted mutual funds.

The Fraudulent Market-Timing Scheme

11. During the relevant period, the Corporate Respondents had at least 11 clients and customers, the majority of which were institutional investors, and several of which were hedge funds, for which it facilitated trades of third-party mutual fund shares. The Corporate Respondents maintained brokerage and investment advisory relationships with each of its clients and customers, and received a “wrap fee” between .75% and 2% of the money it managed for those clients and customers. At the direction and with the full knowledge, approval and assistance of the Individual Respondents, the Corporate Respondents’ clients and customers consummated thousands of market timing trades in hundreds of mutual funds.

Mutuals.com Used Multiple Identifying Numbers

12. In response to the mutual funds’ efforts to restrict Mutuals.com’s market timing trading, the Respondents engaged in a scheme to circumvent market timing restrictions imposed by mutual funds through the use of: (i) multiple accounts established for the same client, (ii) multiple registered representative numbers established for the same registered representative, and (iii) multiple branch codes for the same physical location.

13. On June 19, 2001, a mutual fund company sent a letter to Mutuals.com announcing that it was blocking trading by certain accounts in two of its funds, including an international fund. The letter stated that, the mutual fund company “recognizes the negative

impact that ‘timing’ has on our shareholders and the Funds’ performance. Therefore, we reserve the right, as stated in the prospectus, to refuse any exchange or purchase request at any time without notice.” These accounts belonged to two hedge funds. Within ten days of receiving this letter, Mutuals.com opened new accounts on behalf of the hedge funds, and then used those new accounts to execute market timing trades in the above-referenced international fund. All of the shares were redeemed within one week of the purchases.

14. On September 9, 2002, Sapio and McDonald received an email from a mutual fund company stating that the mutual fund company would accept no more trades from Mutuals.com registered representative numbers 10 and 81. Four days later, on September 13, 2002, McDonald and Leftwich sent a memorandum to two clients, advising that Rep Numbers would be changed so as to “open[] access to funds like [the complaining mutual fund].” Thereafter, Mutuals.com placed trades on behalf of the two clients in funds of the complaining mutual fund using dozens of account numbers that had been assigned new registered representative numbers. These trades represented at least 850,000 shares of the complaining mutual funds, valued in excess of \$12 million.

15. During the relevant period, Mutuals.com, at the direction of the Individual Respondents, placed mutual fund trades through its primary clearing brokers using two different “branch codes”: 4MU and 5MU. Although branch codes are usually used by broker-dealers to identify different branch office locations, these branch codes did not represent different physical locations. Mutuals.com used these two branch codes to circumvent mutual funds’ restrictions on market timing transactions. For example, a small cap growth fund prospectus provides that it “restricts excessive trading (usually defined as more than four exchanges out of the Fund within a calendar year),” and that it “reserves the right to . . . refuse any purchase or exchange request that could adversely affect [the] Fund or its operations, including those from any individual or group who, in the Fund’s view, are likely to engage in excessive trading.” On February 26, 2002, Sapio and McDonald received an email from its primary clearing broker containing a list of mutual funds that had complained about market timing trading through Mutuals.com. The email warned Mutuals.com to “avoid timing these funds in accordance with that notification and with the Fund’s prospectus.” The attached list indicated that the small cap growth fund had banned a series of accounts at Mutuals.com, all of which were associated with the branch code 4MU. In fact, Mutuals.com trading records indicate that from May 2001 through February 2002, all trading had been executed through the branch code 4MU. An internal Mutuals.com spreadsheet indicates that branch 4MU was banned from trading the family of funds affiliated with the small cap growth fund on January 16, 2003. Thereafter, all Mutuals.com transactions in the family of funds affiliated with the small cap growth fund were placed through branch code 5MU. Later, on September 10, 2003, McDonald received notice via email that the family of funds affiliated with the small cap growth fund blocked all trading by branch 5MU.

Mutuals.com Created and Used Affiliated Broker-Dealers

16. On March 31, 2003, MTT and CDM, subsidiaries of Mutuals.com Holdings Corp., Inc., were registered with the SEC as broker-dealers. Thereafter, MTT and CDM entered into clearing arrangements with two clearing broker-dealers. The Individual Respondents’ used

MTT and CDM to place market timing trades at mutual funds that had prohibited such trading at Mutuals.com.

17. As noted above, Leftwich and McDonald were not only executives at Mutuals.com, but were also the Presidents of MTT and CDM, respectively. The mailing addresses for MTT and CDM were in Dallas, Texas but not at the offices of Mutuals.com, where both Leftwich and McDonald worked. Instead, MTT's "address" was a mailbox at a Mailboxes, Etc., a commercial mail receiving facility, and CDM's "address" was a mailbox at "businesssuits," a mail service provider.

18. During the relevant period, approximately 47% of all trades placed by MTT and CDM were with mutual funds that had specifically complained about the short-term trading practices of Mutuals.com.

Mutuals.com Used Multiple Clearing Firms to Disguise Its Identity

19. In mid-2002, in response to demands by mutual fund companies, Mutuals.com's primary clearing broker-dealer restricted Mutuals.com's ability to trade with numerous mutual fund companies.

20. In January 2003, Mutuals.com contemplated entering into agreements to clear mutual fund trades through two additional clearing broker-dealers. In a letter dated January 17, 2003, Sapio advised Mutuals.com's primary clearing broker-dealer that "Mutuals.com is planning to enter into an additional clearing agreement . . . due to our trading limitations" at Mutuals.com's primary clearing broker-dealer. Sapio requested that Mutuals.com's primary clearing broker-dealer acknowledge that it was aware that Mutuals.com was entering into this relationship with an additional clearing broker-dealer by signing and returning the letter. The primary clearing broker-dealer did so, but acknowledged in the letter "that this agreement between Mutuals.com and [the new clearing broker-dealer] is to facilitate market-timing mutual funds trading which [the primary clearing broker-dealer] chooses not to clear for Mutuals.com (only)."

21. Mutuals.com began placing mutual fund trades through two additional clearing broker-dealers in or about March 2003 and in or about May 2003, respectively.

22. During the relevant period, approximately 51% of all trades placed by Mutuals.com through the new clearing broker-dealers were with mutual funds that had specifically complained about the short-term trading practices of Mutuals.com.

The Fraudulent Late Trading Scheme

23. During the relevant period, Respondents engaged in a fraudulent scheme to late trade mutual fund shares on behalf of certain of their market timing clients and customers. Respondents effected mutual fund trades for orders they received after 4:00 p.m. ET, allowing their clients and customers to receive the same-day NAV pricing on those trades (as though the orders were received prior to the close of the stock market at 4 p.m. ET, the time as of which the funds calculated their NAV). This scheme allowed Mutuals.com clients and customers to

capitalize on news events or market changes occurring after the 4 p.m. ET close of the stock market. Generally, Respondents' clients and customers sent Mutuals.com a list of their proposed trades before 2:30 p.m. each day. These proposed trades reflected only tentative trading instructions. Mutuals.com did not execute the proposed trades until the customer subsequently approved the order, orally or via e-mail or facsimile. These approvals were almost uniformly received after 4:00 p.m. ET. Respondents were aware that their clients and customers were taking advantage of post-4:00 p.m. market news in determining whether to effect transactions.

24. On May 28, 2003, McDonald confirmed in an email to one of the Corporate Respondents' customers that the broker-dealer would facilitate late trades that were placed after 4:00 p.m. ET. Similarly, on June 19, 2003, Sapio told the same customer that it had until 3:30 p.m. CT "to get all trades in." The Corporate Respondents, with the knowledge and approval of the Individual Respondents, failed to disclose to the mutual funds that they received trading instructions from customers after the 4:00 p.m. ET deadline.

Violations

25. As a result of the conduct described above, the Respondents willfully violated Section 17(a) of the Securities Act in that they, by the use of the means of instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, in the offer or sale of securities, employed devices, schemes or artifices to defraud; obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers or prospective purchasers of such securities, as described above. Further, the Respondents knowingly or recklessly provided substantial assistance to, and thus willfully aided and abetted and caused, the violations of Section 17(a) of the Securities Act committed by their clients and customers in connection with the market timing and late trading transactions alleged above.

26. As a result of the conduct described above, the Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in that they, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit, as described above. Further, the Respondents knowingly or recklessly provided substantial assistance to, and thus willfully aided and abetted and caused, the violations of Section 10(b) of the Exchange Act and Rule 10b-5 committed by their clients and customers in connection with the market timing and late trading transactions alleged above.

27. As a result of the conduct described above, the Corporate Respondents, directly or indirectly, and by the use of the means or instrumentalities of interstate commerce or of the mails, effected transactions in, or induced or attempted to induce the purchase or sale of a security by means of a manipulative, deceptive, or other fraudulent device or contrivance. As a result, the Corporate Respondents, acting with knowledge, willfully violated Section 15(c)(1) of

the Exchange Act. The Individual Respondents knowingly or recklessly provided substantial assistance to, and thus willfully aided and abetted and caused the violations of Section 15(c)(1) of the Exchange Act committed by the Corporate Respondents.

28. The Corporate Respondents cleared transactions in fund shares through various clearing firms. The Corporate Respondents, by engaging in the conduct described above, sold, redeemed or repurchased the shares of registered investment companies at prices not based upon the current net asset value of such securities as next computed after receipt of the orders to sell, redeem, or repurchase the shares of such registered investment companies. By engaging in the conduct described above, the Respondents willfully aided and abetted and caused the funds' or certain clearing firms' violations of Rule 22c-1 promulgated under Section 22(c) of the Investment Company Act.

Disgorgement and Civil Penalties

29. Corporate Respondents have submitted sworn Statements of Financial Information dated December 8, 2006 and other evidence and have asserted their inability to pay disgorgement plus prejudgment interest and a civil penalty.

30. Respondent McDonald has submitted a sworn Statement of Financial Condition dated May 30, 2006 and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

31. Respondent Leftwich has submitted a sworn Statement of Financial Condition dated May 30, 2006 and other evidence and has asserted her inability to pay disgorgement plus prejudgment interest and a civil penalty.

Undertakings

32. The Corporate Respondents and their successors in interest shall cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in this Order. In connection with such cooperation, the Corporate Respondents have undertaken:

- a. to produce promptly, without service of a notice or subpoena, any and all documents and other information requested by the Commission's staff in their possession and control, that is (i) within the scope of an appropriate confidentiality agreement and (ii) generated in connection with the conduct described herein;
- b. to use its best efforts to cause its employees to be interviewed by the Commission's staff at such times as the Commission's staff reasonably may request; and
- c. to use its best efforts to cause its employees to appear and testify truthfully and completely without service of a notice or subpoena in such investigations, depositions, hearings or trials as the Commission's staff

reasonably may request; and that in connection with any testimony of the Corporate Respondents to be conducted at deposition, hearing or trial pursuant to a notice or subpoena, the Corporate Respondents:

- i. agree that any such notice or subpoena for appearance and testimony may be served by regular mail on their attorneys:

Kirkpatrick & Lockhart Preston Gates Ellis LLP
Attn: Stephen G. Topetzes
1601 K Street, N.W.
Washington, District of Columbia 20006

- ii. agree that any such notice or subpoena for the Corporate Respondents' appearance and testimony in an action pending in a United States District Court may be served, and may require testimony, beyond the territorial limits imposed by the Federal Rules of Civil Procedure.

33. The Individual Respondents shall cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in this Order. In connection with such cooperation, Sapio, McDonald and Leftwich each has undertaken:

- a. to produce promptly, without service of a notice or subpoena, any and all documents and other information requested by the Commission's staff in their possession and control that is (i) within the scope of an appropriate confidentiality agreement and (ii) generated in connection with the conduct described herein;
- b. to use their best efforts to be interviewed by the Commission's staff at such times as the Commission's staff reasonably may request; and
- c. to use their best efforts to appear and testify truthfully and completely without service of a notice or subpoena in such investigations, depositions, hearings or trials as the Commission's staff may reasonably request; and that in connection with any testimony to be conducted at deposition, hearing or trial pursuant to a notice or subpoena, Sapio, McDonald and Leftwich each:
- d. agrees that any such notice or subpoena for his appearance and testimony may be served by regular mail on their attorneys:

Baker & McKenzie LLP
Attn: Elizabeth L. Yingling
2300 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201

- e. agrees that any such notice or subpoena for his appearance and testimony in an action pending in a United State District Court may be served, and may require testimony, beyond the territorial limits imposed by the Federal Rules of Civil Procedure.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Respondents' Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Sections 203(e) and 203(f) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act;

B. Respondents shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

C. Corporate Respondents shall cease and desist from committing or causing any violations and Individual Respondents shall cease and desist from causing any violations and any future violations of Section 15(c)(1) of the Exchange Act;

D. Respondents shall cease and desist from causing any violations and any future violations of Rule 22c-1 under the Investment Company Act;

E. Corporate Respondents Mutuals.com, CDM and MTT, shall pay, jointly and severally, disgorgement of \$4,580,798, plus prejudgment interest of \$1,042,492, but that payment of such amount is waived based upon Respondents' sworn representations in their Statement of Financial Condition dated June 30, 2006, and other documents submitted to the Commission. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and prejudgment interest. No other issue shall be considered in connection with such a petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

F. Respondent Sapio shall, within 90 days of the entry of this order, pay disgorgement of \$57,674, and prejudgment interest of \$11,055, for a total amount of \$68,729, into the United States Treasury. Such payment shall be: (1) made by United States postal money order, certified check, bank cashier's check or bank money order; (2) made payable to the

Securities and Exchange Commission; (3) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (4) submitted under cover letter that identifies Sapio as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Rose Romero, Regional Administrator, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Unit 19, Fort Worth, Texas, 76102; and

G. Respondent Sapio shall, within 90 days of the entry of this Order, pay a civil money penalty in the amount of \$120,000 to the United States Treasury. Such payment shall be: (1) made by United States postal money order, certified check, bank cashier's check or bank money order; (2) made payable to the Securities and Exchange Commission; (3) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (4) submitted under cover letter that identifies Sapio as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Rose Romero, Regional Administrator, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Unit 19, Fort Worth, Texas, 76102.

H. Respondent McDonald shall pay disgorgement of \$59,322, plus prejudgment interest of \$11,371, but that payment of such amount is waived based upon Respondent's sworn representations in his Statement of Financial Condition dated May 30, 2006 and other documents submitted to the Commission. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with such a petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

I. Respondent Leftwich shall pay disgorgement of \$39,635, plus prejudgment interest of \$7,597, but that payment of such amount is waived based upon Respondent's sworn representations in her Statement of Financial Condition dated May 30, 2006 and other documents submitted to the Commission. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with such a petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered;

or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

J. Respondent Sapio be, and hereby is barred from association with any broker, dealer or investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, with a right to reapply to the Commission to serve or act in any such capacities after five years from the date of this Order, provided however, that Sapio may continue to serve or act as an officer and/or director of MCA provided that: (i) MCA does not, during the 5-year period commencing on the date of this Order, acquire any interest in, otherwise form, or operate any broker-dealer; (ii) Sapio does not receive any income, dividend, distribution or operating profits of any investment adviser owned by, or affiliated with MCA during the 5-year period commencing on the date of this Order; and (iii) Sapio shall not possess or exercise voting control with respect to his MCA shares concerning the operations of any investment adviser owned by, or affiliated with MCA during the pendency of the bar. Any reapplication for association by Respondent Sapio will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Sapio, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for this Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for this Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for this Commission order;

K. Respondents McDonald and Leftwich be, and hereby are barred from association with any broker, dealer or investment adviser, and are prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, with a right to reapply to the Commission to serve or act in any such capacities after five years from the date of this Order. Any reapplication for association by Respondents McDonald or Leftwich will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondents, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for this Commission Order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for this Commission Order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for this Commission Order.

By the Commission.

Nancy M. Morris
Secretary